Name of Issuer: The Port Authority of New York and New Jersey

Name of Issue: The Port Authority of New York and New Jersey, Consolidated Bonds, One Hundred Eighty-first Series
Six Digit Base CUSIP Number(s): 733581, 733580, 73358E, 73358T, 73358W, 73359A, 73359B
Nine Digit CUSIP Number(s):
73358WRP1, 73358WRQ9, 649519BP9, 649519BR5, 649519BS3, 649519BQ7, 649519BU8, 649519BV6, 645918Y64, 645918Y72, 645918Y80, 645918Y98, 645918Z22, 645918Z30, 6459182E2, 645918Z48, 645918Z55, 645918Z63, 645918Z71, 645918Z89, 645918Z97, 6459182A0, 6459182B8, 6459182F9, 6459182D4, 6459182C6
Type of Filing: Electronic (PDF attached is 228 pages)

Type of information being provided: Attached is the Preliminary Official Statement in connection with the issuance of $1 Billion Port Authority of New York and New Jersey Consolidated Bonds, One Hundred Eighty-first Series.
I hereby represent that I am authorized by the issuer to distribute this information publicly.
Issuer Contact:
Michael Percival - Debt Manager
Port Authority of New York and New Jersey
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NEW ISSUE — SUBJECT TO FEDERAL TAXATION

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 16, 2014

$1,000,000,000* THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY CONSOLIDATED BONDS, ONE HUNDRED EIGHTY-FIRST SERIES

The Bonds are direct and general obligations of The Port Authority of New York and New Jersey pledging the full faith and credit of the Port Authority for the payment of principal thereof and interest thereon. The Bonds are secured equally and ratably with all other Consolidated Bonds (which includes Consolidated Notes) heretofore or hereafter issued by a pledge of (a) the net revenues of all existing facilities of the Port Authority and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds, (b) the General Reserve Fund of the Port Authority equally with other obligations of the Port Authority secured by the General Reserve Fund and (c) the Consolidated Bond Reserve Fund established in connection with Consolidated Bonds. The Port Authority has no power to levy taxes or assessments. The Port Authority's bonds, notes and other obligations are not obligations of the States of New York and New Jersey or of either of them, and are not guaranteed by said States or by either of them.

Dated: Date of delivery.

Maturity Date: August 1, 2046*, subject to optional redemption and mandatory periodic retirement prior to maturity. (See "*Optional Redemption*," below and pp. I-5 — I-6 and "*Mandatory Periodic Retirement*," below and pp. I-6 — I-7).

Optional Redemption*: The Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time, in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at the "Make-Whole Redemption Price," as defined at "*Optional Redemption*," pp. I-5 — I-6.

Mandatory Periodic Retirement: When necessary to meet the schedule of mandatory periodic retirement for the Bonds, the Bonds shall be subject to redemption on prior notice on August 1, 2042 and on any August 1 thereafter prior to maturity, at 100% of face value, plus accrued interest until the date fixed for redemption.

Interest: Interest on the Bonds shall accrue on and after the date of delivery upon original issuance of the Bonds until the maturity of the Bonds or, to the extent applicable, the prior redemption thereof, and shall be payable semiannually commencing on August 1, 2014 and on each February 1 and August 1 thereafter until the maturity of the Bonds, or, to the extent applicable, the prior redemption thereof, at the stated rate of interest per annum specified for the Bonds.

Ratings: Each rating below 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 the Bonds or as to market price or suitability of the Bonds 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 on the Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating on the Bonds may have an effect on the market price of the Bonds.

Moody's Investors Service: Standard & Poor's: Fitch Ratings:

Delivery: The Bonds shall be delivered upon original issuance on or about January 30, 2014, on a full book-entry basis for certain authorized purposes. (See "*Purposes*," p. I-5, "*Denominations, Registration and Exchange*," p. I-7 and "*Delivery*," p. I-10.)

Legal Opinion: In connection with the delivery upon original issuance of the Bonds by the Port Authority to the Underwriters (as defined at "*Underwriting*," pp. I-22 — I-23), General Counsel of the Port Authority shall render a legal opinion on such date of delivery, to the effect that the Bonds and interest (including that portion of any original issue discount accruing in any year) thereon will be exempt from any and all taxation (except estate, inheritance and gift taxes) imposed directly thereon by the States of New York and New Jersey or by any political subdivision thereof, to the extent and as set forth in the legal opinion of General Counsel of the Port Authority. (See "*Delivery*," p. I-10 and "*Form of Legal Opinion of General Counsel of the Port Authority*," pp. VII-10 — VII-11.) Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriters.

Certain Federal Tax Matters: The legal opinion to be rendered as aforesaid will also indicate that General Counsel of the Port Authority is of the opinion that interest (including that portion of any original issue discount accruing in any year) on the Bonds will not be excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). No other opinion will be expressed by General Counsel of the Port Authority with respect to the consequences of the acquisition, ownership, sale, exchange, redemption, retirement or other disposition of the Bonds arising under the Code. (See "*Delivery*," p. I-10 and "*Form of Legal Opinion of General Counsel of the Port Authority*," pp. VII-10 — VII-11.)

This is a Preliminary Official Statement which is subject to completion and amendment and is not yet formally adopted. This cover page contains certain information for quick reference only; it is not a summary of the terms of the Bonds. This Preliminary Official Statement must be read in its entirety to obtain information essential to the making of an informed decision with respect to the Bonds. The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice after January 16, 2014, and future use of this Preliminary Official Statement shall not otherwise create any implication that there has been no change in the matters referred to in this Preliminary Official Statement since January 16, 2014. The Port Authority has not taken any action in connection with this Preliminary Official Statement or the Bonds that would permit a public offering of the Bonds or the distribution of any information in connection with the Bonds and the Port Authority and its finances in any jurisdiction where action for that purpose is required. This Preliminary Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds, in any jurisdiction, to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

BofA Merrill Lynch **Barclays** **Citigroup** **RBC Capital Markets**

Academy Securities **CastleOak Securities, L.P.** **Drexel Hamilton, LLC** **Loop Capital Markets, LLC**

Ramirez & Co., Inc. **Rice Financial Products Company** **Siebert Brandford Shank & Co., L.L.C.** **The Williams Capital Group, L.P.**

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 16, 2014

$1,000,000,000*
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
CONSOLIDATED BONDS, ONE HUNDRED EIGHTY-FIRST SERIES

The purpose of this Preliminary Official Statement (including the cover page) of The Port Authority of New York and New Jersey (the "Port Authority") is to describe The Port Authority of New York and New Jersey Consolidated Bonds, One Hundred Eighty-first Series (the "Bonds") to be offered and to give pertinent data with respect to the Port Authority and its finances. The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice after January 16, 2014, and future use of this Preliminary Official Statement shall not otherwise create any implication that there has been no change in the matters referred to in this Preliminary Official Statement since January 16, 2014. The Port Authority has not taken any action in connection with this Preliminary Official Statement or the Bonds that would permit a public offering of the Bonds or the distribution of any information in connection with the Bonds and the Port Authority and its finances in any jurisdiction where action for that purpose is required. This Preliminary Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds, in any jurisdiction, to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

* Preliminary, subject to change.

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INTRODUCTION AND SECURITIES BEING OFFERED

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.* Listings of cumulative Port Authority capital investment in such facilities and significant capital projects, in each case as of December 31, 2012, appear at pp. II-54 — II-56. Facility activity for calendar year 2012 appears at p. III-85. Listings of cumulative Port Authority capital investment in such facilities and significant capital projects, in each case as of June 30, 2013, and facility activity through the first half of 2013, appear at pp. I-18 — I-21.

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-47 — II-49.)

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*., *"Bonds, Notes and Other Obligations,"* pp. IV-1 *et seq.* and *"Bond Resolutions and Legal Opinion,"* pp. VII-1 *et seq*.)

Financial Statements

The consolidated financial statements of the Port Authority as of and for the years ended December 31, 2012 and December 31, 2011, 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 auditor's report pertaining thereto, are set forth at *"Financial Statements of the Port Authority,"* pp. III-1 *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 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 February 25, 2013, in connection with the release of the consolidated financial statements of the Port Authority for the years ended December 31, 2012 and December 31, 2011, the Executive Director and the Chief Financial Officer 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.

Unaudited condensed consolidated schedules and financial information for the Port Authority for the six-month periods ended June 30, 2013 and June 30, 2012 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, together with transmittal letters dated October 1, 2013 to the Board of Commissioners of the Port Authority from the Chief Financial Officer of the Port Authority and the Comptroller of the Port Authority, at pp. I-14 — I-17. In connection with the transmittal of such unaudited condensed consolidated schedules and financial information to the Board of Commissioners of the Port Authority, the Chief Financial Officer advised that to the best of her knowledge and belief the information contained therein fairly presents, in all material respects, the Port Authority's financial position at June 30, 2013. Such unaudited condensed consolidated schedules 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, 2012, set forth at *"Financial Statements of the Port Authority,"* pp. III-1 *et seq.* The results of operations for the six-month period ended June 30, 2013 set forth in such unaudited condensed consolidated schedules and financial information are not necessarily indicative of the results of operations for the annual period ending December 31, 2013.

While the Port Authority's financial statements have been audited annually 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-23) 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.

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 as 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-49; *"Inapplicability of Statutory Covenant Against Dilution of Pledged Revenues and Reserves by Additional Passenger Railroad Deficits,"* p. II-50; and *"Certain Additional Projects Under Study,"* p. II-49).

On December 6, 2012, the Board of Commissioners approved an operating budget of $3.532 billion for calendar year 2013. During calendar year 2013, the Port Authority continued to make capital expenditures, undertake contractual commitments, and continued planning, design and construction consistent with applicable authorizations. It is presently expected that the Board of Commissioners will consider the adoption of a budget for calendar year 2014 and a ten-year capital plan in early 2014.

Annual Operating Results

The Port Authority's operating results for the year ended December 31, 2012, compared to the Port Authority's operating results for the year ended December 31, 2011, are set forth at *"2012 Operating Results,"* p. II-7. The Port Authority's actual results for the year ended December 31, 2012 with respect to certain categories of expenditures set forth in the Port Authority's preliminary budget for calendar year 2012, consistent with the budget presentation, compared to the Port Authority's preliminary budget for calendar year 2012, are set forth at *"2012 Actual Results Compared to Preliminary 2012 Annual Budget,"* p. II-8. The Port Authority's operating budget for calendar year 2013, consistent with the budget presentation, compared to the Port Authority's actual operating results for the year ended December 31, 2012 with respect to certain categories of expenditures set forth in the Port Authority's operating budget for calendar year 2013, are set forth at *"2013 Annual Operating Budget Compared to 2012 Actual Operating Results,"* pp. II-8 — II-9.

INTRODUCTION AND SECURITIES BEING OFFERED

Description of the Bonds

Security

The Bonds together with all other Consolidated Bonds of the Port Authority (within the meaning of the Consolidated Bond Resolution adopted by the Port Authority on October 9, 1952 (the "Consolidated Bond Resolution")) heretofore or hereafter issued are direct and general obligations of the Port Authority pledging the full faith and credit of the Port Authority for the payment of principal thereof and interest thereon. (See *"Consolidated Bond Resolution,"* pp. IV-14 — IV-32.) The Bonds are secured equally and ratably with all other Consolidated Bonds heretofore or hereafter issued by a pledge of (a) the net revenues of all existing facilities of the Port Authority and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds (see *"General and Refunding, Air Terminal and Marine Terminal Bonds,"* pp. IV-10 — IV-11, which states that the Port Authority has fully satisfied, when due, as scheduled, all debt service requirements on all prior lien bonds of the Port Authority), (b) the General Reserve Fund of the Port Authority equally with other obligations of the Port Authority secured by the General Reserve Fund (see *"General Reserve Fund,"* pp. IV-3 — IV-5) and (c) the Consolidated Bond Reserve Fund established in connection with Consolidated Bonds (see *"Consolidated Bond Reserve Fund,"* p. IV-2).

Purposes

The proceeds of the Bonds are presently expected to be allocated to the Port Authority's capital expenditures in connection with the redevelopment of the World Trade Center site (see pp. II-26 — II-32).

Dated

The Bonds shall be dated as of the date of delivery upon original issuance of the Bonds (see "*Delivery,*" p. I-10.)

Maturity Date

August 1, 2046*, subject to redemption prior to maturity as set forth at "*Optional Redemption,*" below, and "*Mandatory Periodic Retirement,*" pp. I-6 — I-7.

*Optional Redemption**

The Bonds shall be subject to redemption prior to maturity, in whole, or, from time to time, in part, at the Port Authority's option, on prior notice on the date to be fixed for redemption in such notice, at the "Make-Whole Redemption Price." The "Make-Whole Redemption Price" shall be the greater of (i) the issue price(s) as shown on the inside cover page of the Official Statement pertaining to the Bonds (but not less than 100% of the principal amount of the Bonds to be redeemed); or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus __ basis points, plus, in each case, accrued and unpaid interest on the Bonds to be redeemed on the redemption date. If bonds are to be called for redemption at the option of the Port Authority, but not all of the Bonds then outstanding are to be called for redemption, the bonds so to be called shall be determined in accordance with the procedures set

* Preliminary, subject to change.

forth at "*Mandatory Periodic Retirement*," pp. I-6 — I-7.

The following definitions shall apply for purposes of the computation of the "Make-Whole Redemption Price":

"Treasury Rate" means, with respect to any redemption date for the Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (as defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (as defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for the Bonds, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for the Bonds, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (as defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the Port Authority.

"Reference Treasury Dealer" means each of the four firms, specified by the Port Authority from time to time, any or all of which may also be an Underwriter for the Bonds, that are primary United States government securities dealers in The City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Port Authority will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for the Bonds, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

Mandatory Periodic Retirement

The Bonds shall be retired at or prior to maturity, by purchase, call or payment, by the mandatory periodic retirement dates and in the annual principal amounts shown on the following schedule of mandatory periodic retirement for the Bonds:

Mandatory Periodic Retirement Date *	**Annual Principal Amount To be Retired***
August 1, 2042	$___________
August 1, 2043	___________
August 1, 2044	___________
August 1, 2045	___________
August 1, 2046†	___________

———————

† stated maturity

*Preliminary, subject to change

When necessary to meet the schedule of mandatory periodic retirement for the Bonds, the Bonds shall be subject to redemption on prior notice on August 1, 2042 and on any August 1 thereafter prior to maturity, at 100% of face value, plus accrued interest until the date fixed for redemption. During the period in which the Depository (as defined at *"Delivery,"* p. I-10) is the sole registered holder of the Bonds, if bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Bonds, the bonds to be redeemed shall be determined on the basis of a pro rata pass-through distribution of the total principal amount of the bonds to be redeemed to the beneficial owners of the Bonds in accordance with the Depository's procedures then in effect at the time of such redemption, and, in the event that the Depository's procedures do not allow for redemption on the basis of such pro rata pass-through distribution of the total principal amount to be redeemed, then the bonds to be redeemed shall be determined by lot by the Registrar. In the event that the book-entry system applicable to the Bonds is discontinued, if bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Bonds, the bonds to be redeemed shall be selected by the Registrar on the basis of a pro rata distribution of the total principal amount to be redeemed to the registered holders of the Bonds.

Interest

Interest on the Bonds shall accrue on and after the date of delivery upon original issuance of the Bonds until the maturity of the Bonds or, to the extent applicable, the prior redemption thereof, and shall be payable semiannually commencing on August 1, 2014 and on each February 1 and August 1 thereafter until the maturity of the Bonds or, to the extent applicable, the prior redemption thereof, at the stated rate of interest per annum specified for the Bonds.

Denominations, Registration and Exchange

The Bonds shall be in fully registered form, registered as to both principal and interest and not as to either alone. During the period in which a book-entry system is applicable to the Bonds, the sole registered holder of the Bonds shall be the Depository or its nominee, and, unless otherwise determined by the Port Authority, the only authorized denominations for the Bonds shall be the aggregate principal amount of the Bonds, as reduced from time to time prior to stated maturity in connection with redemptions or retirements with respect to the Bonds. The only authorized denominations for beneficial ownership interests in the Bonds shall be $5,000 and integral multiples of $5,000. The book-entry system applicable to the Bonds with the Depository may be discontinued by either the Depository or the Port Authority. In the event the book-entry system is discontinued, if the Port Authority selects another qualified securities depository to become the Depository, the Registrar shall register and deliver a replacement bond for the Bonds, fully registered in the name of such depository or its nominee, of like tenor of the Bonds then outstanding, in accordance with instructions to be given by the depository to be replaced or its nominee, as registered holder of the Bonds. In the event the book-entry system is discontinued, if the Port Authority does not select another qualified securities depository to become the Depository, the Registrar shall register and deliver replacement bonds of like tenor of the Bonds then outstanding in the form of fully registered certificates, in denominations of $5,000 or integral multiples of $5,000 (which, in such event, shall be the only authorized denominations for the Bonds), in accordance with instructions to be given upon termination of the book-entry system applicable to the Bonds by the depository which had maintained such system or its nominee, as registered holder of the Bonds. In such event and thereafter, the Port Authority shall bear the cost incurred by the Port Authority in connection with the registration, authentication, transfer, cancellation, exchange and delivery of the Bonds, including such fees as may be imposed by the Registrar for such services performed by the Registrar.

Payments

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Principal of the Bonds shall be payable at the maturity of the Bonds or, to the extent applicable, the prior redemption thereof, upon presentation and surrender of the affected bonds by the registered holders thereof, at the office or offices, designated by the Port Authority, of the Paying Agent appointed by the Port Authority for the Bonds, in a county in whole or in part in the Port District. Interest on the Bonds, which shall be computed on the basis of a 360-day year comprised of twelve 30-day months, shall be payable when due, to the registered holders of the Bonds by check or draft drawn on the Paying Agent appointed for the purpose by the Port Authority and mailed to said registered holders at their last known addresses as appearing on the Port Authority's Registry Books for the Bonds. During the period in which the Depository or its nominee is the sole registered holder of the Bonds, payments with respect to the Bonds shall be made to the Depository or its nominee, as sole registered holder of the Bonds, pursuant to arrangements with respect thereto between the Port Authority and the Depository or its nominee; disbursal of such payments to the Depository's participants is the responsibility of the Depository, and disbursal of such payments to the individual purchasers of beneficial ownership interests in the Bonds is the responsibility of the Depository's participants.

Notices of Redemption

During the period in which the Depository or its nominee is the sole registered holder of the Bonds, any notice of redemption to be provided by the Port Authority shall be provided solely by mail to the Depository or its nominee, as sole registered holder of the Bonds, pursuant to arrangements with respect thereto between the Port Authority and the Depository, without requirement of publication of such notice; provision of such notice to the Depository's participants is the responsibility of the Depository and provision of such notice to the individual purchasers of beneficial ownership interests in the Bonds is the responsibility of the Depository's participants. During any period in which the Depository or its nominee is not the sole registered holder of the Bonds, any such notices to be provided by the Port Authority shall be provided to the registered holders of the Bonds in the manner set forth in the resolution adopted August 1, 2012, as amended October 16, 2013, by the Board of Commissioners of the Port Authority, pertaining to the establishment and the authorization of the issuance of this series of Consolidated Bonds (which appears at *"Bond Resolutions and Legal Opinion,"* pp. VII-1 — VII-7).

State and Local Tax Exemption

The Bonds and interest (including that portion of any original issue discount accruing in any year) thereon will be exempt from any and all taxation (except estate, inheritance and gift taxes) imposed directly thereon by the States of New York and New Jersey or by any political subdivision thereof, to the extent and as set forth in the legal opinion of General Counsel of the Port Authority, to be rendered on the date and substantially in the form set forth at *"Form of Legal Opinion of General Counsel of the Port Authority,"* pp. VII-10 — VII-11.

Certain Federal Tax Matters

Interest (including that portion of any original issue discount accruing in any year) on the Bonds will not be excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). No other opinion will be expressed by General Counsel of the Port Authority with respect to the consequences of the acquisition, ownership, sale, exchange, redemption, retirement or other disposition of the Bonds arising under the Code. (See *"Form of Legal Opinion of General Counsel of the Port Authority,"* pp. VII-10 — VII-11.)

The Paying Agent for the Bonds will report to the registered holders of the Bonds and to the Internal Revenue Service for each calendar year in which the Bonds are outstanding the amount of any "reportable payments" by the Paying Agent to such registered holders during such calendar year and the amount of any tax withheld with respect to any such payments. The registered holders of the Bonds should consult their tax or other advisors regarding the application of the Federal tax laws to the acquisition, ownership, sale, exchange, redemption, retirement or other disposition of the Bonds and such holders' qualifications for exemption from backup withholding and the procedures for obtaining such exemption.

Legality for Investment and Eligibility for Deposit in the States of New York and New Jersey

Under existing legislation in the States of New York and New Jersey, the Bonds are legal for investment for state and municipal officers, banks and savings banks, insurance companies, trustees and other fiduciaries in the States of New York and New Jersey and are eligible for deposit with state or municipal officers or agencies of the States of New York and New Jersey for any purpose for which the bonds or other obligations of the States of New York and New Jersey may be deposited, to the extent and as set forth in the legal opinion of General Counsel of the Port Authority, to be rendered on the date and substantially in the form set forth at *"Form of Legal Opinion of General Counsel of the Port Authority,"* pp. VII-10 — VII-11.

Registrar

During the period for which a book-entry system is applicable to the Bonds, the Port Authority shall function as Registrar for the Bonds.

Paying Agent

During the period for which a book-entry system is applicable to the Bonds, the Port Authority shall function as Paying Agent for the Bonds.

Trustee

The Bank of New York Mellon, New York, N.Y.

The Trustee is authorized, under Section 8 (see pp. VII-5 — VII-7) of the resolution adopted August 1, 2012, as amended October 16, 2013, by the Board of Commissioners of the Port Authority, pertaining to the establishment and the authorization of the issuance of this series of Consolidated Bonds (which appears at *"Bond Resolutions and Legal Opinion,"* pp. VII-1 — VII-7), to (i) institute any action or proceeding on behalf of the registered holders of the Bonds against the Port Authority or others, or (ii) intervene in any pending action or proceeding, or (iii) take any other action which it shall in its sole discretion determine to be necessary or advisable in order to protect the rights of the registered holders of the Bonds. The rights of the Trustee in this respect and in all other respects shall be in addition to and not in substitution of any and all rights which would otherwise inure to the registered holders of the Bonds. It is understood that the Trustee in its sole discretion may, but shall be under no obligation to, review the activities or operations of the Port Authority or any of the contracts or agreements of the Port Authority or exercise any of the rights or powers vested in it by Section 8 of such resolution, whether on the Trustee's initiative or at the request or direction of any of the registered holders of the Bonds. Additionally, the rights and responsibilities of the Trustee and the provisions with respect to the resignation by or removal of the Trustee are set forth in Section 8 of such resolution.

The Bank of New York Mellon currently serves as trustee for all outstanding series of Consolidated Bonds under the resolutions establishing such series.

Bond Counsel

Darrell Buchbinder, Esq., General Counsel of the Port Authority. (See p. II-2 and *"Form of Legal Opinion of General Counsel of the Port Authority,"* pp. VII-10 — VII-11.)

Independent Auditors

The consolidated financial statements of the Port Authority as of and for the year ended December 31, 2012 have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein (see *"Financial Statements of the Port Authority,"* p. III-1). On June 24, 2013, the Audit Committee of the Board of Commissioners of the Port Authority determined to retain KPMG LLP to perform the audit for the year ending December 31, 2013.

Contracts with Registered Holders of the Bonds

The Consolidated Bond Resolution (which appears at *"Bonds, Notes and Other Obligations,"* pp. IV-14 — IV-32), and the resolution pertaining to the establishment and the authorization of the issuance of this series of Consolidated Bonds (which appears at *"Bond Resolutions and Legal Opinion,"* pp. VII-1 — VII-7), constitute contracts with the holders in whose names the Bonds are registered on the books and records of the Registrar. During the period in which a book-entry system is applicable to the Bonds, the Depository or its nominee shall be the only registered holder of the Bonds.

In connection with the acceptance by an Authorized Officer of the Port Authority of an offer to purchase the Bonds from the Underwriters, represented by a proposed Bond Purchase Agreement (as defined at *"Underwriting,"* pp. I-22 — I-23), the terms of the Bonds, including among other matters, the stated rate of interest with respect to the Bonds, shall be established, fixed and determined, and the provisions of the resolution pertaining to the establishment and the authorization of the issuance of the Bonds (which appears at *"Bond Resolutions and Legal Opinion,"* pp. VII-1 — VII-7) shall be changed and adjusted, to the extent required, to conform the terms of the Bonds to the summary description of the Bonds as set forth in and pursuant to the Bond Purchase Agreement with respect to the Bonds; subject thereto, such description is reflected at *"Description of the Bonds,"* pp. I-5 — I-10.

Delivery

The Bonds shall be available for delivery upon original issuance on or about January 30, 2014. All proceedings pertaining to, and the issuance of, the Bonds are subject to the sole unqualified approving legal opinion of General Counsel of the Port Authority. In connection with the delivery upon original issuance of the Bonds by the Port Authority, General Counsel of the Port Authority shall render a legal opinion on such date of delivery, substantially in the form set forth at *"Form of Legal Opinion of General Counsel of the Port Authority,"* pp. VII-10 — VII-11.

The Bonds shall be delivered upon original issuance as one or more fully registered bonds in the aggregate principal amount of the Bonds on the date of delivery, registered in the name of a qualified securities depository or its nominee as sole registered holder of the Bonds. It is presently expected that The Depository Trust Company, New York, N.Y., or its nominee, shall be the sole registered holder of the Bonds at delivery upon original issuance. At the time of such delivery, the Bonds shall be deposited with such depository (or such other qualified securities depository or its nominee, selected by the Port Authority on or prior to such date), and such depository together with any qualified securities depository selected thereafter by the Port Authority with respect to the book-entry system applicable to the Bonds (the "Depository") shall be an automated depository for securities and clearinghouse for securities transactions and shall be responsible for maintaining a book-entry system for recording the ownership interests in the Bonds of its participants, and the transfers of such interests among its participants. The participants of the Depository will generally include certain banks, trust companies and securities dealers, and such participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers in the Bonds. Individual purchases of beneficial ownership interests in the Bonds may only be made through book entries (without certificates issued by the Port Authority) made on the books and records of the Depository and its participants in denominations of $5,000 and integral multiples of $5,000. Fees imposed by a securities depository in connection with a book-entry system are generally borne by the participants of the securities depository. In the event that The Depository Trust Company or such other qualified securities depository is not selected by the Port Authority on or prior to the date of delivery upon original issuance of the Bonds, the Bonds shall be delivered upon original issuance in the form of fully registered certificates, in denominations of $5,000 and integral multiples of $5,000, in accordance with instructions to be given by the Underwriters.

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 *"Financial Statements of the Port Authority,"* pp. III-26, III-33 — III-34 and III-49.)

Insurance

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 (see *"Port Authority Insurance Captive Entity, LLC,"* p. I-13), exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. In view of the current state of the insurance industry, availability of coverage may be constrained and premium costs may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

Property Damage and Loss of Revenue Insurance Program

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2013 and expires on June 1, 2014) provides for coverage as follows:

General Coverage (Excluding Terrorism)	**Terrorism Coverage**
$1.359b* of purchased coverage	$1.518b TRIPRA*** Coverage (PAICE)****
	$228m of purchased coverage
$25m** in the aggregate Self-insurance after which purchased coverage applies	$25m in the aggregate Self-insurance after which purchased coverage applies
$5m per occurrence deductible	$5m per occurrence deductible

Wind Coverage (Sub-limit to General Coverage)
$375m purchased coverage
$25m in the aggregate Self-insurance after which purchased coverage applies
$5m per occurrence deductible

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* b — represents billion.

** m — represents million.

*** See footnote (****) on page I-12.

**** Port Authority Insurance Captive Entity, LLC see page I-13.

Public Liability Insurance Program — Aviation Facilities

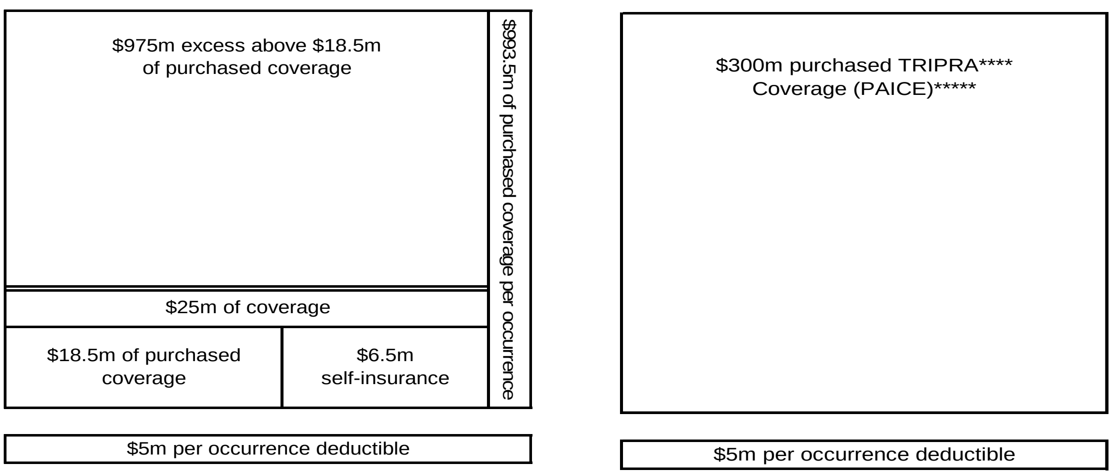
The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2013 and expires on October 27, 2014) provides for coverage as follows:

General Coverage
(Excluding Terrorism) | **Terrorism Coverage**

Public Liability Insurance Program — "Non-Aviation" Facilities

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2013 and which expires on October 27, 2014) provides for coverage as follows:

General Coverage (Excluding Terrorism) | **Terrorism Coverage**



* m — represents million.

** Aviation General Coverage also provides $100 million of excess liability coverage over the Port Authority's Master Contractor's Insurance Program general liability limit of $50 million for airport construction projects.

*** Aviation war risk generally includes war, hijacking and other perils, both domestically and internationally.

**** On December 26, 2007, the Federal government enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which replaced the Federal reinsurance provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) and added reinsurance for acts of domestic terrorism in addition to acts of foreign terrorism through December 31, 2014. Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses, subject to a $100 million deductible 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.

***** Port Authority Insurance Captive Entity, LLC see page I-13.

Self-Insurance Program

The Port Authority has established, and maintains, a self-insurance reserve through applications from the Consolidated Bond Reserve Fund, to address uninsured losses.

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" ("PAICE"), for the purpose of 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 domestic terrorism with respect to the Port Authority's public liability and property damage and loss of revenue insurance programs in addition to the previously provided coverage for acts of foreign terrorism (see pp. I-11 — I-12). In addition, as of December 31, 2012, PAICE is providing 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, 2012, PAICE is providing $1 billion of Builders Risk and Terrorism coverage for The World Trade Center Transportation Hub Owner Controlled Insurance Program, which is 100% reinsured through the commercial insurance marketplace and TRIPRA. As of October 27, 2013, PAICE is providing $2,000,000 of the first $50 million in coverage under the Port Authority's general coverage (excluding terrorism) public liability insurance program for "non-aviation" facilities.

THE PORT AUTHORITY OF NY & NJ

Elizabeth M. McCarthy
Chief Financial Officer

October 1, 2013

To the Board of Commissioners of
The Port Authority of New York and New Jersey:

This is to advise you that to the best of my knowledge and belief the information contained in the unaudited condensed consolidated schedules, and financial information of The Port Authority of New York and New Jersey (the Port Authority) and its component units for the six-month period ended June 30, 2013, being transmitted to you by Daniel G. McCarron, Comptroller, fairly presents, in all material respects, the Port Authority's financial position at June 30, 2013.

As indicated by Mr. McCarron, the results of operations for the six-month period ended June 30, 2013 are not necessarily indicative of the results of operations for the annual period ending December 31, 2013.

Elizabeth M. McCarthy
Chief Financial Officer

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THE PORT AUTHORITY OF NY & NJ

October 1, 2013

Daniel G. McCarron
Comptroller

To the Board of Commissioners of
The Port Authority of New York and New Jersey:

The unaudited Condensed Consolidated Information on Revenues, Expenses and Changes in Net Position for the six-month periods ended June 30, 2013 and June 30, 2012 and the unaudited Condensed Consolidated Schedule of Net Position as of June 30, 2013 and December 31, 2012 for The Port Authority of New York and New Jersey (including its component units, collectively, the "Port Authority") 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. The unaudited condensed consolidated schedules and financial information presented here have been prepared from the books and records of the Port Authority, which are maintained in accordance with accounting principles set forth in the Port Authority's Consolidated Financial Statements and the accompanying notes and schedules, for the most recent annual period. All adjustments necessary to present fairly the information set forth in the unaudited condensed consolidated schedules and financial information have been included therein.

In March 2012, Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities"* (GASB No. 65), effective for financial statements with accounting periods beginning after December 15, 2012. GASB No. 65 requires that certain items that were previously recognized as assets or liabilities now be recorded as deferred outflows of resources (balance sheet), deferred inflows of resources (balance sheet), current year operating expense (income statement) or current year revenue (income statement). The cumulative effect of adopting GASB No. 65 totaling approximately $160 million has been incorporated in the June 30, 2013 unaudited comparative condensed six-month financial statements as a restatement and reduction to the Port Authority's 2012 beginning "Net position."

The results of operations for the six-month period ended June 30, 2013 are not necessarily indicative of the results of operations for the annual period ending December 31, 2013. The presentation for the six-month period ended June 30, 2012, where applicable, has been revised to conform to that for June 30, 2013.

The unaudited condensed consolidated schedules should be read in conjunction with the Port Authority's Consolidated Financial Statements and the accompanying notes and schedules for the year ended December 31, 2012.

Daniel G. McCarron

Daniel G. McCarron
Comptroller

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CONDENSED CONSOLIDATED INFORMATION ON REVENUES, EXPENSES AND CHANGES IN NET POSITION — UNAUDITED

	SIX MONTHS ENDED JUNE 30, 2013	2012 Restated*
	(In thousands)	
Gross operating revenues	**$ 2,062,837**	$ 2,000,574
Operating expenses	**(1,244,721)**	(1,267,014)
Depreciation and Amortization	**(464,090)**	(476,904)
Net recoverables/(expenses) related to Superstorm Sandy	**(1,794)**	—
Income from operations	**352,232**	256,656
Financial income: Gain/(loss)	**(6,000)**	73,082
Interest expense	**(321,673)**	(388,990)
Grants and other non-operating revenues and (expenses)	**(19,881)**	31,548
Capital contributions and PFC's	**478,180**	682,461
Increase in net position	**$ 482,858**	$ 654,757
Restated net position, January 1*	**12,700,483**	11,565,940
Net position, June 30	**$ 13,183,341**	$ 12,220,697

CONDENSED CONSOLIDATED SCHEDULE OF NET POSITION — UNAUDITED

	JUNE 30, 2013	DEC. 31, 2012 Restated*
	(In thousands)	
Assets		
Facilities, net	**$ 26,322,822**	$ 25,525,926
Cash and investments (including restricted amounts)	**5,712,036**	5,930,425
Receivables	**526,618**	601,486
Amounts receivable — Special Project Bonds projects	**1,657,064**	1,656,350
Amounts receivable — Tower 4 Liberty Bonds	**1,249,003**	1,249,309
Unamortized costs for regional programs	**434,265**	466,384
Other assets	**1,640,194**	1,698,804
Total assets	**37,542,002**	37,128,684
Deferred outflows of resources		
Debt refunding costs	**90,458**	94,636
Total deferred outflows of resources	**90,458**	94,636
Liabilities		
Bonds and other asset financing obligations	**19,012,455**	19,188,760
Amounts payable — Special Project Bonds projects	**1,657,064**	1,656,350
Amounts payable — Tower 4 Liberty Bonds	**1,249,003**	1,249,309
Accounts payable	**1,001,770**	886,862
Accrued payroll, pension and other employee benefits	**665,327**	653,132
Other liabilities	**857,814**	883,926
Total liabilities	**24,443,433**	24,518,339
Deferred inflows of resources		
Debt refunding costs	**5,686**	4,498
Total deferred inflows of resources	**5,686**	4,498
Net Position	**$ 13,183,341**	$ 12,700,483

* In accordance with GASB No. 65, the cumulative effect of adopting such standard totaling approximately $160 million has been incorporated in the June 30, 2013 unaudited comparative condensed six-month statements as a restatement and reduction to the Port Authority's 2012 beginning "Net position."

Note: These schedules 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 condensed 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 notes and schedules for the year ended December 31, 2012.

See "*Financial Statements of the Port Authority,*" pp. III-1 *et seq.*, and the October 1, 2013 transmittal letters to the Board of Commissioners of the Port Authority (pp. I-14 — I-15).

CONDENSED FINANCIAL INFORMATION ON PORT AUTHORITYOPERATIONS — UNAUDITED FOR SIX MONTHS ENDED JUNE 30, 2013 AND JUNE 30, 2012 (In thousands)

2013	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income (Loss) from Operations	Net Interest Expense, Grants & Other Non-operating (Revenues) and Expenses *	Capital Contributions & PFC's	Net Income (Loss)
Interstate Transportation Network	$ 739,412	$ 391,601	$ 159,489	$ 188,322	$ 100,599	$ 153,708	$ 241,431
Air Terminals	1,148,061	712,830	168,449	266,782	163,027	86,398	190,153
Port Commerce	136,378	85,668	43,346	7,364	50,709	2,869	(40,476)
Development	14,249	7,256	5,853	1,140	3,789	-	(2,649)
World Trade Center	24,737	43,495	7,306	(26,064)	4,623	115,213	84,526
PA Insurance Captive Entity, LLC	-	2,267	-	(2,267)	529	-	(2,796)
Regional Programs	-	1,604	32,119	(33,723)	24,390	-	(58,113)
PFC program	-	-	47,528	(47,528)	(112)	119,992	72,576
Net Recoverables/(expenses) related to Superstorm Sandy	-	-	-	(1,794)	-	-	(1,794)
Increase in net position	$ 2,062,837	$ 1,244,721	$ 464,090	$ 352,232	$ 347,554	$ 478,180	$ 482,858

2012	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income (Loss) from Operations	Net Interest Expense, Grants & Other Non-operating (Revenues) and Expenses *	Capital Contributions & PFC's	Net Income (Loss)
Interstate Transportation Network	$ 695,595	$ 385,198	$ 167,172	$ 143,225	$ 97,146	$ 137,632	$ 183,711
Air Terminals	1,116,559	686,748	166,970	262,841	108,467	22,999	177,373
Port Commerce	125,732	95,060	43,371	(12,699)	43,850	7,546	(49,003)
Development	41,255	39,218	5,876	(3,839)	3,802	-	(7,641)
World Trade Center	21,433	33,674	6,782	(19,023)	2,984	396,169	374,162
PA Insurance Captive Entity, LLC	-	2,124	-	(2,124)	(725)	-	(1,399)
Regional Programs	-	24,994	38,857	(63,851)	26,339	-	(90,190)
PFC program	-	-	47,874	(47,874)	2,497	118,115	67,744
Increase in net position	$ 2,000,574	$ 1,267,014	$ 476,904	$ 256,656	$ 284,360	$ 682,461	$ 654,757

* Other non-operating (revenues) and expenses include net (gain)/loss on disposition of assets and pass-through grant program payments.

See "*Financial Statements of the Port Authority,*" pp. III-1 *et seq.*, and the October 1, 2013 transmittal letters to the Board of Commissioners of the Port Authority (pp. I-14 — I-15)

Cumulative Port Authority Capital Investment In Facilities (as of June 30, 2013)

Holland Tunnel	$ 675,466,000
Lincoln Tunnel	1,090,903,000
George Washington Bridge	1,452,262,000
Bayonne Bridge	344,513,000
Goethals Bridge	430,489,000
Outerbridge Crossing	244,494,000
Port Authority Bus Terminal	842,026,000
Access to the Region's Core (ARC) Project*	131,748,000
Hudson Tubes	7,251,129,000
Trans-Hudson Ferry Service	141,105,000
LaGuardia Airport	1,939,080,000
John F. Kennedy International Airport	6,909,259,000
Newark Liberty International Airport	4,853,278,000
Teterboro Airport	335,124,000
Stewart International Airport	72,377,000
World Trade Center	8,199,343,000
Newark Legal and Communications Center	97,255,000
Port Newark	1,208,897,000
Elizabeth-Port Authority Marine Terminal	1,661,242,000
Greenville Yard-Port Authority Marine Terminal	19,301,000
Port Jersey-Port Authority Marine Terminal	281,572,000
Brooklyn-Port Authority Marine Terminal	250,948,000
Howland Hook Marine Terminal	629,957,000
Hoboken South Waterfront Development Facility	102,923,000
Queens West Waterfront Development Facility	96,460,000
Oak Point Rail Freight Link	38,231,000
Regional Rail Freight Program	50,000,000
Bathgate Industrial Park	50,177,000
Port Authority Industrial Park at Elizabeth	12,100,000
Newark South Ward Industrial Park**	—
Teleport	77,065,000
Essex County Resource Recovery Facility	44,627,000
Meadowlands Passenger Rail Facility	150,000,000
Regional Development Facility**	131,585,000
New Jersey Marine Development Program	17,979,000
Regional Economic Development Program**	259,559,000
Hudson Raritan Estuary Resources Program	52,398,000
NY Transportation, Economic Development & Infrastructure Renewal Program**	138,660,000
Regional Transportation Program	250,000,000

* In October 2010, on the basis of a decision by the Governor of the State of New Jersey to terminate the ARC Project, all Port Authority activities in connection with the development of the ARC Project were terminated.

** Cumulative capital investment in this facility has been adjusted to reflect the Port Authority's implementation in June 2013 of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for financial statements with accounting periods beginning after December 15, 2012.

Significant Capital Projects *
(as of June 30, 2013)
(Dollars in millions)

Facility	Project Name	Current Authorization/ Reauthorization	Forecasted Completion Date	Total Expended	Estimated Final Cost
AVIATION					
JFK	Redevelopment of Terminal 4	08/10	05/19	1.3	231.0
JFK	Rehabilitation of Runway 4L-22R	06/11	11/16	78.5	457.0
JFK	Rehabilitation of Taxiway P	07/11	08/13	31.3	31.5**
JFK	Rehabilitation of Taxiway B	02/13	06/15	1.1	31.3
JFK	Rehabilitation of Taxiways Q and QG	05/12	12/18	0.2	55.6
JFK	Construction of Centralized De-Icing Facility - Phase 2	05/12	07/20	0.0	33.0
JFK	Replacement of 5KV Feeders	02/13	12/16	0.3	47.4
LGA	CTB Redevelopment Program- Planning	12/12	02/20	50.6	63.0
LGA	East End Substation	08/12	12/16	8.2	106.9
LGA	Rehabilitation of Runway 13-31 and Associated Taxiways	04/11	11/17	0.5	42.6
LGA	Runways 13 & 22 Deck Safety Overrun	04/13	12/16	1.9	202.9
LGA	Rehabilitation of Taxiways A, M and ZA	11/12	12/15	1.1	20.3
LGA	East Parking Garage	03/13	12/15	1.8	82.9
EWR	Terminal A Redevelopment - Planning	10/09	12/15	35.1	46.5
EWR	Terminal B Improvement Program	07/10	04/14	337.7	347.1
EWR	Rehabilitation of Runway 4L-22R	06/12	06/15	0.8	97.3
EWR	Replacement of High Temperature Hot Water Generators at CHRP	09/08	12/17	7.9	21.6
EWR	Rehabilitation of Taxiway P Delay Reduction and Other Improvements	10/12	06/14	12.2	31.0
EWR	Replacement of CHRP North Electrical Substation and Chiller Upgrades	11/12	02/19	0.6	25.5
TEB	Improve Runways 6-24 Runway Safety Area	05/11	07/14	8.8	25.1
SWF	Rehabilitation of Runways 9-27 and 16-34	04/13	05/16	4.0	104.0
SWF	Terminal Expansion Federal Inspection Facility and Welcome Center	12/11	06/18	2.7	19.7
INTERSTATE TRANSPORTATION NETWORK					
HT	Rehabilitation of Electrical and Mechanical Vent System	02/13	12/16	125.2	196.4
LT	Structural Rehabilitation and Repaving of Helix	12/10	02/15	27.1	84.4
LT	Bus Ramp Slab Replacement	12/06	10/13	44.8	47.7**
LT	Access Infrastructure Improvements	03/11	12/19	62.8	1,843.0
GWB	Rehabilitation of Main Span Upper Level Structural Steel	06/10	08/15	69.0	129.2
BB/GB/GWB HT/LT/OBX	Replacement of Toll Collection System	02/10	08/16	19.7	131.2
GWB	Suspender Ropes Replacement, Main Cables/Cable Strands Rehabilitation - Planning	11/12	12/13	7.9	10.1
GWB	Replacement of the Palisades Interstate Parkway Helix Ramp	02/13	03/17	1.6	75.9

* See footnote (*) on page I-20.

** Substantially Complete.

Significant Capital Projects continued on page I-20.

Facility	Project Name	Current Authorization/ Reauthorization	Forecasted Completion Date	Total Expended	Estimated Final Cost
GB	Goethals Bridge Modernization	04/13	12/18	112.2	513.2**
GB	Interchange Ramps Project	08/12	05/19	0.2	107.1
BB	Bayonne Bridge Navigational Clearance Program	04/13	06/18	66.0	1,290.1
OBX	Outerbridge Rehabilitation of Pavement	04/13	05/16	0.7	23.5
PABT	Replacement of Primary Electrical Service	05/13	12/16	2.0	17.7
PATH	Railcars Program	09/03	12/14	654.2	678.5
PATH	Signal System Replacement Program	10/09	12/17	234.9	578.3
PATH	Duct Bank Rehabilitation	12/10	12/21	-	189.8
PATH	Replacement of Substation #7	02/09	07/17	4.9	47.6
PATH	Replacement and Upgrade of the Christopher St. Substation	03/12	05/17	13.4	70.7
PATH	Replacement and Upgrade of Harrison Station	03/12	12/17	19.4	256.4
PORT COMMERCE					
PN/EPAMT/HH	Consolidated Project To 50’-NY/NJ	07/01	06/18	669.4	837.3
PN	Express Rail/ Corbin Intermodal Rail Support - Track Work - Phase 2A	02/13	07/22	37.0	63.9
PN	Port Street and Brewster Road Connector	12/10	03/14	18.7	34.5
PN	Berth 14 Wharf Reconstruction	03/13	06/16	3.3	39.0
PN	Port Street Capacity and Corbin Street Ramps Improvements	06/11	10/19	3.6	109.2
PN	Berth 3 Wharf Reconstruction	12/11	10/16	4.2	39.0
EPAMT	McLester Street Roadway Widening	12/10	03/14	18.6	26.5
HH	Roadway Access Improvements - East Bound Ramp	08/12	03/20	0.9	54.4
GPAMT	Development of the New York New Jersey Rail Float System	05/10	06/19	17.1	138.7
GPAMT	ExpressRail Port Jersey	10/11	03/19	12.4	132.0

Explanation of Facility Abbreviations:

BB	Bayonne Bridge
EPAMT	Elizabeth — Port Authority Marine Terminal
EWR	Newark Liberty International Airport
GB	Goethals Bridge
GPAMT	Greenville Yard — Port Authority Marine Terminal
GWB	George Washington Bridge
HH	Howland Hook
HT	Holland Tunnel
JFK	John F. Kennedy International Airport
LGA	LaGuardia Airport
LT	Lincoln Tunnel
OBX	Outerbridge Crossing
PABT	Port Authority Bus Terminal
PATH	The Hudson Tubes Facility
PN	Port Newark
SWF	Stewart International Airport
TEB	Teterboro Airport

* 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.

** The Port Authority’s portion of capital costs for the Goethals Bridge Modernization Program (see “*Goethals Bridge*,” p. II-16.)

Facility Activity
for Six Months Ended June 30, 2013 and June 30, 2012*

TUNNELS AND BRIDGES (Eastbound Traffic)	2013	2012
All Crossings		
Automobiles	**51,529,900**	52,685,600
Buses	**1,447,700**	1,470,900
Trucks	**3,636,200**	3,715,700
Total vehicles	**56,613,800**	57,872,200
George Washington Bridge		
Automobiles	**22,050,600**	22,385,500
Buses	**208,100**	212,900
Trucks	**1,811,100**	1,806,200
Total vehicles	**24,069,800**	24,404,600
Lincoln Tunnel		
Automobiles	**7,632,300**	7,971,700
Buses	**1,045,700**	1,047,500
Trucks	**507,400**	501,600
Total vehicles	**9,185,400**	9,520,800
Holland Tunnel		
Automobiles	**7,645,000**	7,870,000
Buses	**108,100**	118,100
Trucks	**208,900**	197,600
Total vehicles	**7,962,000**	8,185,700
Staten Island Bridges		
Automobiles	**14,202,000**	14,458,400
Buses	**85,800**	92,400
Trucks	**1,108,800**	1,210,300
Total vehicles	**15,396,600**	15,761,100

PATH	2013	2012
Total Passengers	**35,260,689**	39,043,027
Passenger weekday average	**239,602**	260,639

MARINE TERMINALS	2013	2012
All Terminals		
Containers	**1,523,273**	1,583,709
General Cargo[(a)] (Metric tons)	**16,839,791**	17,318,655
Containers in twenty foot equivalent units (TEU)	**2,621,161**	2,720,790
International waterborne vehicles	**230,574**	214,482
Waterborne bulk commodities (in metric tons)	**2,218,662**	2,039,628
New Jersey Marine Terminals		
Containers	**1,387,528**	1,308,534
New York Marine Terminals		
Containers	**135,745**	275,175

AIR TERMINALS	2013	2012
Total at the Major Airports		
Plane Movements	**582,546**	592,985
Passengers	**53,878,117**	52,875,920
Cargo-tons	**975,395**	1,019,473
Revenue mail-tons	**77,192**	89,180
John F. Kennedy International Airport		
Plane Movements	**195,710**	198,243
Passengers	**23,930,336**	23,653,598
Domestic	**11,616,708**	11,921,701
International	**12,313,628**	11,731,897
Cargo-tons	**634,436**	645,998
LaGuardia Airport		
Plane Movements	**182,904**	186,231
Passengers	**12,963,871**	12,296,614
Domestic	**12,178,569**	11,718,490
International	**785,302**	578,124
Cargo-tons	**3,625**	3,587
Newark Liberty International Airport		
Plane Movements	**203,932**	208,511
Passengers	**16,983,910**	16,925,708
Domestic	**11,432,053**	11,374,847
International	**5,551,857**	5,550,861
Cargo-tons	**337,334**	369,888

TERMINALS	2013	2012
All Bus Facilities		
Passengers	**40,466,000**	41,181,000
Bus Movements	**1,768,800**	1,763,520
Port Authority Bus Terminal		
Passengers	**31,900,000**	32,700,000
Bus Movements	**1,130,000**	1,131,500
George Washington Bridge Bus Station		
Passengers	**2,656,000**	2,587,000
Bus Movements	**166,000**	160,500
PATH Journal Square Transportation Center Bus Station		
Passengers	**5,910,000**	5,894,000
Bus Movements	**472,800**	471,520

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* Some 2013 and 2012 numbers reflect estimated and revised data, respectively.

(a) International oceanborne general cargo as recorded in the New York — New Jersey Customs District.

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 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.

Certificate With Respect to Litigation

In connection with the delivery upon original issuance of the Bonds, an Authorized Officer of the Port Authority shall provide, as part of the record of proceedings with respect to the issuance of the Bonds, a certificate to the effect that no litigation of any nature is now pending or threatened in writing against the Port Authority, restraining or enjoining the issuance or delivery of the Bonds, or questioning the proceedings taken for the issuance of the Bonds, or restraining the power and authority of the officers of the Port Authority to fix and collect tolls and charges for the use of the facilities of the Port Authority sufficient to provide for the payment of the principal of and interest on the Bonds, or affecting the validity of the Bonds thereunder; and neither the corporate existence of the Port Authority, nor the boundaries of the Port District, nor the title of any present officer of the Port Authority to their respective office is being contested.

Underwriting

The Bonds shall be purchased pursuant to a bond purchase agreement (the "Bond Purchase Agreement") to be dated on or about January 22, 2014, by the underwriters listed on the front cover of this Preliminary Official Statement (the "Underwriters"), for which Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as the representative, at a purchase price to be set forth in the Bond Purchase Agreement. The purchase price of the Bonds set forth in the Bond Purchase Agreement will reflect compensation to the Underwriters in the form of an underwriters' discount, as well as reimbursement to the Underwriters for certain of their out-of-pocket disbursements in accordance with the Bond Purchase Agreement.

This section provides certain information with respect to the Bond Purchase Agreement. This information does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Bond Purchase Agreement executed by the Underwriters and the Port Authority. No attempt is made herein to summarize the Bond Purchase Agreement. The Bond Purchase Agreement may be examined on reasonable prior notice at the office of the Secretary of the Port Authority during regular business hours on and after the date of its execution.

Under the Bond Purchase Agreement, the Underwriters shall pay the purchase price for the Bonds and shall accept delivery of the Bonds from the Port Authority, subject to certain conditions, on or about January 30, 2014. Pursuant to the Bond Purchase Agreement, the Underwriters shall purchase all of the Bonds if any are purchased.

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices or yields higher than the initial offering yields for the Bonds. Subsequent to the initial offering, the offering prices and yields for the Bonds may be changed from time to time by the Underwriters. Additionally, in connection with the offering of the Bonds, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time by the Underwriters.

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

Citigroup Global Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Bonds.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Port Authority.

The Underwriters may, from time to time, be engaged in business or other transactions with the Port Authority or may be actual or potential users of Port Authority facilities.

Certificate With Respect to this Preliminary Official Statement and the Official Statement

In connection with the delivery upon original issuance of the Bonds, an Authorized Officer of the Port Authority shall provide, as part of the record of proceedings with respect to the issuance of the Bonds, a certificate to the effect that (a) this Preliminary Official Statement and the Official Statement pertaining to the Bonds (the "Official Statement"), as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (b) since the date of the Official Statement, nothing has come to the attention of such Authorized Officer of the Port Authority to cause such Authorized Officer of the Port Authority to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (c) since the date of the Official Statement, to the knowledge of such Authorized Officer of the Port Authority, there has been no material adverse change in the general affairs of the Port Authority or in its financial condition as set forth in the Official Statement, other than as disclosed in or contemplated by the Official Statement.

Certain Information Pertaining to this Preliminary Official Statement, Continuing Disclosure and the Port Authority

This Preliminary Official Statement is dated January 16, 2014.

The information and expressions of opinion in this Preliminary Official Statement are subject to change without notice after January 16, 2014, and future use of this Preliminary Official Statement shall not otherwise create any implication that there has been no change in the matters referred to in this Preliminary Official Statement since January 16, 2014.

The resolution establishing the issue of Consolidated Bonds appearing at *"Bonds, Notes and Other Obligations,"* pp. IV-14 — IV-32, and the resolution pertaining to the establishment and the authorization of the issuance of this series of Consolidated Bonds (which appears at *"Bond Resolutions and Legal Opinion,"* pp. VII-1 — VII-7), constitute contracts with the holders in whose names the Bonds are registered on the books and records of the Registrar for the Bonds; and neither any public advertisement or notice nor the Bond Purchase Agreement, this Preliminary Official Statement or the Official Statement is to be construed as a contract with any of such holders. During the period in which a book-entry system is applicable to the Bonds, the Depository or its nominee shall be the sole registered holder of the Bonds.

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 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 *"Pertinent Statutes and General Resolutions,"* pp. V-1 *et seq*., *"Bonds, Notes and Other Obligations,"* pp. IV-1 *et seq.* and *"Bond Resolutions and Legal Opinion,"* pp. VII-1 *et seq*.) Such statutes and resolutions should be studied in connection with this Preliminary 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.

Inquiries with respect to this Preliminary Official Statement may be made to the Port Authority's Treasury Department, The Port Authority of New York and New Jersey, 225 Park Avenue South, 12th Floor, New York, N.Y. 10003, Tel. No. (212) 435-7700, during regular business hours. In the Bond Purchase Agreement, the Underwriters shall agree to provide the Official Statement (and any supplements or amendments provided by the Port Authority) to the Municipal Securities Rulemaking Board ("MSRB"), in a format suitable for publication on its Electronic Municipal Market Access ("EMMA") system upon receipt from the Port Authority.

In connection with the delivery upon original issuance of the Bonds, the Port Authority shall agree with the registered holders of the Bonds, and for the benefit of any individual purchasers of beneficial ownership interests in the Bonds, to provide information pertaining to the Port 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 amended (as such Section is now in effect), while the Bonds are outstanding. In connection therewith, annual financial information and operating data generally of the type set forth in Section II of the Official Statement and annual audited financial statements, when and if available, prepared consistent with the accounting principles set forth in the notes to such financial statements, in each case, will be provided solely to the MSRB, in a format suitable for publication on its EMMA system, within one hundred twenty days after the close of the Port Authority's then current fiscal year. Additionally, in connection therewith, notice of the occurrence of any of the following events with respect to the Bonds, including, principal and interest payment delinquencies; non-payment related defaults, if material; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers or their failure to perform; 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; modifications to the rights of the holders of the Bonds, if material; bond calls, if material, and tender offers; defeasances; release, substitution or sale of property securing repayment of the Bonds, if material; ratings changes; bankruptcy, insolvency, receivership or similar event of the Port Authority (for the purposes of these events, the event is considered to occur when any of the following occur — the appointment of a receiver, fiscal agent or similar officer for the Port Authority 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 Port Authority, 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 Port Authority); the consummation of a merger, consolidation or acquisition involving the Port Authority or the sale of all or substantially all of the assets of the Port Authority, 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; the appointment of a successor or additional trustee or the change of name of a trustee, if material; and, any failure of the Port Authority to provide annual financial and operating data as agreed to by the Port Authority, in each case, 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 the event). In consideration of such agreement of the Port Authority, the sole and exclusive remedy for any failure of the Port Authority to provide the information in the manner specified in such agreement 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 Port Authority; *provided, however*, that the Port Authority shall have received written notice of any such failure at least sixty days prior to the commencement of any such judicial proceeding. The agreement described in this paragraph shall constitute a contract with the registered holders of the Bonds and for the benefit of any individual purchasers of beneficial ownership interests in the Bonds.

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, it inadvertently failed to link that filing 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 failures were corrected on September 13, 2012 and September 18, 2012, respectively.

Upon request, the Port Authority's Treasury Department will provide copies of the most recent publicly available (a) comprehensive annual financial report of the Port Authority, (b) unaudited condensed consolidated schedules and financial information for the Port Authority, (c) budget of the Port Authority, (d) reports, statements or press releases, if any, issued by the Port Authority pertaining to events which may reasonably reflect on the credit quality of Port Authority obligations, and (e) reports of the Port Authority pertaining to certain regional economic considerations and trends.

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

KENNETH LIPPER–July 1, 2017
Chairman–Lipper & Co. LLC

JEFFREY H. LYNFORD–July 1, 2013
Co–Managing Member–Wellsford
Strategic Partners, LLC

JEFFREY A. MOERDLER–July 1, 2015
Member–Mintz, Levin, Cohn, Ferris, Glovsky
and Popeo, P.C.

BASIL A. PATERSON–July 1, 2016
Member–Meyer, Suozzi, English & Klein, P.C.

ROSSANA ROSADO–July 1, 2014
Publisher and CEO–El Diario-La Prensa

NEW JERSEY

DAVID SAMSON, *Chairman*–July 1, 2016
Member–Wolff & Samson PC

RICHARD H. BAGGER–July 1, 2018
Sr. Vice President, Corporate Affairs & Strategic
Market Access–Celgene Corporation

RAYMOND M. POCINO–July 1, 2015
Vice President/Eastern Regional Manager–
Laborers International Union of North America

ANTHONY J. SARTOR–July 1, 2013
Chairman and Chief Executive Officer–
Paulus, Sokolowski & Sartor, LLC

WILLIAM "PAT" SCHUBER–July 1, 2017
Professor–Fairleigh Dickinson University

DAVID S. STEINER–July 1, 2014
Chairman–Steiner Equities Group, LLC

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; Deborah Gramiccioni is Deputy Executive Director; Darrell Buchbinder is General Counsel; Karen E. Eastman is Secretary; Elizabeth M. McCarthy is Chief Financial Officer; Daniel G. McCarron is Comptroller; Thomas Bosco is Interim Director of Aviation; Stephanie Dawson is Acting Chief Operating Officer; Joseph P. Dunne is Chief Security Officer; Douglas Farber is Director of World Trade Center Security; Michael A. Fedorko is Director of the Port Authority Police Department and Superintendent of Police; Michael B. Francois is Chief of Real Estate and Development; 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; Stephen B. Kingsberry is Director of Rail Transit; Richard M. Larrabee is Director of Port Commerce; Andrew Lynn is Director of Planning and Regional Development; Michael G. Massiah is Director of Management and Budget; Gerard McCarty is Acting Director of the Office of Emergency Management; Steven P. Plate is Deputy Chief of Capital Planning and Director of WTC Construction; Gerald B. Stoughton is Director of the Office of Financial Analysis; Lillian Valenti is Director of Procurement; Robert E. Van Etten is Inspector General; Christopher Zeppie is Director of the Office of Environmental and Energy Programs; and Peter Zipf is Chief Engineer.

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.

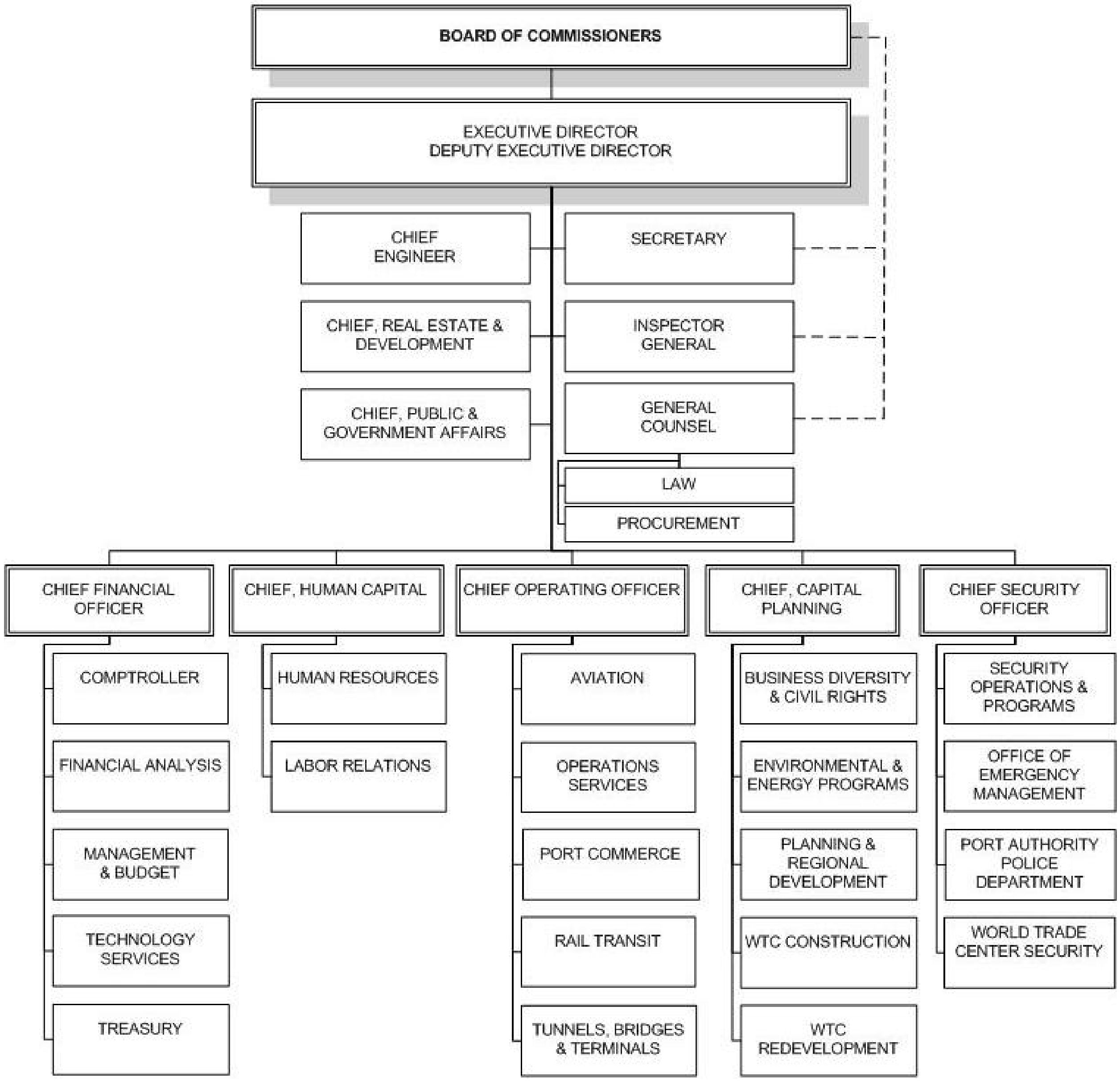
Patrick J. Foye commenced service as Executive Director on November 7, 2011. Mr. Foye also served as a board member of the Metropolitan Transportation Authority from May 2010 to February 2012. Prior to joining the Port Authority, Mr. Foye served as Deputy Secretary for Economic Development for Governor 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.

Deborah Gramiccioni began serving as Deputy Executive Director in January 2014. Prior to joining the Port Authority, Ms. Gramiccioni served as the Deputy Chief of Staff for Policy and Cabinet Liaison for Governor Christie from January 2012 to December 2013 and served as Director of the Authorities Unit under Governor Christie from January 2010 to January 2012. Prior to joining Governor Christie's staff, she served as Director of the Division of Criminal Justice for the Office of the Attorney General of the State of New Jersey, Department of Law and Public Safety from June 2008 to January 2010. Ms. Gramiccioni also served as Assistant Chief of the Fraud Section in the Criminal Division of the United States Department of Justice in Washington, D.C. from November 2005 until January 2007. Ms Gramiccioni also was an Assistant United States Attorney for the District of New Jersey from September 1999 to November 2005, serving as Chief of the Commercial Crimes Unit from September 2004. After graduating from the University of Virginia School of Law in 1997, Ms. Gramiccioni was an associate at

Skadden, Arps, Slate, Meagher and Flom LLP and then clerked for the Honorable Alfred J. Lechner, Jr., United States District Judge for the District of New Jersey.

Prior to assuming positions with the Port Authority: Mr. Dunne, who became the Chief Security Officer in November 2012, was most recently a consultant to city and state agencies in security related matters, prior thereto was the Managing Director for Security Services for UBS Wealth Management from 2002 to April 2009, and prior thereto held various positions with the New York City Police Department, which he joined in 1969, including Chief of Department from 1999 – 2000, and First Deputy Police Commissioner from 2000 to 2002; Mr. Farber, who became the Director of World Trade Center Security in January 2013, was a Branch Chief with the United States Secret Service from June 2010 to December 2012, and prior thereto held various positions within the United States Secret Service, which he joined in 1997, after graduating from the New York Institute of Technology; Mr. Fedorko, currently serving as the Superintendent of Police/Director of the Port Authority Police Department, became the Superintendent of Police/Director of Public Safety of the Port Authority in July 2009, was Vice-Chairman of the New Jersey Casino Control Commission from November 1999 to August 2009, prior thereto was the Acting Superintendent of the New Jersey State Police from January 1999 to November 1999, and prior thereto has held various positions within the New Jersey State Police, which he joined in 1969; 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; Mr. Kingsberry, who became the Director of Rail Transit in February 2013 after serving as Acting Director of Rail Transit since October 2012 and Deputy Director of PATH upon joining the Port Authority in 2011, was the Executive Director of the Delaware Transit Corporation (DTC) from 2005 to 2011 and the Director of Development for the DTC from 1999 to 2005, and prior thereto worked as the Director of Finance, Administration and Public Affairs for the North Jersey Transportation Planning Authority, held various jobs at New Jersey Transit, and served as the Chairman of the Wilmington Area Planning Council; Mr. Lynn, who became the Director of Planning and Regional Development on July 12, 2010, was the Vice President for Planning and Development at Madison Square Garden from 2001 to 2009, served as the Executive Director of the New York City Department of City Planning from 1994 to 2001, and prior thereto, held various executive positions at the New York City Department of Sanitation, the New York City Council and the New York City Charter Revision Commission; 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.

Organization Chart



Certain Port Authority Corporate Governance Initiatives

On June 18, 2007, the Governors of New York and New Jersey, in a letter to the Board of Commissioners of the Port Authority, called for the Port Authority to continue its efforts to promote transparent, efficient and ethical corporate governance practices and to adopt certain measures that adhere to the highest government accountability standards of the States of New York and New Jersey. In response, the Board of Commissioners of the Port Authority adopted amended and restated By-Laws for the Port Authority on July 26, 2007. The amendments focused primarily on six key areas: (i) continuing efforts to advance public participation at open Board and Committee meetings; (ii) strengthening programmatic oversight by the Board of Commissioners and redefining its role; (iii) renewing the focus of the Board's Audit Committee on audits and accountability; (iv) establishing a new Governance and Ethics Committee; (v) strengthening the integrity of the procurement process; and (vi) clarifying internal management and accountability. On May 22, 2008, the By-Laws were amended to reflect a revised organization structure, and on July 28, 2011 were also supplemented to include procedures for action should a quorum be unavailable for Board action. Certain additional procedural governance reforms were adopted on March 29, 2012, including an amendment to the By-Laws providing for the posting of public notice prior to the sale of real property; and the adoption of a Freedom of Information Code, replacing the prior Freedom of Information Policy and Procedures, to ensure enhanced access to public records of the Port Authority. On June 28, 2012, the By-Laws were amended to provide for (i) annual independent audits and retention of independent auditors; (ii) the establishment of certain Committees of the Board; (iii) the establishment of procedural requirements for certain public hearings, including a requirement that Commissioners attend tolls hearings; (iv) ethics training for Commissioners; and (v) recognition of the concept that each Commissioner, in serving on the Board of Commissioners of the Port Authority, shall act in a fiduciary capacity with a duty of loyalty and care owed to the Port Authority. The By-Laws were further amended on August 1, 2012 with respect to the organization and operations of the Committees of the Board of Commissioners of the Port Authority to provide for enhanced governance of the Port Authority and strengthen oversight and accountability by (i) revising the organization of the current Committees to reflect a renewed focus on the current issues before and the priorities of the Board of Commissioners of the Port Authority; (ii) requiring each Committee, with the approval of the Board of Commissioners of the Port Authority, to adopt a formal written charter clearly defining the roles and responsibilities of such Committee, and to review and assess such charter from time to time; (iii) requiring the Committee charters to be posted on the Port Authority's internet site; (iv) requiring regular meetings of the Committees; and (v) requiring each Committee to provide regular written communications, reports and recommendations to the Board of Commissioners of the Port Authority on the results of its oversight and other activities. On September 20, 2012, the Board of Commissioners of the Port Authority approved the formal written charters proposed for each of the Committees, and in connection therewith, amended the By-Laws to delete the general responsibilities and powers set forth therein for the Committees.

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

From the outset of the economic downturn, beginning in 2008, the Port Authority has taken a series of aggressive actions to control operating expenses and prioritize capital spending. The Port Authority has delivered several consecutive years of zero growth in operating budgets by restructuring functions and reducing staffing to the lowest point in 40 years, leveraging technology and streamlining business practices and reducing consulting services for non-critical efforts. The Port Authority's continued fiscal discipline with respect to operating expenses provided capacity for capital spending under the 2012 preliminary budget to allow priority projects to move forward and provide for maintenance of the Port Authority's facilities in a state of good repair. The Port Authority's 2013 Operating Budget continued to show fiscal discipline with respect to operating expenses by keeping operating expenses relatively flat and maintaining agency headcount at the lowest levels in forty years.

Authority-wide Review by a Special Committee of the Board of Commissioners

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.

On September 19, 2011, the Chairman of the Board of Commissioners of the Port Authority announced the formation of a Special Committee of the Board of Commissioners, consisting of the Chairman, the Vice Chairman and two Commissioners (the "Special Committee"), to conduct the comprehensive audit directed by the Governors. In November 2011, the Special Committee retained Navigant Consulting, Inc. ("Navigant") and Rothschild, Inc. to assist in its review.

A Phase I Interim Report (January 31, 2012) (the "Interim Report") was prepared by Navigant for the Special Committee and submitted by the Special Committee to the Governors and, thereafter, publicly released. The Phase II Report (September 2012) ("Phase II Report") was prepared by Navigant for the Special Committee and submitted by the Special Committee to the Governors. The Phase II Report, which was publicly released on September 19, 2012, reviewed, in more detail, potential initiatives and improvements to enhance productivity and efficiency.

Additionally, a report was prepared by Rothschild Inc. for the Special Committee and submitted by the Special Committee to the Governors (the "Rothschild Report"). The Rothschild Report, which was publicly released on September 19, 2012, 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 $2.4 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.

2012 Operating Results

The Port Authority's operating results for the year ended December 31, 2012, compared to the Port Authority's operating results for the year ended December 31, 2011 are set forth below:

	2012	2011
	(In millions)	
Gross operating revenues (including interdepartmental rents)	$ 4,056	$ 3,838
Less:		
Total expenses (including interdepartmental rents)	2,595	2,602
Operating asset obligations	28	30
Net expenses/(recoverables) related to Superstorm Sandy	30	-
Net operating revenues (as defined in the Consolidated Bond Resolution)	$ 1,403	$ 1,206

The increase in gross operating revenues (including interdepartmental rents) in 2012 from 2011 is primarily due to the full year impact of the revised toll and fare schedules for the Port Authority's six vehicular crossings and the Port Authority Trans-Hudson rail system effective September 18, 2011; and higher revenues derived from rentals primarily associated with a new marine terminal agreement and cost recovery agreements with the airlines operating at LaGuardia Airport, John F. Kennedy International Airport and Newark Liberty International Airport.

The decrease in total expenses in 2012 from 2011 is primarily due to lower interdepartmental rent due to the World Trade Center retail joint venture agreement and the joint venture agreement for One World Trade Center, lower costs as a result of milder winter weather conditions, and a reduction in bad debt expense at port facilities. Offsetting these decreases were higher costs relating to interim terminal operating agreements at port facilities, increased airport rental payments to the Cities of New York and Newark, and higher employer pension contributions.

The decrease in operating asset obligations in 2012 from 2011 is primarily due to lower scheduled interest payments to the states of New York and New Jersey relating to the Fund for Regional Development buy-out obligation (see "*The Fund for Regional Development*").

The amount included for Net expenses/(recoverables) related to Superstorm Sandy represents the Port Authority's self insured retention amounts associated with Superstorm Sandy. In 2012, expenses for the ongoing restoration and repair to Port Authority facilities and losses on assets that were destroyed, totaled $136 million. Offsetting this amount is a $106 million receivable, representing the estimated insurance recoveries that have been recognized as of December 31, 2012 in connection with Superstorm Sandy.

2012 Actual Results Compared to Preliminary 2012 Annual Budget

The Port Authority's actual results in the categories of expenditures set forth below, for the year ended December 31, 2012, compared to the Port Authority's preliminary budget for the calendar year 2012, are set forth below:

	2012 Actual	Preliminary 2012 Budget
	(In millions)	
Operating expenses (including interdepartmental rents)	$ 2,595	$ 2,531
Operating asset obligations	28	30
Subtotal	2,623	2,561
Net expenses/(recoverables) related to Superstorm Sandy	30	-
Debt service	868	832
Deferred and other expenditures	42	45
Gross capital expenditures	2,974	3,657
Total Expenditures	$ 6,537	$ 7,095

Operating expenses for 2012 were higher than the operating expenses set forth in the preliminary budget for calendar year 2012 primarily due to higher policing costs mainly due to continued heightened security measures, higher expenses related to the write-off of certain engineering and other capital project costs, higher consultant expenses related to aviation capacity studies and increased costs associated with insurance. These increases were partially offset by lower costs as a result of milder winter weather conditions, lower utility costs due to lower rates for electricity and lower costs for various operating projects.

The amount included for Net expenses/(recoverables) related to Superstorm Sandy represents the Port Authority's self insured retention amounts associated with Superstorm Sandy. In 2012, expenses for the ongoing restoration and repair to Port Authority facilities and losses on assets that were destroyed, totaled $136 million. Offsetting this amount is a $106 million receivable, representing the estimated insurance recoveries that have been recognized as of December 31, 2012 in connection with Superstorm Sandy.

Debt service for 2012 was higher than the debt service set forth in the preliminary budget for calendar year 2012 primarily due to higher expenses associated with retirements of certain Port Authority debt obligations.

Deferred and other expenditures for 2012 were lower than the deferred and other expenditures set forth in the preliminary budget for calendar year 2012 primarily due to lower than planned equipment costs.

Gross capital expenditures for 2012 were lower than the gross capital expenditures set forth in the preliminary budget for calendar year 2012 primarily due to lower than anticipated expenditures in connection with Lincoln Tunnel access infrastructure improvements, delays associated with land purchases in connection with the cross harbor rail freight operations, lower than anticipated funding for regional projects, and delays in the acquisition of strategic properties related to container and rail freight initiatives.

2013 Annual Operating Budget Compared to 2012 Actual Operating Results

On December 6, 2012, the Board of Commissioners approved the operating budget for calendar year 2013. Expenditures set forth in the Port Authority's operating budget for calendar year 2013, compared to the Port Authority's actual operating expenses for calendar year 2012, are set forth below:

	2013 Operating Budget	2012 Actual
	(In millions)	
Operating expenses (including interdepartmental rents)	$ 2,550	$ 2,595
Operating asset obligations	26	28
Subtotal	2,576	2,623
Net expenses/(recoverables) related to Superstorm Sandy	-	30
Debt service	886	868
Deferred and other expenditures	70	42
Total Operating Expenditures	$ 3,532	$ 3,563

The estimated operating expenses set forth in the operating budget for calendar year 2013 are expected to be lower than the operating expenses for calendar year 2012 due to lower contract service costs associated with supplemental agreements between the Port Authority and the private full service vendor which operates the mass-burn resource recovery plant at the Essex County Resource Recovery Facility and acceleration of the final payment under a memorandum of agreement between the Port Authority and the Brooklyn Bridge Park Development Corporation in 2012. These lower expenses are expected to be partially offset by higher contract service costs related to maintenance for the AirTrain at John F. Kennedy International Airport and the AirTrain at Newark Liberty International Airport and higher utility costs related to higher rates for electricity and consumption.

The estimated debt service set forth in the operating budget for calendar year 2013 is expected to be higher than actual debt service for calendar year 2012 primarily due to higher costs associated with bonds issued for World Trade Center purposes in 2012.

The estimated deferred and other expenditures set forth in the operating budget for calendar year 2013 are expected to be higher than actual deferred and other expenditures for calendar year 2012 primarily due to higher staff relocation costs, broker commissions and technology costs related to the World Trade Center.

Staffing Levels

Staffing levels at the Port Authority and PATH are provided for on the basis of approximately 6,777 employees. 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 environmental 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 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.

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.

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 and safety 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 organization structure has been developed to centralize the agency's security functions. Further, the addition of new Port Authority police officers will improve the law enforcement presence and response capabilities at Port Authority facilities. Management oversight at the police commands will also be increased with the hiring of new command staff. A new cadre of aircraft rescue and fire fighting (ARFF) personnel has been assigned to the Port Authority's aviation facilities. ARFF training, led by a new ARFF Fire Chief reporting to the CSO and supported by a new ARFF Training and Certifications Captain, will also be 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, will continue implementing security technology solutions and operational strategies to provide for the security of the WTC site. The CSO will continue to lead the focus on efforts to expand and evolve the nature and effectiveness of 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 January 15, 2014, variable rate obligations outstanding were approximately 2.33% of such total aggregate principal amounts.

DESCRIPTION OF THE PORT AUTHORITY AND ITS FACILITIES

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® Interagency Group, which currently includes twenty-two other public agencies 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 and North Carolina, in connection with the implementation of a regional electronic toll collection system. The E-ZPass® 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"). The toll for automobiles paying with cash was increased from $8.00 to $12.00 effective September 18, 2011; $13.00 effective the first Sunday in December, 2012; $14.00 effective the first Sunday in December, 2014; and $15.00 effective the first Sunday in December, 2015. The toll for automobiles and Class 1 vehicles using the E-ZPass® electronic toll collection system during peak periods was increased from $8.00 to $9.50, and during off-peak periods was increased from $6.00 to $7.50, each effective September 18, 2011, and each will increase by 75 cents in December each year from 2012 through 2015. The toll for truck classes 2-6 paying with cash was increased from $8.00 per axle to $13.00 per axle, and will increase by $2.00 per axle in December each year from 2012 through 2015. The toll for truck classes 2-6 using the E-ZPass® electronic toll collection system increased from $8.00 per axle to $10.00 per axle during peak periods, from $7.00 per axle to $9.00 per axle during off-peak periods, and from $5.50 per axle to $7.50 per axle during weekday overnight periods, and each will increase by $2.00 per axle in December each year from 2012 through 2015. The "Carpool Plan" discount program previously available to Class 1 or 11 vehicles with three or more people was increased to $3.50, and will increase by 75 cents in December each year from 2012 through 2015. On June 28, 2012, the discount program provided under the 2011 Tolls Schedule, as adjusted in December 2011, for automobiles using the E-ZPass® electronic toll collection system at the Bayonne Bridge, Goethals Bridge and Outerbridge Crossing was further adjusted to provide for the first two trips in any given calendar month to be the prevailing E-ZPass® toll rate for automobiles, with all qualifying trips in the month charged at the discounted rate of $4.75 per trip after the third trip is completed; with the discounted per trip rate increasing to $5.25 per trip after three trips effective the first Sunday in December, 2012; $5.50 per trip after three trips effective the first Sunday in December, 2013; $6.00 per trip after three trips effective the first Sunday in December, 2014; and $6.25 per trip after three trips effective the first Sunday in December, 2015. The Port Authority "GreenPass" discount program previously available to qualifying pre-registered low-emission vehicles with a green E-ZPass® tag during off-peak hours shall remain $4.00 effective September 18, 2011, and will increase by 75 cents in December each year from 2012 through 2015. The cash toll for buses carrying 10 or more people was increased from $6.00 to $20.00, and will increase by $1.00 in December each year from 2012 through 2015. The toll for buses using the E-ZPass® electronic toll collection system was increased from $4.00 to $10.00, and will increase by 75 cents in December each year from 2012 through 2015. Effective September 18, 2011, the "peak hours" were revised to mean 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" shall be all other times, except that "weekday overnight hours" for Classes 2, 3, 4, 5, and 6 shall be from 10:00 p.m. Sundays through Thursdays to 6:00 a.m. Mondays through Fridays, respectively. On March 29, 2012, in furtherance of the authorization by the Board of Commissioners of the Port Authority for the evaluation and recommendation of a truck repeat volume discount program in connection with the authorization of the 2011 Tolls Schedule, the Board of Commissioners of the Port Authority took certain actions to amend the 2011 Tolls Schedule to add a truck volume discount program for commercial/business E-ZPass® 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® statement cycle, providing for a 10% discount from all "off-peak hours" tolls for such trips in such monthly statement cycle, in the form of an account credit.

In connection with the adoption of a revised bridge and tunnel tolls schedule effective March 2, 2008, 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, the Executive Director of the Port Authority was authorized and directed 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.

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 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.

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 Holland 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.

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.

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 8,460 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 2015. 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 expected to be complete in December 2017, with increased navigational clearance achieved in late 2015.

On July 31, 2013, certain plaintiffs, including the Coalition for Healthy Ports and Natural Resources Defense Counsel, 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 seek to invalidate the FONSI, require an EIS, stay the effectiveness of the Bridge Permit amendment until an EIS has been prepared, and enjoin construction. The Port Authority disputes the plaintiffs' allegations in this matter and believes that the United States Coast Guard's issuance of the Bridge Permit and the FEA were in all respects proper and in compliance with NEPA and the APA.

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.

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, presently expected to occur in December 2017, 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 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, 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. A substantial extension, modernization and improvement program for this facility commenced in mid-1975 and was completed in 1981. The increases in the Port Authority bridge and tunnel tolls schedules, which were effective May 5, 1975, made possible the allocation of $160 million to the extension of this facility. Buses using the Bus Terminal constitute a substantial majority of all interstate bus traffic entering the midtown Manhattan area.

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.

Pursuant to authorization by the Board of Commissioners of the Port Authority on December 18, 2007, the Port Authority entered into a retail management agreement with 20 X Square Associates, LLC on September 1, 2010 for the management and operation of retail space in the North and South Wings of the Bus Terminal, expiring on August 7, 2014.

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 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."*

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 1 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 1 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 system under the Farley Building are under construction as part of Phase 1. The Port Authority's share of $10 million of the Phase 1 costs reflects a 2004 commitment by the Port Authority to fund a portion of the West End Concourse expansion. Phase 2 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 1 redevelopment.

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").

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 cars to replace the existing PATH car fleet. On August 5, 2010, the Board of Directors of the Port Authority Trans-Hudson Corporation authorized the purchase of an additional 10 cars to bring the total of new cars to 350. As of July 2012, all 350 new PATH cars have been placed into service. In addition, PATH is undertaking a replacement and upgrade of its signals system to allow for automatic train control. PATH has also commenced initiatives to allow for ten-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 PATH fare schedule was revised effective on September 18, 2011. Under the revised schedule, the PATH base fare for a single trip increased from $1.75 per trip to $2.00 per trip, with 25 cent increases on October 1 each year from 2012 through 2014. The PATH fare for seniors remains at $1.00 per trip. Under the revised schedule, multi-trip tickets were made available as 10-trip tickets for $15.00, 20-trip tickets for $30.00 and 40-trip tickets for $60.00, and PATH SmartLink unlimited passes were made available as a 1-day unlimited pass for $6.25; a 7-day unlimited pass for $21.00; and a 30-day unlimited pass for $65.00. The cost of the multi-trip tickets and SmartLink passes increase on October 1 each year from 2012 through 2014 in a consistent manner with the base fare increase. The PATH fare 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) decreased to $370,124,000 in 2012 from $371,778,000 in 2011. The decrease in the operating deficit in 2012 from 2011 was primarily due to the full year impact of the revised PATH fare schedule which became effective on September 18, 2011. Partially offsetting this increase was an overall decline in 2012 ridership levels of 5.2% which was directly attributable to Superstorm Sandy. 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.

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.

The passenger rail connection provided by this facility will encourage greater use of PATH service, since NJ Transit's Pascack Valley Line will connect to the Meadowlands Sports Complex from Hoboken, N.J. Additionally, the improved level of passenger rail service provided by the facility will also serve to relieve traffic congestion on the Port Authority's interstate transportation network. The Port Authority has participated in this project by providing approximately $150,000,000 of the project's capital costs.

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.

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 2012, John F. Kennedy International Airport, LaGuardia Airport and Newark Liberty International Airport handled approximately 109 million passengers, an increase of approximately 3.4% from 2011. In 2012, Stewart International Airport handled approximately 364,848 passengers, a decrease of approximately 11.8% from 2011.

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.

On July 23, 1992, July 31, 1995, November 6, 1996, February 9, 1998 and August 16, 1999, respectively, the Federal Aviation Administration ("FAA") granted applications submitted by the Port Authority in connection with the imposition and use of passenger facility charges established under Federal law ("PFCs") (at a rate of $3 per enplaned passenger) at LaGuardia, John F. Kennedy International and Newark Liberty International Airports, 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. On January 13, 2006, the FAA approved an application submitted by the Port Authority to impose and to use PFCs at a rate of $4.50 per enplaned passenger, effective as of April 1, 2006, for additional airside, landside and terminal projects, and to increase the rate for PFCs currently being collected for previously FAA approved projects from $3.00 to $4.50 per enplaned passenger. On May 17, 2010, the FAA approved an application submitted by the Port Authority to add Stewart International Airport as part of the Port Authority's PFC collection authority, and for an extension of the authority 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. 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 the PFCs at the airports and for approval of airport-related capital construction projects to be funded with the PFCs, as appropriate.

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.

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. 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.

Federal Aviation Administration Congestion Management

Congestion and delay at LaGuardia Airport ("LGA") and John F. Kennedy International Airport ("JFK") had been managed by the FAA by means of the High Density Rule ("HDR"), which established the number of take-offs and landings during certain hours, and in order to operate during the restricted hours, a carrier needed a reservation commonly known as an "operating authorization." In 2005, Federal legislation known as the "Wendell H. Ford Aviation Investment and Reform Act of the 21st Century" ("AIR-21") provided for the termination of the HDR at JFK and LGA on January 1, 2007, and directed the DOT to grant exemptions for certain flights from the HDR's operation limits prior to its termination.

In an effort to deal with over scheduling and flight delays during peak hours of operation at JFK, LGA and Newark Liberty International Airport ("EWR"), the FAA has subsequently published a series of rulemaking to establish operational caps at each airport which restrict the number of scheduled operations per hour during peak hours. On December 13, 2006, the FAA issued a Final Order maintaining a cap of 75 operations (arrivals and departures) per hour, for certain hours, at LGA, to expire no less than 90 days after issuance of a final rule regulating congestion at the airport. On January 15, 2008, the FAA issued a Final Order, amended on February 8, 2008, setting operational caps at JFK for scheduled operations (arrivals and departures). The FAA also issued a Final Order on May 21, 2008, setting an operational cap of 81 operations (arrivals and departures) per hour, for certain peak hours, at EWR. On January 15, 2009, the FAA issued a Notice of Order for Operating Limitations at LGA, which stated that the FAA would accept voluntary reductions in flights at the airport in order to lower the cap at LGA to 71 flights per hour. On October 7, 2009, the FAA extended the caps on operations at LGA, EWR and JFK, respectively, through October 29, 2011. On April 4, 2011, the FAA published a Notice of Extension to Order for each of JFK, EWR and LGA, extending the dates of the existing orders limiting operations at each of the airports until the final Congestion Management Rule for the airports becomes effective but not later than October 26, 2013. On May 4, 2013, the FAA published a Notice of Extension to Order for each of JFK, EWR and LGA, further extending the dates of the existing orders limiting operations at each of the airports until the final Congestion Management Rule for the airports becomes effective but not later than October 24, 2014. 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.

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, a patron parking structure and two flight kitchen facilities.

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 consideration of the replacement of the Central Terminal Building through a "public-private partnership," with private funding providing the estimated $2.5 billion cost of the new terminal, and the Port Authority providing $1.1 billion in related infrastructure improvements, including a new "west" garage. Additionally, a new "east" garage, an east-end substation, and various other site, building and utility modernization projects are part of the ongoing redevelopment at the airport.

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-two 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.

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, five 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.

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.

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.

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 2,400 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, 2014, with certain extension options that may be exercised by the Port Authority.

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.

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 177th 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 Street 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"), which was acquired by the Port Authority in December 2003, 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 450,000 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, 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 the retail space at the World Trade Center site. On December 4, 2013, the Board of Commissioners of the Port Authority approved the Port Authority's sale of its interests in the joint venture to Westfield. As such, Westfield will acquire 100% of the Port Authority interests in the retail components of the World Trade Center site for a total aggregate payment to the Port Authority of $1.4 billion. After completion of the transaction, the Port Authority will continue as landlord of the retail components of the World Trade Center site, under a net lease providing for nominal annual rentals.

On November 14, 2013, the WTC Neighborhood Alliance ("WTCNA"), an unincorporated association of individuals who live or work in downtown Manhattan, instituted an Article 78 proceeding in the Supreme Court of the State of New York (the "State"), County of New York, against, among others, the New York City Police Department (the "NYPD"), the City of New York (the "City"), the New York City Department of Transportation (the "NYCDOT"), and the Port Authority, seeking, among other relief, a declaration that the Final Environmental Impact Statement (FEIS) issued by the NYPD for its security plan at the World Trade Center site did not comply with State and City environmental laws, a declaration annulling the security plan, an order enjoining the NYPD, the City, and any City agency or department from implementing the security plan. The Port Authority and NYPD, the City, and NYCDOT dispute WTCNA's allegations in this matter, and believe that the NYPD's issuance of the FEIS was in all respects proper and in compliance with applicable law.

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, 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 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 and with respect to the development of that building. 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 will contain approximately 3.0 million square feet of space, comprised of commercial office space, and an indoor observation deck. On March 26, 2009, the Port Authority and Vantone Industrial Co., Ltd. ("Vantone") entered into an agreement for Vantone to lease approximately 191,000 square feet of office space in One World Trade Center for the creation of the China Center, a business and cultural facility, commencing upon completion of the building for a term of approximately 20 years. On May 25, 2011, WTC Tower 1 LLC and Advance Magazine Publishers Inc. d/b/a Condé Nast entered into a lease with respect to approximately 1 million square feet of office and related space in One World Trade Center, for a 25-year term, with certain renewal options for up to an additional 20 years. On June 28, 2012, the Port Authority entered into a lease agreement with the United States General Services Administration ("GSA") for approximately 270,104 square feet of space in One World Trade Center for an initial term of 20 years with four consecutive 15-year renewal options to replace the GSA's former lease at Six World Trade Center. It is presently expected that One World Trade Center will be substantially completed by early 2014, at a cost of approximately $3.1 billion. On June 14, 2012, WTC Tower 1 LLC, Tower 1 Rooftop Holdings LLC, affiliates of the Port Authority and The Durst Organization entered into various agreements in connection with leasing certain portions of the One World Trade Center rooftop, together with ancillary space in the building, for the purpose of developing, operating, and maintaining a broadcasting and communications facility. On April 8, 2013, WTC Tower 1 LLC entered into a 15-year lease agreement with a wholly-owned subsidiary of Legends Hospitality, LLC for approximately 120,000 gross square feet of space in One World Trade Center, for the development and operation of the observation deck at the top of One World Trade Center. The observation deck facility, called One World Observatory, will occupy floors 100-102 of One World Trade Center.

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, and is available for tenant fit-out, and 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.

Additionally, the Port Authority is participating in the financing for Tower 4, which has been preleased to the extent of approximately 600,000 of its 2 million square feet of office space to the Port Authority and approximately 580,000 square feet to the City of New York, to enable construction and development to continue. On October 20, 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. 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) to be made solely from the sources of payment described below. Additionally, the Silverstein net lessee of Tower 4 would have 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, 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.

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 would enter 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 will assign 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; will grant a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; and will assign 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 has entered into a 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 include the Silverstein Tower 3 net lessee raising $300 million of private equity, pre-leasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office 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 Tower 3 Tenant Support Agreement for a total reimbursement of $400 million. Under the 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. 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 Tower 3 Tenant Support Agreement. In addition, to provide additional security for repayment to the Port Authority under the Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 will 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. In December 2013, Silverstein Properties 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 Properties will now move forward to complete the financing and construction of Tower 3.

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.

In December 2010, the Port Authority 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 addition, the Silverstein net lessee of Tower 4 exercised its option and entered into an amended space lease with the City of New York 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 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 in 2015. 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 "*Authority-wide Review by a Special Committee of the Board of Commissioners*"), 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 presently expected to be operational in time 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.

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 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. On March 13, 2006, construction of the Memorial/Museum commenced.

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 establishes the general areas of responsibility of the several parties for the design, development, construction, financing and operation of the project, which will include 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 is responsible for the construction of the project, in accordance with the project's final design plans. The Memorial Foundation is 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.

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) would also be restructured to provide that, to the extent required, the LMDC will 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 will 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 will each 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 provides for the release of other disputed cost claims by both parties. In addition, the agreement provides for the Port Authority and the Memorial Foundation to work cooperatively to open the museum as soon as practicable consistent with the revised construction budget and 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, if any, for claims arising from the terrorist attacks of September 11, 2001 is limited, generally, to the amount of the Port Authority's applicable public liability insurance coverage. The administrative procedures for the application of this limitation to individual claims have not yet been determined.

Between Fall 2002 and Spring 2004, the United States District Court for the Southern District of New York issued a series of determinations pertaining to the application of the compensation program created by the Air Transportation Safety and System Stabilization Act, as amended (the "Compensation Fund"). In September 2002, the Court determined that the filing of a notice of claim and the commencement of litigation against the Port Authority (see "*Claims and Certain Litigation Against the Port Authority*") for alleged liability arising from the terrorist attacks of September 11, 2001 would not constitute a final election to pursue litigation rather than file a claim under the Compensation Fund, but rather would cause the potential litigation to remain dormant during a prescribed period. If a plaintiff filed a claim under the Compensation Fund before activating litigation, the suspended litigation was either to be discontinued within 10 days, or it was to be dismissed by the Court. Between February 2004 and June 2004, the Court reviewed the claims that remained pending, determining which plaintiffs substantially completed claims with the Compensation Fund, and dismissed those claims.

Despite the election by most individuals to seek compensation from the Compensation Fund, various actions, seeking damages related to the events of September 11, 2001, remain pending in the United States District Court for the Southern District of New York, against certain airlines, airport security companies, airport operators (including the Port Authority with respect to Newark Liberty International Airport) and the net lessees of One, Two, Four and Five World Trade Center, and the Port Authority (in connection with the World Trade Center). With respect to the Port Authority, it is generally alleged that the Port Authority negligently failed to fulfill its security responsibilities at Newark Liberty International Airport, and that the Port Authority negligently designed, constructed, maintained, and operated the World Trade Center, and failed to provide adequate and effective evacuation routes and plans for the World Trade Center. On September 9, 2003, in connection with the denial of defendants' motions to dismiss these actions, the Court held that the plaintiffs, at this stage of the proceedings, should not be foreclosed from being able to prove that the defendants were responsible for their injuries. In reaching its decision, the Court also noted that, by specific provision of the Air Transportation Safety and System Stabilization Act, as amended, the liability of the Port Authority and the net lessees is limited to the extent of insurance coverage. On October 1, 2003, the Court denied the defendants' motions that they be granted leave to immediately appeal this decision on the basis that such an appeal would be premature given the absence of a factual record upon which to determine the parameters of possible duties owed to the plaintiffs. On September 10, 2004, the Port Authority instituted certain cross-claims against its various co-defendants in the above-referenced actions, for their alleged negligence which may have contributed to the terrorist attacks.

On June 20, 2003, the United States District Court for the Southern District of New York determined that certain lawsuits brought against various defendants, including the Port Authority, the City of New York and the net lessees of various components of the World Trade Center, by individuals alleging respiratory injuries sustained after September 11, 2001, were not within the scope of the exclusive Federal jurisdiction established by the Air Transportation Safety and System Stabilization Act, as amended, to the extent that the alleged injuries occurred after September 29, 2001 (the date on which the City of New York ended rescue and recovery operations at the World Trade Center site) or at sites outside the geographical boundaries of the World Trade Center site, and on such basis ordered the remand of such lawsuits to the Supreme Court of the State of New York, County of New York. On November 12, 2003, the United States Court of Appeals for the Second Circuit consolidated such lawsuits brought by individuals alleging respiratory injuries sustained after September 11, 2001 and granted applications to appeal all aspects of the ruling of the United States District Court for the Southern District of New York with respect to such lawsuits, including the order remanding certain actions to the Supreme Court of the State of New York, County of New York. On July 14, 2005, the United States Court of Appeals for the Second Circuit held that, while under Federal law it lacked the jurisdiction to hear the appeal of the District Court's decision to remand to state court cases alleging respiratory and other injuries sustained after September 29, 2001 or at sites outside the geographical boundaries of the World Trade Center site, it did have jurisdiction on the cross-appeals by the plaintiffs in cases that the District Court refused to remand to state court. On the cross-appeals, the United States Court of Appeals for the Second Circuit held that the Air Transportation Safety and System Stabilization Act, as amended, gives jurisdiction to the

United States District Court for all exposure cases whether off of the World Trade Center site or after September 29, 2001. The Court also noted that where the District Court had stayed its remand orders pending appeal, and where a remand order has not been implemented, the District Court has the authority, to revise its order at any time before the entry of a final judgment, and to reconsider the remand to state court.

On July 22, 2005, in connection with the reconsideration of its remand orders the District Court adopted the reasoning of the appellate court. As a result, all cases alleging respiratory injuries are now pending in Federal Court. On June 24, 2006, the Court granted the motion for summary judgment of the net lessee of the retail components of the World Trade Center site, and its affiliated entities, and all complaints against them were dismissed on the grounds that they were not present at, or in possession of, the World Trade Center site during the rescue, recovery and debris removal period. On June 27, 2006, the Court dismissed certain claims against the Port Authority for lack of specificity of factual allegations contained in their complaints and gave the plaintiffs an opportunity to re-plead specific allegations as to each individual plaintiff in new complaints, with failure to do so by August 18, 2006, resulting in the dismissal of all the filed complaints against the Port Authority. Various plaintiffs have filed amended complaints against the Port Authority pursuant to the Court's order. On October 17, 2006, the Court granted the motion for summary judgment of the net lessees of the office components of the World Trade Center site, and all complaints against them were dismissed on the grounds that they were not present at, or in possession of, the World Trade Center site during the rescue, recovery and debris removal period. Additionally, the Court denied the motions filed by the City of New York, its contractors and the Port Authority asserting immunity under the New York State Defense Emergency Act, state common law and Federal law, holding that these issues required the development of a proper and fully developed factual record and could not be decided by a motion at this point in the litigation; on March 26, 2008, the United States Court of Appeals for the Second Circuit dismissed appeal of such decision filed by the City of New York, its contractors and the Port Authority. As of February 8, 2008, the District Court transferred the one remaining wrongful death action and the six personal injury claims against PATH (which have subsequently been settled) arising out of the events of September 11, 2001, to the property damage docket, and closed out the docket for personal injury claims arising out of the events of September 11, 2001.

On September 19, 2003, the United States District Court for the Southern District of New York created procedures whereby cases could be commenced against certain architects and engineers for their alleged failure in designing, constructing, maintaining and repairing the World Trade Center. Thereafter, various actions were commenced against certain architects, engineers and construction companies, including a company that provided construction contracting services during the construction of the World Trade Center, generally alleging negligence in the design and construction of the World Trade Center. Such construction company has requested that the Port Authority indemnify and defend such construction company under certain contractual agreements with the Port Authority pertaining to the construction of the World Trade Center. On the basis of various discussions between the Port Authority and the insurer that provided a commercial general liability insurance policy to the Port Authority pertaining to the World Trade Center construction project, such insurer has advised that it will not provide coverage under such policy because the above-described actions did not occur within the period covered by the policy. The Port Authority disputes the insurer's contentions in this matter.

Certain insurance companies providing insurance for the tenants of Seven World Trade Center, as subrogees, together with certain of the tenants, have commenced actions against the Port Authority in the United States District Court for the Southern District of New York, generally alleging that the collapse of Seven World Trade Center was the result of the Port Authority's breach of contract, negligence and negligence per se, in connection with the construction of certain diesel fuel tanks in Seven World Trade Center, and generally seeking to recover amounts attributable to losses sustained by their insureds. On February 4, 2005, the Court approved a stipulation discontinuing with prejudice one of the actions described above as to the Port Authority. On July 27, 2009, the Court entered judgment in favor of one of those tenants, Con Edison, and its subrogated insurers, on a portion of their action in the aggregate amount of $22,481,405, and dismissed the remaining portion of the action. Plaintiffs appealed the dismissal to the United States Court of Appeals for the Second Circuit. On June 21, 2011, the United States Court of Appeals for the Second Circuit reinstated a portion of Con Edison's claim based on the alleged negligence of the Port Authority in connection with the design, approval, inspection, installation, maintenance, operation, conduct and control of certain diesel fuel tanks at Seven World Trade Center, while affirming the United States District Court's dismissal of Con Edison's broader claims against the Port Authority alleging negligent design and construction of Seven World Trade Center.

Additionally, various actions have been commenced in State and Federal courts in New York, against various defendants, in certain cases, including the Port Authority, 1 World Trade Center LLC and WTC Retail LLC, generally alleging personal injuries, including respiratory and pulmonary injuries, arising from alleged contact with and inhalation of dangerous chemicals, toxins and poisons, including asbestos, lead and benzene, after September 11, 2001. The Port Authority is not named as a party in a class action filed on September 10, 2004, in the United States District Court for the Southern District of New York by fifteen named individuals, on their own behalf and on behalf of various unnamed individuals, against the net lessees of One, Two, Four and Five World Trade Center and the retail components of the World Trade Center and four construction companies that provided debris removal services at the World Trade Center site following the terrorist attacks of September 11, 2001.

On October 14, 2010, the United States District Court for the Southern District of New York approved a proposed settlement, which was approved by the Board of Commissioners of the Port Authority on October 21, 2010, of certain actions brought by approximately 9,100 plaintiffs against the Port Authority alleging respiratory injuries arising from the rescue, recovery, and clean-up work at the World Trade Center site on and after September 11, 2001. The total settlement amount was $47.5 million, reduced to the extent plaintiffs opt out of the settlement or are disqualified for any reason. The settlement became effective in 2011 when 95% of the plaintiffs who complied with the Port Authority's suability legislation opted in to the settlement, and 80% of the non-compliant plaintiffs also opted in. Approximately $46.7 million has been paid to date to plaintiffs' counsel for distribution to plaintiffs. Opt-ins by additional plaintiffs will increase the total amount paid, which will not exceed the maximum settlement of $47.5 million. The settlement amount will be allocated to individual plaintiffs based upon the severity of their physical injuries, and is fully reimbursable under the Port Authority's applicable liability insurance program.

The Port Authority disputes the allegations in the pending actions described above, as well as in other actions related to the events of September 11, 2001 that are pending against the Port Authority, among others, in various Federal, state and local courts, which are all being vigorously defended.

Certain Federal Studies Pertaining to the Events of September 11, 2001

At present there are certain Federal studies pertaining to the events of September 11, 2001. In a study, which was initiated in August 2002, the Port Authority provided information to the National Institute of Standards and Technology ("NIST") and assisted in its World Trade Center building and fire safety investigation, which pertains to the construction of the World Trade Center, the materials used and all of the technical conditions that contributed to the outcome of the collapses of One, Two and Seven World Trade Center. On April 5, 2005, in a draft report, NIST presented its analysis and certain findings regarding the collapses of One and Two World Trade Center on September 11, 2001. On June 23, 2005, in a draft final report, NIST presented and released for public comments certain recommendations resulting from NIST's investigation of the collapses of One and Two World Trade Center. NIST released the final report and recommendations in September 2005. Draft reports and recommendations on the collapse of Seven World Trade Center were presented and released for public comment on August 21, 2008 and the final report was released on November 20, 2008.

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, are pending in the Supreme Court of the State of New York, County of New York, against the Port Authority. On January 20, 2004, in connection with the denial of the Port Authority's motion for summary judgment, the Court held that the plaintiffs, at this stage of the proceedings, should not be foreclosed from being able to prove that the bombing was a foreseeable event, due in part to the alleged failure to implement certain security measures at the World Trade Center. On December 2, 2004, the Appellate Division, First Department of the Supreme Court of the State of New York, affirmed such determination and on February 24, 2005, denied the Port Authority's request for permission to appeal to the New York Court of Appeals.

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 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.

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 Newark Legal and Communications Center Urban Renewal Corporation, 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 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 Newark Legal and Communications Center Urban Renewal Corporation, 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, six container cranes, transit sheds, open storage areas, buildings, roadways and railroad trackage.

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, dredged in 1963-1964 at a cost of approximately $4,500,000, is approximately 9,000 feet long and 800 feet wide. There are 31 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 Authority Auto 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 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.

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 Terminal and Container Services, LLC ("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 Marine 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 (which also leases Pier 7 from the Port Authority) 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 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.

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 New York City Economic Development Corporation ("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, 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 intermodal transload facility for freight to and from the National Railroad System.

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 (now known as the "New York City Economic Development Corporation" ("PDC")), 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.

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 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 is a regional satellite communications center which is located in a portion of New York City's Staten Island Industrial Park and which has been leased to the Port Authority by the City of New York since June 1984 for a term ending in May 2024. Combining satellite communications systems, fiber optic networks, including a link to the World Trade Center site, and specifically designed office space presently located in five buildings, the Teleport provides a site for the location of those businesses particularly dependent upon such communications systems.

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 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 2012, the plant accepted approximately 903,496 tons of municipal solid waste, approximately 35.7% 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; such request is currently under consideration by the Port Authority.

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 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 Governor's 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.

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 Program

The Hudson-Raritan Estuary Resources Program is 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 this program 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 this program 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 this program would not exceed $60 million (with up to $30 million allocated to property to be acquired 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 Hudson-Raritan Estuary Resources 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.

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.

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 by the Port Authority of obligations in addition to the Bonds or the provision of other capital funds 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, with appropriate government officials and agencies in both States, certain port and airport projects; development of foreign trade zones and distribution centers; diverse projects involving regional development facilities; expansion of capacity at the Staten Island bridges; activities to ease the burdens on and improve access to trans-Hudson transportation facilities; and projects to improve landside access to the airports, as well as a number of other regional initiatives.

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 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 are being 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; 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 1, 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 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.

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 provided approximately $123 million through December 2012 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 95% 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 will be approximately $910 million. As of December 31, 2012, the Port Authority has provided approximately $853 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 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.

Cumulative Port Authority Capital Investment in Facilities (as of December 31, 2012)

Holland Tunnel	$ 663,291,000
Lincoln Tunnel	1,034,213,000
George Washington Bridge	1,422,065,000
Bayonne Bridge	327,568,000
Goethals Bridge	397,889,000
Outerbridge Crossing	242,150,000
Port Authority Bus Terminal	831,928,000
Access to the Region's Core (ARC) Project*	131,748,000
Hudson Tubes	6,916,070,000
Trans-Hudson Ferry Service	141,109,000
LaGuardia Airport	1,895,907,000
John F. Kennedy International Airport	6,872,972,000
Newark Liberty International Airport	4,798,422,000
Teterboro Airport	320,016,000
Stewart International Airport	68,622,000
World Trade Center	7,481,686,000
Newark Legal and Communications Center	97,255,000
Port Newark	1,190,456,000
Elizabeth-Port Authority Marine Terminal	1,658,802,000
Greenville Yard-Port Authority Marine Terminal	18,513,000
Port Jersey-Port Authority Marine Terminal	256,923,000
Brooklyn-Port Authority Marine Terminal	248,567,000
Howland Hook Marine Terminal	628,918,000
Hoboken South Waterfront Development Facility	102,934,000
Queens West Waterfront Development Facility	96,491,000
Oak Point Rail Freight Link	38,231,000
Regional Rail Freight Program	50,000,000
Bathgate Industrial Park	50,177,000
Port Authority Industrial Park at Elizabeth	12,100,000
Newark South Ward Industrial Park	3,500,000
Teleport	76,836,000
Essex County Resource Recovery Facility	44,627,000
Meadowlands Passenger Rail Facility	150,000,000
Regional Development Facility	146,496,000
New Jersey Marine Development Program	17,979,000
Regional Economic Development Program	385,917,000
Hudson Raritan Estuary Resources Program	52,398,000
NY Transportation, Economic Development & Infrastructure Renewal Program	238,360,000
Regional Transportation Program	250,000,000

* In October 2010, on the basis of a decision by the Governor of the State of New Jersey to terminate the ARC Project, all Port Authority activities in connection with the development of the ARC Project were terminated.

Significant Capital Projects† *
(as of December 31, 2012)
(Dollars in Millions)

Facility	Project Name†(a)	Current†(a) Authorization/ Reauthorization	Forecasted Completion Date	Total Expended	Estimated Final Cost
AVIATION					
JFK	Redevelopment of Terminal 4	08/10	12/15	1.0	231.0
JFK	Rehabilitation of Runway 4L-22R	06/11	12/15	76.2	450.1
JFK	Rehabilitation of Taxiway P	07/11	06/14	30.9	37.0
JFK	Rehabilitation of Taxiways Q and QG	05/12	12/17	0.1	66.5
JFK	Construction of Centralized De-Icing Facility - Phase 2	05/12	07/16	0.0	33.2
JFK	Replacement of 5KV Feeders	04/12	09/17	0.3	47.9
LGA	CTB Redevelopment Program - Planning	12/12	12/17	40.2	63.0
LGA	East End Substation	08/12	12/15	1.3	106.4
LGA	Rehabilitation of Runway 13-31 and Associated Taxiways	04/11	11/17	0.5	35.4
LGA	Rehabilitation of Taxiways A, M and ZA	11/12	12/15	0.9	38.0
EWR	Terminal A Redevelopment - Planning	10/09	12/17	35.5	46.5
EWR	Terminal B Improvement Program	07/10	08/13	331.9	347.1
EWR	Navigation Aids Improvements	01/06	07/13	21.0	26.6**
EWR	Rehabilitation of Runway 4L-22R	06/12	12/15	0.2	50.2
EWR	Replacement of High Temperature Hot Water Generators at CHRP	09/08	12/15	4.7	20.0
EWR	Rehabilitation of Taxiway P Delay Reduction and Other Improvements	10/12	06/15	1.0	31.5
EWR	Replacement of CHRP North Electrical Substation and Chiller Upgrades	11/12	12/15	0.4	25.0
TEB	Improve Runways 6-24 Runway Safety Area	05/11	07/14	1.8	27.1
SWF	Rehabilitation of Runways 9-27 and 16-34	05/12	12/14	2.1	143.5
SWF	Terminal Expansion Federal Inspection Facility and Welcome Center	12/11	03/15	2.6	19.9
INTERSTATE TRANSPORTATION NETWORK					
HT	Rehabilitation of Electrical and Mechanical Vent System	05/07	04/13	116.4	133.8
LT	Structural Rehabilitation and Repaving of Helix	12/10	10/15	17.0	92.8
LT	Bus Ramp Slab Replacement	12/06	04/15	43.5	79.5
LT	Access Infrastructure Improvements	03/11	12/16	25.4	1,800.0
GWB	Rehabilitation of Main Span Upper Level Structural Steel	06/10	06/15	52.4	199.0
BB/GB/GWB HT/LT/OBX	Replacement of Toll Collection System	02/10	01/16	17.8	175.0
GWB	Suspender Ropes Replacement, Main Cables/Cable Strands Rehabilitation - Planning	11/12	12/13	5.9	33.3
GB	Goethals Bridge Modernization	03/11	05/18	81.2	†(b)

† This chart has been adjusted after December 31, 2012 to (a) change certain project names and the noted column title to conform to the presentation of Significant Capital Projects as of June 30, 2013, and (b) delete the noted project estimated final cost and related footnote (see "*Goethals Bridge*").

* See footnote (*) on next page.

** Substantially Complete.

Significant Capital Projects continued on next page.

Facility	Project Name†(a)	Current†(a) Authorization/ Reauthorization	Forecasted Completion Date	Total Expended	Estimated Final Cost
GB	Interchange Ramps Project	08/12	12/18	0.0	107.1
BB	Bayonne Bridge Navigational Clearance Program - Planning	02/12	12/13	48.4	69.0
PATH	Railcars Program	09/03	12/14	649.1	775.6
PATH	Signal System Replacement Program	10/09	12/17	192.3	580.1
PATH	Duct Bank Rehabilitation	12/10	05/20	4.6	196.6
PATH	Replacement of Substation #7	02/09	11/17	4.7	47.6
PATH	Replacement and Upgrade of the Christopher St. Substation	03/12	12/17	10.1	71.0
PATH	Replacement and Upgrade of Harrison Station	03/12	12/17	7.5	256.2
PORT COMMERCE					
PN/EPAMT/HH	Consolidated Project To 50’-NY/NJ	07/01	12/15	667.5	895.0
PN	Berth 6 Wharf Reconstruction	07/10	06/13	34.8	43.0**
PN	ExpressRail/Corbin Intermodal Rail Support- Track Work - Phase 2A	12/10	12/19	34.2	97.0
PN	Port Street and Brewster Road Connector	12/10	12/13	15.1	33.8
PN	Port Street Capacity and Corbin Street Ramps Improvements	06/11	10/19	3.4	109.2
PN	Berth 3 Wharf Reconstruction	12/11	12/14	2.0	39.0
EPAMT	McLester Street Roadway Widening	12/10	03/14	15.4	30.0
HH	Road Access Improvements - East Bound Ramp	08/12	12/19	0.8	51.4
GPAMT	Development of the New York New Jersey Rail Float System	05/10	12/19	18.4	118.1
GPAMT	ExpressRail Port Jersey	10/11	12/14	10.1	103.0

Explanation of Facility Abbreviations:

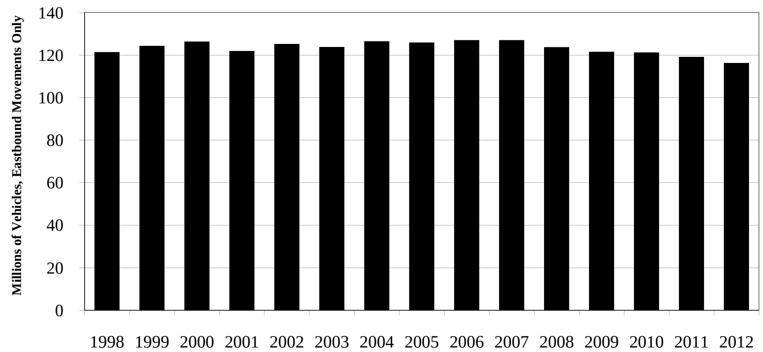
BB	Bayonne Bridge
EPAMT	Elizabeth — Port Authority Marine Terminal
EWR	Newark Liberty International Airport
GB	Goethals Bridge
GPAMT	Greenville Yard — Port Authority Marine Terminal
GWB	George Washington Bridge
HH	Howland Hook
HT	Holland Tunnel
JFK	John F. Kennedy International Airport
LGA	LaGuardia Airport
LT	Lincoln Tunnel
OBX	Outerbridge Crossing
PATH	The Hudson Tubes Facility
PN	Port Newark
SWF	Stewart International Airport
TEB	Teterboro Airport

† See footnote (†) on previous page.

* 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.

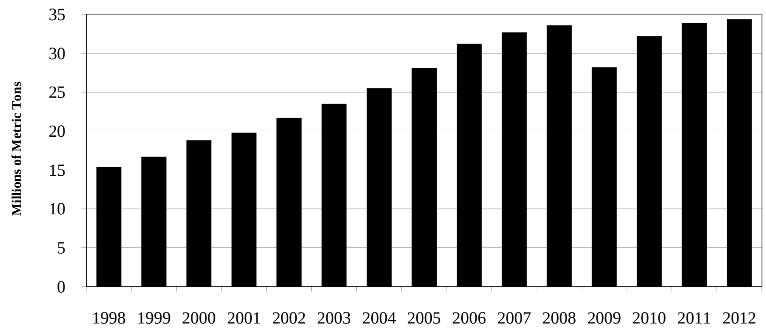
** Substantially complete.

VOLUME OF VEHICULAR TRAFFIC AT ALL PORT AUTHORITY CROSSINGS



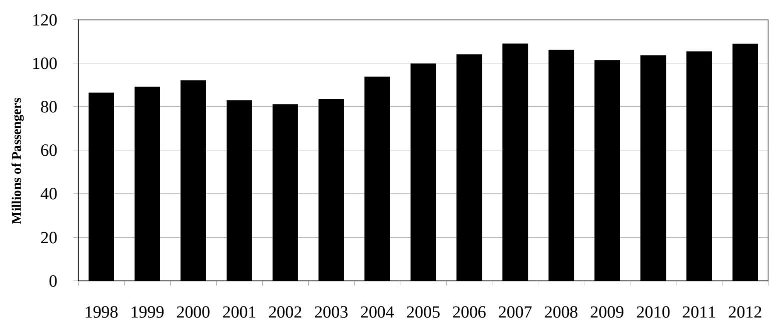
Total vehicular usage at all Port Authority crossings is approximately twice that shown for each year.

OCEANBORNE GENERAL CARGO AT PORT AUTHORITY MARINE TERMINALS

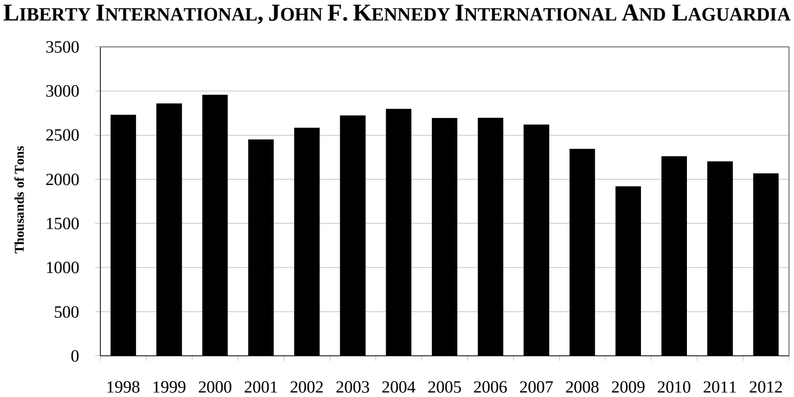


A Metric Ton is equivalent to 2,205 pounds.

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



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditor's 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 statement of net position of The Port Authority of New York and New Jersey (the "Port Authority") as of December 31, 2012, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 auditor's 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

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, 2012, and the changes in its net position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Predecessor Auditor's Opinion

The accompanying consolidated financial statements of the Port Authority as of and for the year ended December 31, 2011, were audited by other auditors whose report thereon dated February 24, 2012, expressed an unmodified opinion on those consolidated financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that Management's Discussion and Analysis and the Schedules of Funding Progress, as listed in 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 audit for the year ended December 31, 2012 was 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, E and F related to fiscal year 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 records and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements for the year ended December 31, 2012, 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, E and F related to fiscal year 2012 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG

The report of the other auditors on the consolidated financial statements of the Port Authority as of and for the year ended December 31, 2011, referred to in the Predecessor Auditor's Opinion section above, stated that the supplementary information included in Schedules D-1, D-2, E and F related to fiscal year 2011 was subjected to the auditing procedures applied in the audit of the 2011 consolidated financial statements and, in their opinion, was fairly stated in all material respects in relation to the consolidated financial statements as a whole for the year ended December 31, 2011.

The Port Authority's consolidated financial statements for the years ended December 31, 2003 through 2010 (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 2003 through 2010, 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.

Schedules D-3 and G 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 basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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, 2012, 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. Management is also responsible for 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 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 assets and liabilities of the Port Authority as of December 31, 2012, and its revenues and reserves for the year then ended in accordance with the requirements of the Port Authority's bond resolutions.

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.

Other Matter

Summarized Comparative Information

The prior year summarized comparative information in Schedules A, B and C has been derived from the Port Authority's 2011 financial statements prepared in accordance with the requirements of the Port Authority's bond resolutions, which were audited by other auditors. The report of the other auditors on these financial statements, dated February 24, 2012, expressed an unmodified opinion on these financial statements prepared in accordance with the requirements of the Port Authority bond resolutions.

KPMG LLP

New York, New York
February 25, 2013

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2012 and 2011

Introduction

The following discussion and analysis of the financial performance and activity of The Port Authority of New York and New Jersey (The Port Authority) and certain of its related entities (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, 2012, with selected comparative information for the years ended December 31, 2011 and December 31, 2010. 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.

Overview of 2012 Financial Results

Net position of the Port Authority increased $1.1 billion in 2012, compared to an increase of $701 million in 2011.

Gross operating revenues totaled $4.1 billion in 2012, representing a $250 million increase from 2011. This increase was primarily due to a $189 million increase in toll and fare revenue at the Port Authority's six vehicular crossings and the Port Authority Trans-Hudson Corporation (PATH) system, resulting from the full year impact of revised toll and fare schedules which became effective on September 18, 2011; and a $58 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities.

Operating and maintenance expenses totaled $2.6 billion in 2012, a $24 million increase when compared to 2011. This increase was primarily due to higher costs relating to interim terminal operating agreements at Port Commerce facilities, increased rental payments to the Cities of New York and Newark, and higher employer pension contributions. Offsetting these increases were decreased snow and ice costs as a result of milder winter weather conditions, a reduction in bad debt expense at Port Commerce facilities, and lower other postemployment benefits (OPEB).

Depreciation and amortization expense increased by $32 million in 2012 compared to 2011 primarily reflecting the full year impact of transferring $2.1 billion of construction in progress to completed construction in 2011 and the transfer of an additional $906 million of construction in progress to completed construction in 2012.

Financial income increased by $87 million in 2012 compared to 2011 primarily due to a $107 million increase in year-to-year market valuation adjustments associated with three unhedged interest rate exchange contracts (swap agreements) that were terminated in 2012. Partially offsetting this increase was a $14 million loss for guaranteed returns due World Trade Center (WTC) joint venture members. These guaranteed amounts earned on capital contributions made by The Durst Organization (Durst) to the Tower 1 Joint Venture and Westfield America, Inc. (Westfield) to the WTC

Retail Joint Venture are recognized in accordance with their respective joint venture agreements.

Interest expense increased by $99 million in 2012 primarily reflecting higher outstanding principal amounts in connection with consolidated bonds and other asset financings.

Net expenses/(recoverables) related to Hurricane Sandy totaled $30 million in 2012. Direct expenses for the ongoing restoration and repair to Port Authority facilities including; $78 million in contract services; $32 million in employee compensation; $11 million in materials and equipment; and losses of $16 million recognized on assets that were destroyed, totaled $136 million in 2012. Offsetting these amounts is a $106 million receivable, representing the estimated amount of insurance recoveries to be received for costs incurred through December 31, 2012 (see Note J.11 for additional information regarding Hurricane Sandy).

Capital contributions and Passenger Facility Charges (PFCs) increased by $239 million in 2012 compared to 2011 primarily due to higher contributions associated with capital projects eligible for federal funding, and contributed capital amounts of $100 million from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site (see Note K-Information with Respect to the Redevelopment of World Trade Center Site).

Other Activities

- Capital spending by the Port Authority reached $3.3 billion in 2012 with $2.2 billion spent on the redevelopment of the WTC site; $318 million spent on Aviation facilities, including $115 million on runway and taxiway improvements; $215 million spent on projects designed to maintain the safety and security of the agency's operating facilities; $194 million spent on Tunnels, Bridges & Terminals (TB&T) facilities, including $27 million for the structural rehabilitation of the upper level of the George Washington Bridge; $172 million spent on Port Commerce facilities, including $58 million on channel improvement projects; and $113 million spent on PATH, including $50 million for the PATH signal replacement project (excluding costs attributable to Hurricane Sandy).

- On December 6, 2012, the Board of Commissioners approved the operating budget for calendar year 2013. The budget keeps administrative expenses virtually flat for a fifth straight year and maintains agency headcount at the lowest levels in 40 years. It is presently expected that in early 2013, the Board of Commissioners will consider the adoption of a capital budget for calendar year 2013, in part addressing certain recommendations resulting from the Authority-wide review by a Special Committee of the Board of Commissioners and the impacts of Hurricane Sandy.

- Toll and fare schedules for the Port Authority's six vehicular crossings and the PATH system were revised effective September 18, 2011. The toll for automobiles paying with cash was increased from $8.00 to $12.00 in 2011 and to $13.00 in December 2012, with further increases of $1.00 scheduled in December 2014 and 2015; the cash toll for truck classes 2-6 was increased from $8.00 to $13.00 per axle in 2011 and to $15.00 per axle in December 2012, with further increases of $2.00 per axle scheduled in December each year from 2013 through 2015; the cash toll for buses carrying 10 or more people was increased from $6.00 to $20.00 in 2011 and to $21.00 in December 2012, with further increases of $1.00 scheduled in December each year from 2013 through 2015. Discounts are available for vehicles using the E-ZPass electronic toll collection system and certain designated user programs. The PATH base fare for a single trip increased from $1.75 to $2.00 per trip in 2011 and to $2.25 per trip on October 1st, 2012, with further increases of 25 cents scheduled on October 1st in 2013 and in 2014. The cost of the multi-trip tickets and SmartLink passes increased on October 1st 2012, with further increases on October 1st in 2013 and in 2014 in a consistent manner with the base fare increase.

As a condition of the toll and fare increases, a Special Committee of the Board of Commissioners (Special Committee) was formed on September 30, 2011, as directed by the Governors of the States of New York and New Jersey, to immediately commence a comprehensive audit of the Port Authority focusing on both a financial audit of the Port Authority's ten-year capital plan to reduce its size and cost and a review of the Port Authority's management and operations to find ways to lower costs and increase efficiencies. On January 31, 2012, the Special Committee issued a Phase I Interim Report to the Governors. In response to the Interim Report, the Special Committee directed Port Authority executive staff to review and examine the findings of the report and identify measures for improvement to be presented to the Board of Commissioners and the Board of PATH for consideration and appropriate action. On September 19, 2012, the Special Committee released the Phase II Report, which reviewed, in more detail, potential initiatives and improvements to enhance productivity and efficiency. The Phase II Report does recognize that the Port Authority has already completed or has numerous initiatives underway that relate to revenue enhancements, monetization of asset value and cost savings opportunities. The Phase II Report also indicates that the 2011 toll increases and those scheduled to go into effect over the next three years are necessary to the funding requirements of the Port Authority's preliminary 2011-2020 capital plan for projects related to the interstate transportation network. Additionally, the Special Committee submitted another report to the Governors in September 2012. The report focused on the Port Authority's financing strategy and consideration related to the long-term funding of the capital investment needs identified by the Port Authority.

Overview of the Financial Statements

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

Management's Discussion and Analysis (Unaudited) (continued)

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 its assets, deferred outflows of resources, liabilities, and deferred inflows of resources as applicable (see Note A.3.n). 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, liabilities, and net position follows:

	2012	2011	2010
		(In thousands)	
ASSETS			
Current assets	**$4,696,608**	$4,044,368	$3,348,508
Noncurrent assets:			
Facilities, net	**25,551,503**	23,134,288	20,557,400
Other noncurrent assets	**7,040,524**	6,739,065	5,649,662
Total assets	**37,288,635**	33,917,721	29,555,570
LIABILITIES			
Current liabilities	**2,788,155**	2,635,668	2,456,529
Noncurrent liabilities:			
Bonds and other asset financing obligations	**18,049,669**	15,751,041	13,554,884
Other noncurrent liabilities	**3,590,377**	3,805,121	2,519,534
Total liabilities	**24,428,201**	22,191,830	18,530,947
NET POSITION			
Net investment in capital assets	**10,010,965**	10,020,306	9,200,077
Restricted	**392,389**	294,460	222,871
Unrestricted	**2,457,080**	1,411,125	1,601,675
Total net position	**$12,860,434**	$11,725,891	$11,024,623

Port Authority assets totaled $37.3 billion at December 31, 2012, an increase of $3.4 billion from December 31, 2011. This increase was primarily due to a $2.4 billion increase in "Facilities, net," which includes both completed capital construction and capital construction in progress at Port Authority facilities; and a $1.1 billion increase in cash and investments primarily due to an increase in available bond proceeds received in connection with the issuance of capital obligations and an increase in Port Authority reserve funds.

Port Authority liabilities totaled $24.4 billion at December 31, 2012, an increase of $2.2 billion from December 31, 2011. This increase was primarily due to a $2.3 billion

Management's Discussion and Analysis (Unaudited) (continued)

increase in "Bonds and other asset financing obligations" resulting from the issuance of consolidated bonds in connection with the Port Authority's capital plan. Partially offsetting this increase was a $191 million decrease in "Accrued interest and other current liabilities" primarily due to the termination of three unhedged swap agreements in 2012.

Net position totaled $12.9 billion at December 31, 2012, an increase of $1.1 billion from December 31, 2011. "Net investment in capital assets" totaling $10 billion at December 31, 2012, represents the largest of the three components of the Port Authority's Net Position and is comprised of investment in capital assets (such as land, buildings, improvements and equipment), less the related outstanding indebtedness used to acquire those capital assets. Net position reported as restricted due to constraints imposed by agreements or legislation totaled $392 million and is comprised of, $160 million for Port Authority Insurance Captive Entity, LLC (PAICE); $132 million in PFCs restricted for use on projects expenditures eligible for the application of PFCs; and $100 million for a minority equity interest in Tower 1 Joint Venture LLC. The balance of net position at December 31, 2012 totaling $2.5 billion is unrestricted and may be used to meet ongoing Port Authority obligations.

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:

	2012	2011	2010
		(In thousands)	
Gross operating revenues	**$4,050,016**	$3,800,480	$3,634,023
Operating expenses	**(2,589,447)**	(2,564,969)	(2,598,557)
Depreciation and amortization	**(961,958)**	(930,264)	(865,515)
Net recoverables/(expenses) related to the events of September 11, 2001	**-**	-	53,051
Net recoverables/(expenses) related to Hurricane Sandy	**(30,000)**	-	-
Income from operations	**468,611**	305,247	223,002
Net non-operating expenses *	**(557,648)**	(585,445)	(487,630)
Capital contributions and PFCs *	**1,223,580**	981,466	611,469
Increase in net position	**$1,134,543**	$701,268	$346,841

* Grants were reclassified to "Non-operating revenues" from "Capital contributions and PFCs" in 2012.

Additional information on facility operating results can be found in Schedule E-Information on Port Authority Operations located in the Statistical and Other Supplemental Information section of this report.

Management's Discussion and Analysis (Unaudited) (continued)

Revenues

A summary of gross operating revenues follows:

	2012	2011	2010
		(In thousands)	
Gross operating revenues:			
Tolls and fares	**$1,337,372**	$1,148,061	$1,069,785
Rentals	**1,208,730**	1,150,569	1,144,709
Aviation fees	**904,666**	895,356	872,774
Parking and other	**338,178**	339,131	321,257
Utilities	**152,945**	154,810	154,041
Rentals - Special Project Bonds Projects	**108,125**	112,553	71,457
Total	**$4,050,016**	$3,800,480	$3,634,023

2012 vs. 2011

Gross operating revenues totaled $4.1 billion for the year ended December 31, 2012, a $250 million increase from 2011. The increase in operating revenues was primarily due to:

- Toll revenues from the Port Authority's six vehicular crossings increased by $178 million in 2012 compared to 2011 primarily due to the full year impact of the revised tolling schedule which became effective on September 18, 2011. Partially offsetting this increase was a 2.4% overall decline in vehicular activity at the Port Authority's six vehicular crossings in 2012 when compared to 2011. This overall decrease in activity includes approximately a 1% decrease in vehicular activity directly related to Hurricane Sandy.

  PATH fares increased by $11 million in 2012 compared to 2011 primarily due to the full year impact of the revised PATH fare schedule which became effective on September 18, 2011. Partially offsetting this increase was a 5.2% overall decline in 2012 ridership levels compared to 2011 directly attributable to Hurricane Sandy.

- Rental revenues increased by $58 million in 2012 compared to 2011 primarily due to a $52 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities.

- Aviation fees increased by $9 million year-to-year primarily reflecting higher revenues derived from cost recovery agreements with the airlines operating at major airports.

Management's Discussion and Analysis (Unaudited) (continued)

2011 vs. 2010

Gross operating revenues totaled $3.8 billion for the year ended December 31, 2011, a $166 million increase from 2010. The increase in operating revenues was primarily due to:

- Toll revenues from the Port Authority's six vehicular crossings increased by $68 million in 2011 compared to 2010. The increase was primarily due to the partial year impact of revised tolls which became effective on September 18, 2011; partially offsetting this increase was a 1.7% overall decline in vehicular activity at the Port Authority's six vehicular crossings in 2011 when compared to 2010.

  PATH fares increased by $10 million in 2011 compared to 2010 primarily due to the partial year impact of revised fares which became effective on September 18, 2011; this increase was furthered by an increase in overall ridership levels of 3.6% in 2011 when compared to 2010.

- Rentals – Special Project Bonds Projects revenue increased by $41 million due to the full year impact of the December 2010 issuance of Special Project Bonds, Series 8, John F. Kennedy International Air Terminal LLC (JFKIAT) Project obligations in connection with the expansion of Terminal 4 at John F. Kennedy International Airport (JFK).

- Aviation fees increased by $23 million year-to-year primarily reflecting higher revenues derived from cost recovery agreements with the airlines operating at LaGuardia Airport (LGA), JFK and Newark Liberty International Airport (EWR).

- Parking and other revenues increased by $18 million in 2011 compared with 2010 primarily due to a $7 million net increase related to the establishment of the Cargo Facility Charge, a cargo activity based port infrastructure and security fee, in March 2011; and a $6 million increase for the sale of development rights at Queens West Waterfront Development Facility.

- Rental revenues increased by $6 million in 2011 compared to 2010 primarily due to a $41 million increase in fixed and activity based rentals from major tenants at Aviation and Port Commerce facilities. Partially offsetting these increases was a $33 million decrease under the net leases for WTC Towers 2 and 3, resulting from the full year impact of the 2010 net lease amendments in connection with the implementation of the 2010 World Trade Center Eastside Development Plan.

Management's Discussion and Analysis (Unaudited) (continued)

Expenses

A summary of operating expenses follows:

	2012	2011	2010
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$1,038,243**	$1,037,681	$1,022,195
Contract services	**749,106**	726,883	630,438
Rents and amounts in-lieu-of taxes	**304,020**	280,237	272,002
Materials, equipment and other	**215,937**	219,183	418,639
Utilities	**174,016**	188,432	183,826
Interest on Special Project Bonds	**108,125**	112,553	71,457
Total	**$2,589,447**	$2,564,969	$2,598,557

2012 vs. 2011

Operating expenses, before consideration of Hurricane Sandy related costs, totaled $2.6 billion in 2012, a $24 million increase from 2011. The year-to-year increase was primarily due to the following:

- Rent and amounts in lieu of taxes increased by $24 million in 2012 compared to 2011 primarily due to higher rental payments paid to the Cities of New York and Newark under lease agreements governing the operation of the New York City Air Terminals and Newark Air and Marine Terminals.

- Contract service costs increased by $22 million in 2012 from 2011 primarily due to a $26 million increase for interim terminal operating agreements at the Brooklyn-Port Authority Marine Terminal and Port Newark; and a $12 million increase attributable to an accelerated payment to the Brooklyn Bridge Park Development Corporation. Partially offsetting these increases was a $13 million decrease in snow and ice removal costs due to milder winter weather conditions in 2012.

- Employee compensation costs remained flat in 2012 compared to 2011. A $20 million increase in employer pension contributions was offset by a $6 million decrease in OPEB, and a $15 million decrease in agency labor costs, exclusive of employee benefits.

- Utility expenses decreased by $14 million in 2012 compared to 2011 primarily due to an $11 million decrease attributable to lower electricity usage at Aviation facilities and PATH.

- Costs for materials, equipment and other items decreased by $3 million in 2012 from 2011 primarily due to a $13 million decrease in bad debt expense at Port Commerce facilities, which was offset by a $9.2 million increase in self-insured public liability and workers compensation losses.

Management's Discussion and Analysis (Unaudited) (continued)

2011 vs. 2010

Operating expenses totaled $2.6 billion in 2011, a $34 million decrease from 2010. The year-to-year decrease was primarily due to the following:

- Costs for materials, equipment and other items decreased by $199 million in 2011 from 2010 primarily due to a $214 million decrease in non-recurring capital expenditure write-offs to operating expense accounts. 2010 write-offs included alternative design work performed in conjunction with the redevelopment of the WTC site, the terminated Access to the Region's Core Project (ARC Project), and $28 million associated with the 2010 purchase of a portion of the former Marine Ocean Terminal at Bayonne Peninsula (MOTBY). Partially offsetting these decreases were a $10 million increase in the write-off of bad debt at Port Authority facilities, and a $7 million increase in the actuarially determined incurred but not reported (IBNR) loss provision for PAICE.

- Contract service costs increased by $96 million in 2011 from 2010 primarily due to a $24 million increase in the use of outside legal services, a $15 million increase in costs for the demolition of Terminal 6 and Hangar 12 at JFK, and a $12 million increase in costs for interim terminal operating agreements at the Brooklyn-Port Authority Marine Terminal and Port Newark.

- Interest expenses associated with Special Project Bonds increased by $41 million due to the full year impact of the December 2010 issuance of JFKIAT Project obligations in connection with the expansion of Terminal 4 at JFK.

- Employee compensation costs increased by $15 million in 2011 compared to 2010 primarily due to an increase of $25 million in labor charges, including a $21 million increase in policing costs resulting from the continued heightened security levels at Port Authority facilities; partially offsetting these increases was a $10 million decrease in overall benefit expenses, primarily due to lower OPEB.

Depreciation and Amortization

A summary of depreciation and amortization expenses follows:

	2012	2011	2010
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$884,239**	$852,727	$789,011
Amortization of costs for regional programs	**77,719**	77,537	76,504
Total	**$961,958**	$930,264	$865,515

2012 vs. 2011

Depreciation and amortization expense totaled $962 million in 2012, an increase of

Management's Discussion and Analysis (Unaudited) (continued)

$32 million compared to 2011. The increase primarily reflects the full year impact of transferring $2.1 billion of construction in progress to completed construction in 2011 and the transfer of an additional $906 million in capital expenditures to completed construction in 2012, including $281 million of investment at Port Authority aviation facilities, including approximately $91 million for runway and taxiways improvements; $243 million of WTC site infrastructure including the WTC Transportation Hub; and approximately $103 million for capital projects designed to maintain security at Port Authority facilities.

2011 vs. 2010

Depreciation and amortization expense totaled $930 million in 2011, an increase of $65 million compared to 2010. The increase primarily reflects the full year impact of transferring $1.8 billion of construction in progress to completed construction in 2010 and the transfer of an additional $2.1 billion in capital expenditures to completed construction in 2011. 2011 transfers of $2.1 billion were comprised of $983 million for the construction of WTC site infrastructure; $386 million of aviation related investment including $200 million for runway and taxiway improvements; $203 million for capital projects designed to maintain security at Port Authority facilities; and $193 million for 130 new PATH rail cars.

Non-operating Revenues and Expenses

	2012	2011	2010
		(In thousands)	
Non-operating revenues and (expenses):			
Interest income	**$37,510**	$54,398	$61,168
Net increase/(decrease) in fair value of investments	**2,151**	(101,296)	(56,733)
Interest expense in connection with bonds and other asset financing	**(658,313)**	(559,110)	(501,607)
Net gain/(loss) on disposition of assets	**(4)**	-	-
Pass-through grant program payments	**(56,446)**	(11,507)	(2,166)
4 WTC associated payments	**65,293**	8,343	-
Grants *	**52,161**	23,727	11,708
Net non-operating expenses	**($557,648)**	($585,445)	($487,630)

* Reclassified from "Capital Contributions and Passenger Facility Charges" in 2012.

2012 vs. 2011

Financial income, including interest income and changes to the fair value of investments increased by $87 million in 2012 compared with 2011, primarily due to a $107 million year-to-year increase in market valuation adjustments associated with three unhedged swap agreements that were terminated in 2012. Partially offsetting this increase was a $6 million decrease in earnings on investment securities due to the lower interest rate environment associated with United States Treasury securities, and a $14 million loss for guaranteed returns due WTC joint venture members. These guaranteed amounts earned on capital contributions made by Durst to the Tower 1 Joint Venture and Westfield to the WTC Retail Joint Venture are recognized in accordance with their respective joint venture agreements.

Interest expense in connection with bonds and other financing obligations totaled $658 million in 2012, an increase of $99 million from 2011, primarily due to a $2.5 billion increase in outstanding debt obligations and a $57 million year-to-year increase in interest expense associated with Tower 4 Liberty Bonds issued in November 2011 for the continued construction of WTC Tower 4. Partially offsetting these amounts was a $57 million increase in "4 WTC associated payments" reflecting the reimbursement of interest expense associated with Tower 4 Liberty Bonds.

2011 vs. 2010

Financial income, including interest income and changes to the fair value of investments decreased by $51 million in 2011 compared with 2010, primarily due to a $45 million decrease in the fair value of investments, including a $41 million year-to-year decrease in market valuation adjustments associated with three unhedged swap agreements, and a $7 million decrease in earnings on investment securities due to a lower interest rate environment. Financial expense in connection with bonds and other financing obligations of $559 million increased by $58 million in 2011 from 2010, primarily reflecting higher average principal balances of outstanding debt obligations in 2011 compared to 2010, including $8 million of accrued interest expense associated with Tower 4 Liberty Bonds issued in November 2011 for the continued construction of WTC Tower 4. Partially offsetting these amounts was an $8 million increase in "4 WTC associated payments" reflecting the reimbursement from the WTC Tower 4 net lessee for accrued interest expense associated with Tower 4 Liberty Bonds.

Capital Contributions and Passenger Facility Charges

	2012	2011	2010
		(In thousands)	
Contributions in aid of construction	**$997,441**	$767,010	$358,268
Passenger Facility Charges	**222,614**	214,456	210,387
1 WTC LLC insurance proceeds	**3,525**	-	42,814
Total	**$1,223,580**	$981,466	$611,469

2012 vs. 2011

Contributions in aid of construction, PFCs, and 1 World Trade Center LLC (1 WTC LLC) restricted insurance proceeds totaled $1.2 billion in 2012, an increase of $242 million when compared to 2011. The year-to-year increase was primarily due to an increase of $131 million received from the Federal Transit Administration (FTA) in connection with the WTC PATH Transportation Hub; a $100 million contribution from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site; an increase of $50 million in contributed capital from Silverstein net lessees for the construction of WTC Towers 2, 3 and 4; and a $20 million contribution from the Hugh L. Carey Battery Park City Authority for the construction of a Route 9A WTC site underpass. These increases were partially offset

Management's Discussion and Analysis (Unaudited) (continued)

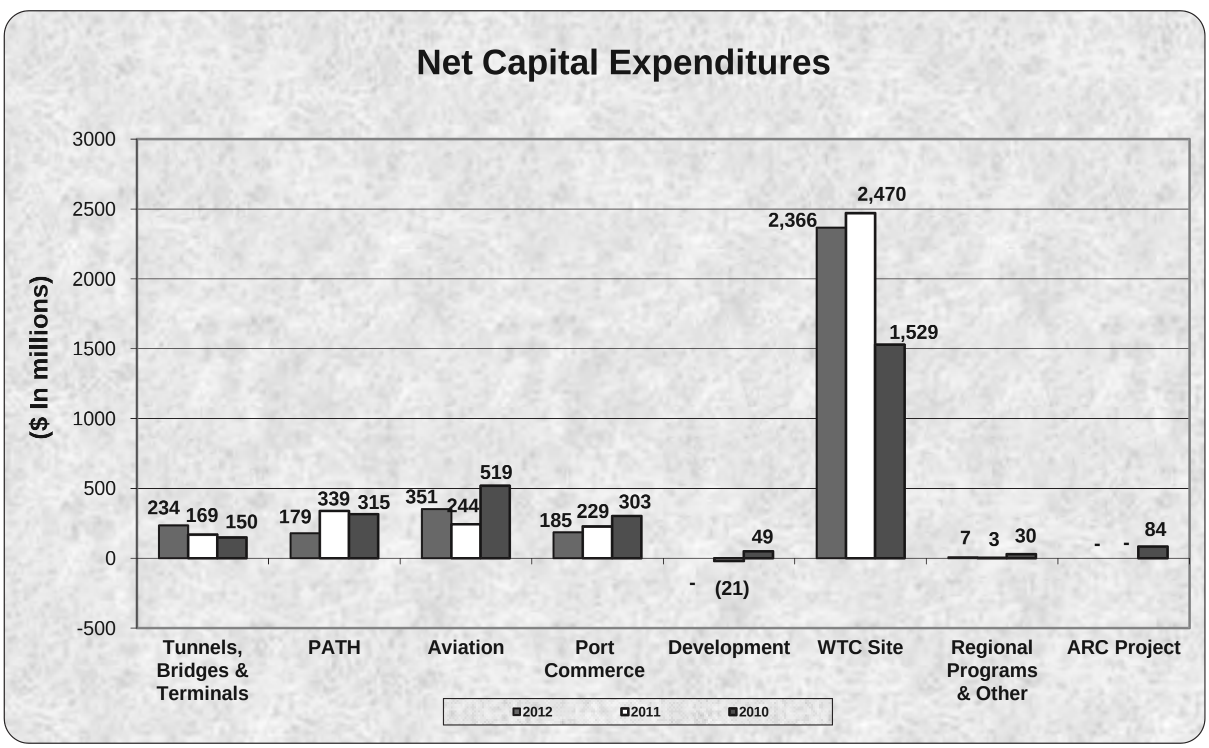
by a year-to-year decrease in Tower 1 Joint Venture LLC capital contributions from Durst made in 2011.

2011 vs. 2010

PFCs , 1 WTC LLC/ WTC Retail LLC restricted insurance proceeds, and other contributions in aid of construction totaled $981 million in 2011, representing a $370 million increase from 2010. The total year-to-year increase was primarily due to contributed capital amounts of $275 million from Silverstein net lessees for the construction of WTC Towers 2, 3 and 4, and a $100 million capital contribution by Durst for a minority equity interest in Tower 1 Joint Venture LLC. These increases were partially offset by a decrease of $43 million in insurance proceeds received in connection with the November 2006 global settlement of 1 WTC LLC and WTC Retail LLC allocated amounts of September 11, 2001 property damage and business interruption claims.

Capital Construction Activities

Port Authority expenditures for capital construction projects, including contributed capital amounts, totaled $3.3 billion in 2012, $3.4 billion in 2011 and $3.0 billion in 2010. The following chart depicts net capital expenditures for the last three years summarized by line of business:



Management's Discussion and Analysis (Unaudited) (continued)

Funding sources for the $3.3 billion of Port Authority capital investment in 2012 were; $2.1 billion funded with proceeds received from the issuance of capital debt obligations, $395 million funded with FTA contributions in aid of construction for the WTC Transportation Hub, $354 million funded from WTC Towers 2, 3 and 4 net lessee capital contributions, $106 million applied from the Port Authority Consolidated Bond Reserve Fund, $102 million funded with PFCs, $100 million funded with WTC Retail Joint Venture capital contributions, $76 million funded with other contributions in aid of construction, $13 million funded with 1 WTC LLC and WTC Retail LLC insurance proceeds, and the balance funded through other sources.

Additional Port Authority capital investment information is contained in "Note B - Facilities, Net" to the consolidated financial statements and "Schedule F – Information on Port Authority Capital Program Components" located in the Statistical and Other Supplemental Information section of this report.

2013 Planned Capital Expenditures

Pending adoption of the capital budget for the calendar year 2013 by the Board of the Commissioners of the Port Authority, the Port Authority will continue to make capital expenditures, undertake contractual commitments, and continue planning, design and construction consistent with applicable authorization.

Capital Financing and Debt Management

As of December 31, 2012, bonds and other asset financing obligations of the Port Authority totaled approximately $19.1 billion, excluding $1.2 billion associated with the issuance of Tower 4 Liberty Bonds.

During 2012, the Port Authority issued $4 billion of consolidated bonds and notes. Of this amount, $2.3 billion was allocated to fund capital project expenditures and $1.7 billion was allocated for the purpose of refunding existing outstanding obligations.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. On September 24, 2012, Moody's Investors Service changed its rating of the Port Authority's outstanding consolidated bonds to Aa3 from Aa2, with its overall economic outlook revised to stable from negative. All other ratings for the obligations outstanding in 2011 have remained the same for 2012. During 2012, Standard and Poor's (S&P) and Fitch Ratings considered the Port Authority's outlook as stable.

OBLIGATION	S&P	Fitch Ratings	Moody's Investors Service
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

Management's Discussion and Analysis (Unaudited) (continued)

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 Authority obligations can be found in "Note D - Outstanding Obligations and Financing" to the consolidated financial statements.

Consolidated Statements of Net Position

	December 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 3,692,900**	$ 3,297,365
Restricted cash	**131,925**	25,472
Investments	**100,777**	26,290
Current receivables, net	**447,562**	362,875
Other current assets	**287,967**	285,938
Restricted receivables and other assets	**35,477**	46,428
Total current assets	**4,696,608**	4,044,368
Noncurrent assets:		
Restricted cash	**6,472**	7,765
Investments	**1,835,720**	1,356,269
Restricted investments - PAICE	**162,630**	156,356
Other amounts receivable, net	**141,473**	106,989
Deferred charges and other noncurrent assets	**1,429,262**	1,507,637
Restricted deferred/other noncurrent assets - PAICE	**10,147**	13,409
Amounts receivable - Special Project Bonds	**1,656,350**	1,720,536
Amounts receivable - Tower 4 Liberty Bonds	**1,249,309**	1,249,921
Unamortized costs for regional programs	**549,161**	620,183
Facilities, net	**25,551,503**	23,134,288
Total noncurrent assets	**32,592,027**	29,873,353
Total assets	**37,288,635**	33,917,721
LIABILITIES		
Current liabilities:		
Accounts payable	**886,862**	818,149
Accrued interest and other current liabilities	**568,308**	759,127
Restricted other liabilities - PAICE	**852**	816
Accrued payroll and other employee benefits	**283,180**	231,657
Current portion bonds and other asset financing obligations	**1,048,953**	825,919
Total current liabilities	**2,788,155**	2,635,668
Noncurrent liabilities:		
Accrued pension and other noncurrent employee benefits	**369,951**	476,879
Other noncurrent liabilities	**267,829**	311,396
Restricted other noncurrent liabilities - PAICE	**46,938**	46,389
Amounts payable - Special Project Bonds	**1,656,350**	1,720,536
Amounts payable - Tower 4 Liberty Bonds	**1,249,309**	1,249,921
Bonds and other asset financing obligations	**18,049,669**	15,751,041
Total noncurrent liabilities	**21,640,046**	19,556,162
Total liabilities	**24,428,201**	22,191,830
NET POSITION	**$ 12,860,434**	$ 11,725,891
Net position is composed of:		
Net investment in capital assets	**$ 10,010,965**	$ 10,020,306
Restricted:		
1 WTC LLC/WTC Retail LLC insurance proceeds	**-**	14,434
Passenger Facility Charges	**132,228**	19,590
Port Authority Insurance Captive Entity, LLC	**160,161**	160,436
Minority interest in Tower 1 Joint Venture LLC	**100,000**	100,000
Unrestricted	**2,457,080**	1,411,125
NET POSITION	**$ 12,860,434**	$ 11,725,891

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2012	2011
	(In thousands)	
Gross operating revenues:		
Tolls and fares	**$ 1,337,372**	$ 1,148,061
Rentals	**1,208,730**	1,150,569
Aviation fees	**904,666**	895,356
Parking and other	**338,178**	339,131
Utilities	**152,945**	154,810
Rentals - Special Project Bonds Projects	**108,125**	112,553
Total gross operating revenues	**4,050,016**	3,800,480
Operating expenses:		
Employee compensation, including benefits	**1,038,243**	1,037,681
Contract services	**749,106**	726,883
Rents and amounts in-lieu-of taxes	**304,020**	280,237
Materials, equipment and other	**215,937**	219,183
Utilities	**174,016**	188,432
Interest on Special Project Bonds	**108,125**	112,553
Total operating expenses before depreciation, amortization and other operating expenses	**2,589,447**	2,564,969
Net expenses/(recoverables) related to Hurricane Sandy	**30,000**	-
Depreciation of facilities	**884,239**	852,727
Amortization of costs for regional programs	**77,719**	77,537
Income from operations	**468,611**	305,247
Non-operating revenues and (expenses):		
Interest income	**37,510**	54,398
Net increase/(decrease) in fair value of investments	**2,151**	(101,296)
Interest expense in connection with bonds and other asset financing	**(658,313)**	(559,110)
Net gain/(loss) on disposition of assets	**(4)**	-
Pass-through grant program payments	**(56,446)**	(11,507)
4 WTC associated payments	**65,293**	8,343
Grants	**52,161**	23,727
Net non-operating revenues and (expenses)	**(557,648)**	(585,445)
Income before capital contributions and passenger facility charges	**(89,037)**	(280,198)
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	**997,441**	767,010
Passenger Facility Charges	**222,614**	214,456
1 WTC LLC insurance proceeds	**3,525**	-
Total capital contributions and passenger facility charges	**1,223,580**	981,466
Increase in net position	**1,134,543**	701,268
Net position, January 1	**11,725,891**	11,024,623
Net position, December 31	**$ 12,860,434**	$ 11,725,891

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year Ended December 31, 2012	2011
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 3,914,471**	$ 3,788,114
Cash paid to suppliers	**(1,040,440)**	(1,067,026)
Cash paid to or on behalf of employees	**(1,126,391)**	(1,097,311)
Cash paid to municipalities	**(313,511)**	(271,706)
Net cash provided by/(used for) operating activities	**1,434,129**	1,352,071
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	**(18,595)**	(30,485)
Payments for Fund for regional development buy-out obligation	**(51,213)**	(43,211)
Interest paid on noncapital financing obligations	**(149)**	(217)
Grants	**41,584**	20,742
Net cash provided by/(used for) noncapital financing activities	**(28,373)**	(53,171)
Cash flows from capital and related financing activities:		
Proceeds from sales of capital obligations	**2,820,896**	2,337,635
Contribution for Tower 1 Joint Venture LLC minority equity interest	**-**	100,000
Proceeds from insurance related to 1 WTC LLC	**3,525**	-
Proceeds from WTC Retail Owner, LLC	**93,885**	-
Principal paid on capital obligations	**(224,425)**	(216,748)
Proceeds from capital obligations issued for refunding purposes	**1,663,115**	1,132,865
Principal paid through capital obligations refundings	**(1,663,115)**	(1,132,865)
Interest paid on capital obligations	**(815,373)**	(697,184)
Investment in facilities and construction of capital assets	**(2,688,209)**	(2,858,190)
Payments for MOTBY obligation	**(30,000)**	(35,000)
Financial income allocated to capital projects	**1,597**	2,212
Investment in regional programs	**(6,697)**	(3,332)
Proceeds from Passenger Facility Charges	**222,197**	215,645
Contributions in aid of construction	**476,364**	420,671
Net cash provided by/(used for) capital and related financing activities	**(146,240)**	(734,291)
Cash flows from investing activities:		
Purchase of investment securities	**(1,706,458)**	(748,818)
Proceeds from maturity and sale of investment securities	**1,134,593**	930,332
Payments for termination of swap agreements	**(228,524)**	-
Interest received on investment securities	**32,977**	40,420
Other interest income	**8,591**	9,224
Net cash provided by/(used for) investing activities	**(758,821)**	231,158
Net increase in cash	**500,695**	795,767
Cash at beginning of year	**3,330,602**	2,534,835
Cash at end of year	**$ 3,831,297**	$ 3,330,602

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows (continued)

		Year ended December 31,		
		2012		2011
		(In thousands)		
2. Reconciliation of income from operations to net cash provided by operating activities:				
Income from operations	**$**	**468,611**	$	305,247
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation of facilities		**884,239**		852,727
Amortization of costs for regional programs		**77,719**		77,537
Amortization of ancillary equipment		**76,123**		81,462
Change in operating assets and operating liabilities:				
Decrease/(increase) in receivables		**(118,061)**		113,308
Decrease/(increase) in deferred charges and other assets		**(125,367)**		(83,332)
Increase/(decrease) in payables		**104,667**		31,998
Increase/(decrease) in other liabilities		**122,754**		33,816
Increase/(decrease) in accrued payroll, pension and other employee benefits		**(56,556)**		(60,692)
Total adjustments		**965,518**		1,046,824
Net cash provided by operating activities	**$**	**1,434,129**	$	1,352,071

3. Capital obligations:

Consolidated bonds and notes, commercial paper, and variable rate master notes.

4. Noncash investing, capital and financing activities:

Noncash activity of $34,898,000 in 2012 and $1,316,035,000 in 2011 included amortization of discount and premium on consolidated bonds and notes, accretion associated with capital appreciation bonds, and debt service in connection with Special Project Bonds and Tower 4 Liberty Bonds.

Noncash capital financing did not include any activities that required a change in fair value. In 2012, the Silverstein net lessees contributed $325 million towards construction of WTC Towers 2, 3 and 4, and financial income due Tower 1 Joint Venture Durst member and WTC Retail Joint Venture Westfield member totaled negative ($14) million.

See Notes to Consolidated Financial Statements

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. For the year ending December 31, 2011, Deloitte & Touche LLP served as independent auditors. On December 8, 2011, the Audit Committee selected KPMG LLP as independent auditors to perform the audit for the year ending December 31, 2012.

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:

Notes to Consolidated Financial Statements (continued)

Port Authority Blended Component Units*	Establishment or Acquisition Date
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 the Port Authority's Board of Commissioners serves as the overall governing body of these related entities.

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, liabilities, 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.

b. The Port Authority follows Government Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which requires the Port Authority to follow the pronouncements of the GASB in its accounting and financial reporting. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Funds Accounting*.

3. Significant Accounting Policies

a. Facilities are carried at cost. The costs for facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the capital project is completed and ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future accounting periods or are expected to prolong the service lives of assets beyond their originally assigned lives are capitalized (see Note B). Facilities do 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).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (see Note B). The useful lives of assets are developed by the various related disciplines in the Port Authority's Engineering Department utilizing past experience, standard industrial expectations, and external sources such as consultants, manufacturers and contractors. 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	20 to 40 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 programs are deferred and amortized on a straight-line basis over the period benefited up to a maximum of 15 years (see Note H). In addition, certain operating costs, which provide benefits for periods exceeding one year, are deferred as a component of deferred charges 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 insurance proceeds, which are restricted to business interruption and redevelopment expenditures, PFCs and operating cash restricted for use by PAICE.

e. Net position is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This 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

Notes to Consolidated Financial Statements (continued)

Port Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted – This consists of net resources that do not meet the definition of "Restricted" or "Net investment in capital assets."

f. Statutory 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 "Deferred charges and 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. Revenue derived from the collection of PFCs, net of the air carriers' handling charges, is recognized and accrued as non-operating revenue when the passenger activity occurs and the fees are due from the air carriers. PFC revenue applied to eligible capital projects is reflected as a component of "Facilities, net."

j. Contributed capital amounts for the further construction of the WTC retail premises from the New WTC Retail Owner LLC, Westfield member are included as a component of 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) and swap agreements (see Note D-3).

Notes to Consolidated Financial Statements (continued)

l. When issuing new debt for refunding purposes, the difference between the acquisition price of the new debt and the net carrying amount of the refunded debt is deferred 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. In 2012, The Port Authority implemented guidance provided in GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As of December 31, 2012, the Port Authority was not engaged in hedging derivative instruments applicable under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* or service concession agreements prescribed under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* that would require the recognition of deferred outflows of resources or deferred inflows of resources in 2012. However, in accordance with GASB Statement No. 63 the term “Net Assets” has been replaced with “Net Position” on the Port Authority’s Consolidated Statements of Net Position, and Consolidated Statements of Revenues, Expenses and Changes in Net Position.

o. GASB issued Statement No. 61, *The Financial Reporting Entity*, in November 2010, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in March 2012 that are effective for financial statements for periods beginning after December 15, 2012. The Port Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 61 and No. 65 and, therefore, is unable to disclose the impact that adopting these statements will have on its financial position and results of operations.

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 and C, 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. The revenues and expenses of facilities are accounted for in the operating fund. The financial resources expended for the construction or acquisition of major

Notes to Consolidated Financial Statements (continued)

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 the depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and the reserves of the Port Authority or their application as provided in the Port Authority's bond resolutions. Instead, facility capital costs are provided for through deductions from net revenues and reserves of amounts equal to principal payments on debt or through direct investment in facilities. These amounts are credited at par to "Facility infrastructure investment" 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. Discounts and premiums associated with bonds issued in connection with capital investment are capitalized at issuance and are included in "Invested in facilities."

f. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the cost of assets removed from service is not deducted from "Invested in facilities." However, in the event of the sale of assets removed from service or recovery of amounts related to assets destroyed or damaged, the amount of proceeds received from such sale or recovery is deducted from "Invested in facilities."

g. Contributed capital amounts resulting from non-monetary voluntary non-exchange transactions are included in "Invested in facilities" and credited to "Facility infrastructure investment" at the capital asset's fair value.

Notes to Consolidated Financial Statements (continued)

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, 2012	December 31, 2011
	(In thousands)	
Net position reported on Consolidated Statements of Net Position	**$ 12,860,434**	$ 11,725,891
Add: Accumulated depreciation of facilities	**11,473,543**	10,673,443
Accumulated retirements and gains and losses on disposal of invested in facilities	**2,053,086**	1,968,943
Cumulative amortization of costs for regional programs	**1,223,636**	1,145,917
Cumulative amortization of discount and premium	**67,842**	75,184
Subtotal	**14,818,107**	13,863,487
Less: Deferred income - 1 WTC LLC/WTC Retail LLC insurance proceeds	**-**	14,434
Restricted Net Revenues - PAICE	**(764)**	1,946
Deferred income in connection with PFCs	**132,228**	19,590
Subtotal	**131,464**	35,970
Total	**$ 27,547,077**	$ 25,553,408
Net position reported on Schedule B - Assets and Liabilities (pursuant to Port Authority bond resolutions)	**$ 27,547,077**	$ 25,553,408

Notes to Consolidated Financial Statements (continued)

Consolidated Statements of Revenues, Expenses and Changes in Net Position to Schedule A – Revenues and Reserves

		Year ended December 31, 2012	2011
		(In thousands)	
Increase in net position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position		**$ 1,134,543**	$ 701,268
Add:	Depreciation of facilities	**884,239**	852,727
	Application of 1 WTC LLC/WTC Retail LLC insurance proceeds	**17,962**	57,340
	Application of PFCs	**110,015**	215,645
	Amortization of costs for regional programs	**77,719**	77,537
	Amortization of discount and premium	**(7,342)**	4,876
	Restricted Net Revenues - PAICE	**2,710**	644
	Loss on disposition of assets	**4**	-
	Decrease in appropriations for self-insurance	**37,547**	1,949
	Subtotal	**1,122,854**	1,210,718
Less:	Debt maturities and retirements	**169,770**	140,390
	Debt retirement acceleration	**54,635**	6,100
	Repayment of asset financing obligations	**16,514**	20,258
	Non-monetary capital contributions	**327,179**	279,714
	Direct investment in facilities	**691,079**	742,001
	PFCs	**222,614**	214,456
	1 WTC LLC insurance proceeds	**3,525**	-
	1 WTC LLC/WTC Retail LLC interest income	**3**	43
	PFC interest income/Fair Value Adjustment	**39**	-
	Contribution from New WTC Retail Owner LLC	**100,000**	-
	Subtotal	**1,585,358**	1,402,962
	Total	**$ 672,039**	$ 509,024
Increase/(decrease) in reserves reported on Schedule A - Revenues and Reserves (pursuant to Port Authority bond resolutions)		**$ 672,039**	$ 509,024

Notes to Consolidated Financial Statements
(Continued)

Note B - Facilities, Net

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions / (Dispositions)	Transfers	Retirements	End of Year
			(In thousands)		
2012					
Capital assets not being depreciated:					
Land	$ 1,060,160	$ -	$ 23,358	$ (404)	$ 1,083,114
Construction in progress	8,471,807	3,315,277	(923,745)	-	10,863,339
Total capital assets not being depreciated	9,531,967	3,315,277	(900,387)	(404)	11,946,453
Other capital assets:					
Buildings, bridges, tunnels, other structures	8,616,850	-	304,244	(13,602)	8,907,492
Machinery and equipment	7,811,193	-	144,393	(69,032)	7,886,554
Runways, roadways and other paving	4,270,143	-	288,208	(1,586)	4,556,765
Utility infrastructure	3,577,578	-	163,542	(13,338)	3,727,782
Other capital assets being depreciated	24,275,764	-	900,387	(97,558)	25,078,593
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	3,466,550	224,190	-	(13,152)	3,677,588
Machinery and equipment	3,345,998	302,162	-	(63,955)	3,584,205
Runways, roadways and other paving	2,259,755	212,211	-	(1,586)	2,470,380
Utility infrastructure	1,601,140	145,675	-	(5,445)	1,741,370
Accumulated depreciation	10,673,443	884,238	-	(84,138)	11,473,543
Total other capital assets, net	13,602,321	(884,238)	900,387	(13,420)	13,605,050
Facilities, net	$ 23,134,288	$ 2,431,039	$ -	$ (13,824)	$ 25,551,503
2011					
Capital assets not being depreciated:					
Land	$ 1,108,399	$ -	$ (48,239)	$ -	$ 1,060,160
Construction in progress	7,099,813	3,429,615	(2,057,621)	-	8,471,807
Total capital assets not being depreciated	8,208,212	3,429,615	(2,105,860)	-	9,531,967
Other capital assets:					
Buildings, bridges, tunnels, other structures	7,958,041	-	660,026	(1,217)	8,616,850
Machinery and equipment	6,814,568	-	1,068,009	(71,384)	7,811,193
Runways, roadways and other paving	4,153,343	-	118,725	(1,925)	4,270,143
Utility infrastructure	3,329,336	-	259,100	(10,858)	3,577,578
Other capital assets being depreciated	22,255,288	-	2,105,860	(85,384)	24,275,764
Less accumulated depreciation:					
Buildings, bridges, tunnels, other structures	3,257,439	210,328	-	(1,217)	3,466,550
Machinery and equipment	3,071,637	345,745	-	(71,384)	3,345,998
Runways, roadways and other paving	2,099,119	162,561	-	(1,925)	2,259,755
Utility infrastructure	1,477,905	134,093	-	(10,858)	1,601,140
Accumulated depreciation	9,906,100	852,727	-	(85,384)	10,673,443
Total other capital assets, net	12,349,188	(852,727)	2,105,860	-	13,602,321
Facilities, net	$ 20,557,400	$ 2,576,888	$ -	$ -	$ 23,134,288

2. Net interest expense added to the cost of facilities was $280 million in 2012 and $217 million in 2011.

3. Projects that have been suspended pending determination of their continued viability totaled $17.6 million in 2012 and $54.4 million in 2011.

4. The impact on accelerated depreciation associated with Port Authority capital assets was $2 million in 2012 and $3.2 million in 2011.

Notes to Consolidated Financial Statements (continued)

Note C - Cash and Investments

1. The components of cash and investments are:

	December 31, 2012	December 31, 2011
	(In thousands)	
CASH		
Cash on hand	**$ 1,730**	$ 2,331
Cash equivalents	**3,829,567**	3,328,271
Total cash	**3,831,297**	3,330,602
Less restricted cash	**138,397**	33,237
Unrestricted cash	**$ 3,692,900**	**$ 3,297,365**

	December 31, 2012			December 31, 2011
	(In thousands)			
PORT AUTHORITY INVESTMENTS AT FAIR VALUE				
	Port Authority	**PAICE**	**Total**	Total
United States Treasury notes	**$ 1,705,622**	**$ 109,632**	**$1,815,254**	$ 1,027,774
United States Treasury bonds	**-**	**4,245**	**4,245**	32,624
United States Treasury bills	**100,777**	**-**	**100,777**	26,290
United States government agency obligations	**-**	**47,595**	**47,595**	42,100
Corporate Bonds *	**-**	**-**	**-**	267,223
JFK International Air Terminal LLC obligations	**118,029**	**-**	**118,029**	129,274
Other governmental obligations	**7,097**	**-**	**7,097**	7,084
Accrued interest receivable	**4,972**	**1,158**	**6,130**	6,546
Total investments	**1,936,497**	**162,630**	**2,099,127**	1,538,915
Less current investments	**100,777**	**-**	**100,777**	26,290
Noncurrent investments	**$ 1,835,720**	**$ 162,630**	**$1,998,350**	$ 1,512,625

* Guaranteed by the Federal Deposit Insurance Corporation under the Temporary Liquidity Guarantee Program, rated Aaa by Moody's Investors Service and AA+ by Standard & Poors.

Notes to Consolidated Financial Statements (continued)

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 average daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC). Actual daily balances may differ from the average daily balances. 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 $3.7 billion as of December 31, 2012. Of that amount, $348 million was secured through the basic FDIC deposit insurance coverage for interest bearing accounts or was secured through the FDIC unlimited deposit insurance coverage for "non-interest bearing transaction accounts." The balance of $3.4 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.

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 (including repurchase and reverse repurchase agreement 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.

Proceeds of "Bonds and other asset financing obligations" 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

Notes to Consolidated Financial Statements (continued)

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 6.1% of total Port Authority investments at December 31, 2012) for certain costs attributable to the completion of Terminal 4 (JFKIAT). 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 following is the fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2012:

PA Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$ 1,705,622	847
United States Treasury bills	100,777	5
Corporate Bonds	-	-
JFK International Air Terminal LLC obligations	118,029	4,642
Other governmental obligations	7,097	593
Total fair value of investments*	$ 1,931,525	
Investments weighted average maturity		1,034

* Excludes accrued interest receivable amounts of $5 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 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, 2012.

Notes to Consolidated Financial Statements (continued)

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 following is the fair value and weighted average maturity of investments held by PAICE at December 31, 2012:

PAICE Investment Type	Fair Value (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	$ 109,632	820
United States Treasury bonds	4,245	316
United States government agency obligations	47,595	638
Total fair value of investments*	$161,472	
Investments weighted average maturity		761

* Excludes accrued interest receivable amounts of $1.2 million.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing

Obligations noted with (*) throughout Note D-1 and D-2 are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended, with respect to individuals and corporations. Obligations noted with (**) are subject to federal taxation.

D-1. Outstanding bonds and other asset financing obligations

		December 31, 2012		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$459,920	$17,712,099	$18,172,019
B.	Commercial Paper Notes	384,625	-	384,625
C.	Variable Rate Master Notes	77,900	-	77,900
D.	Versatile Structure Obligations	-	-	-
E.	Port Authority Equipment Notes	49,565	-	49,565
F.	Fund for Regional Development			
	Buy-Out Obligation	51,212	285,241	336,453
G.	MOTBY Obligation	25,731	52,329	78,060
H.	Tower 4 Liberty Bonds	-	1,249,309	1,249,309
		$1,048,953	$19,298,978	$20,347,931

		December 31, 2011		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$205,410	$15,364,335	$15,569,745
B.	Commercial Paper Notes	396,155	-	396,155
C.	Variable Rate Master Notes	77,900	-	77,900
D.	Versatile Structure Obligations	-	-	-
E.	Port Authority Equipment Notes	68,160	-	68,160
F.	Fund for Regional Development			
	Buy-Out Obligation	51,213	308,646	359,859
G.	MOTBY Obligation	27,081	78,060	105,141
H.	Tower 4 Liberty Bonds	-	1,249,921	1,249,921
		$825,919	$17,000,962	$17,826,881

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes

			December 31, 2012		
		Dec. 31, 2011	**Issued/ Accreted**	**Refunded/ Retired**	**Dec. 31, 2012**
				(In thousands)	
Consolidated bonds and notes					
Seventy-fourth series (a)	Due 2013-2014	$ 11,849	$ 343	$ 4,160	$ 8,032
Eighty-fifth series	5.2%-5.375% due 2013-2028	87,000	-	3,200	83,800
Eighty-sixth series	5.2% due 2012	3,855	-	3,855	-
Ninety-third series	6.125% due 2085-2094	100,000	-	-	100,000
One hundred third series	5.25% due 2012-2014	19,895	-	19,895	-
One hundred thirteenth series	4.75% due 2012-2013	10,500	-	10,500	-
One hundred sixteenth series	4.25%-5.25% due 2013-2033	392,150	-	12,280	379,870
One hundred twenty-fourth series*	4.75%-5% due 2013-2036	202,460	-	12,220	190,240
One hundred twenty-fifth series	5% due 2018-2032	300,000	-	300,000	-
One hundred twenty-sixth series*	5%-5.5% due 2012-2037	198,415	-	198,415	-
One hundred twenty-seventh series*	5%-5.5% due 2012-2037	220,305	-	220,305	-
One hundred twenty-eighth series	4.75%-5% due 2013-2032	232,275	-	4,140	228,135
One hundred twenty-ninth series	3.75%-4% due 2013-2015	29,715	-	6,300	23,415
One hundred thirtieth series	3.625%-3.75% due 2013-2015	31,085	-	7,375	23,710
One hundred thirty-first series*	4.625%-5% due 2013-2033	431,895	-	9,490	422,405
One hundred thirty-second series	5% due 2024-2038	300,000	-	-	300,000
One hundred thirty-third series	3.4%-4.4% due 2013-2021	152,180	-	16,000	136,180
One hundred thirty-fourth series	4%-5% due 2013-2039	241,530	-	3,125	238,405
One hundred thirty-fifth series	4.5%-5% due 2024-2039	400,000	-	-	400,000
One hundred thirty-sixth series*	5%-5.5% due 2013-2034	339,720	-	2,725	336,995
One hundred thirty-seventh series*	4.125%-5.5% due 2013-2034	226,650	-	4,180	222,470
One hundred thirty-eighth series*	4.25%-5% due 2013-2034	327,440	-	7,785	319,655
One hundred thirty-ninth series*	4.5%-5% due 2013-2025	152,535	-	8,895	143,640
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 2015-2036	350,000	-	-	350,000
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-fifth series**	5.75% due 2027-2032	250,000	-	250,000	-
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 2015-2037	500,000	-	-	500,000
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	-	-	400,000
One hundred fiftieth series**	4.125%-6.4% due 2013-2027	350,000	-	-	350,000
One hundred fifty-first series*	5.25%-6% due 2019-2035	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 2013-2029	92,335	-	3,925	88,410
One hundred fifty-fifth series	2%-3.5% due 2013-2019	61,700	-	12,000	49,700
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	1.75%-3.3% due 2013-2020	87,070	-	18,020	69,050
One hundred sixty-third series	2.5%-5% due 2017-2040	400,000	-	-	400,000
One hundred sixty-fourth series**	5.647% due 2035-2040	425,000	-	-	425,000
One hundred sixty-fifth series**	5.647% due 2035-2040	425,000	-	-	425,000
One hundred sixty-sixth series	5%-5.25% due 2030-2041	300,000	-	-	300,000
One hundred sixty-seventh series*	4%-5.50% due 2013-2028	225,000	-	12,190	212,810
One hundred sixty-eighth series**	4.926% due 2047-2051	1,000,000	-	-	1,000,000
One hundred sixty-ninth series*	4%-5% due 2013-2041	400,000	-	17,905	382,095
One hundred seventieth series (b)	5%-5.25% due 2039-2043	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 2013-2037	-	400,000	-	400,000
One hundred seventy-third series	3%-5% due 2018-2032	-	300,000	-	300,000
Series ZZ	1% due 2012	-	300,000	300,000	-
One hundred seventy-fourth series**	4.458% due 2053-2062	-	2,000,000	-	2,000,000
One hundred seventy-fifth series	3%-5% due 2013-2042	-	425,000	-	425,000
One hundred seventy-sixth series**	0.4%-2.5% due 2013-2022	-	170,000	-	170,000
Consolidated bonds and notes pursuant to Port Authority bond resolutions		15,550,039	$ 3,995,343	$ 1,468,885	18,076,497
Less unamortized discount and (premium) (c)		(19,706)			(95,522)
Consolidated bonds and notes (d)		$ 15,569,745			$ 18,172,019

NOTE: See page 38 for explanations of footnotes (a-d) concerning Consolidated Bonds and Notes.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

A. Consolidated Bonds and Notes (continued from previous page)

	December 31, 2011			
	Dec. 31, 2010	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2011
Consolidated bonds and notes pursuant to Port Authority bond resolutions	$ 13,340,378	$ 2,598,096	$ 388,435	$ 15,550,039
Less unamortized discount and (premium) (c)	30,742			(19,706)
Consolidated bonds and notes	$ 13,309,636			$ 15,569,745

(a) Includes $1,872,000 serial bonds issued on a capital appreciation basis; the only payments with respect to these bonds will be made at their respective maturities, ranging from years 2013 to 2014, in the total maturity amount of $8,305,000.

(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).

(c) Amount includes the unamortized difference between acquisition price and carrying amount on refunded debt.

(d) Debt service requirements to maturity for Consolidated Bonds outstanding on December 31, 2012 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2013	$459,920	$856,990	$1,316,910
2014	258,840	847,945	1,106,785
2015	279,945	837,027	1,116,972
2016	307,355	824,831	1,132,186
2017	329,620	810,880	1,140,500
2018-2022	2,152,355	3,769,937	5,922,292
2023-2027	2,633,340	3,186,016	5,819,356
2028-2032	3,474,775	2,454,955	5,929,730
2033-2037	3,131,425	1,603,968	4,735,393
2038-2042	1,762,715	983,113	2,745,828
2043-2047	386,480	729,644	1,116,124
2048-2052	800,000	565,093	1,365,093
2053-2057	1,000,000	376,120	1,376,120
2058-2062	1,000,000	153,220	1,153,220
2063-2094 ***	100,000	167,621	267,621
	$18,076,770	$18,167,360	$36,244,130

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

*** Debt service for the years 2063-2094 reflects principal and interest payments associated with Consolidated Bonds Ninety-third Series.

Total principal of $18,076,770,000 shown above differs from the total consolidated bonds pursuant to Port Authority bond resolutions of $18,076,497,000 because of differences in the par value at maturity of the capital appreciation bonds Seventy-fourth Series of $273,000.

As of December 31, 2012, the Board of Commissioners had authorized the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through One Hundred Ninety-third Series, in the aggregate principal amount of up to $500 million of each series, and Consolidated Notes, Series AAA, BBB, CCC, DDD and EEE, of up to $300 million in aggregate principal amount of each series. To the extent any of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series are issued and sold solely for purposes of capital expenditures in connection with the redevelopment of the WTC site or for refunding prior debt issued for such purposes, such series may be issued and sold without limit as to principal amounts and term to maturity, provided that the total aggregate principal amount of all of such series (regardless of the purpose for issuance) shall not be in excess of $10 billion.

During 2012, the Port Authority allocated the proceeds of consolidated bonds to refund $1.5 billion of consolidated bonds and notes and $218.5 million of commercial paper notes. While the Port Authority increased its aggregate debt service payments by approximately $145 million over the life of the refunded consolidated bonds, the economic gain resulting from the debt refunding (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 $112 million in present value savings to the Port Authority.

Consolidated bonds outstanding as of February 25, 2013 (pursuant to Port Authority bond resolutions) totaled $18,198,635,000.

B. Commercial Paper Notes

Commercial paper obligations are issued to provide interim financing for authorized projects at Port Authority facilities and may be outstanding until December 31, 2015. The maximum aggregate principal amount that may be outstanding at any one time is $300 million for Series A and $200 million for Series B. Commercial paper obligations are issued without third party provider support for payment at their maturity dates.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

	December 31, 2012			
	Dec. 31, 2011	Issued	Refunded/ Repaid	Dec. 31, 2012
	(In thousands)			
Series A*	$207,735	$708,610	$689,575	$226,770
Series B	188,420	436,565	467,130	157,855
	$396,155	$1,145,175	$1,156,705	$384,625

	December 31, 2011			
	Dec. 31, 2010	Issued	Refunded/ Repaid	Dec. 31, 2011
	(In thousands)			
Series A*	$208,815	$563,740	$564,820	$207,735
Series B	145,465	412,960	370,005	188,420
	$354,280	$976,700	$934,825	$396,155

Interest rates for all commercial paper notes ranged from 0.09% to 0.22% in 2012.

As of February 25, 2013, commercial paper notes outstanding totaled $342,630,000.

C. Variable Rate Master Notes

Variable rate master notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $400 million.

	December 31, 2012			
	Dec. 31, 2011	Issued	Refunded/ Repaid	Dec. 31, 2012
	(In thousands)			
Agreements 1989 -1995*	$44,900	$ -	$ -	$44,900
Agreements 1989 -1998	33,000	-	-	33,000
	$77,900	$ -	$ -	$77,900

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

		December 31, 2011		
	Dec. 31, 2010	Issued	Refunded/ Repaid	Dec. 31, 2011
		(In thousands)		
Agreements 1989 -1995*	$44,900	$ -	$ -	$44,900
Agreements 1989 -1998	33,000	-	-	33,000
	$77,900	$ -	$ -	$77,900

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 0.11% to 0.34% in 2012.

Annual debt service requirements on outstanding variable rate master notes, valued for presentation purposes at the rate in effect on December 31, 2012, would be as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2013	-	154	154
2014	-	154	154
2015	-	154	154
2016	-	154	154
2017	-	154	154
2018-2022	58,000	637	58,637
2023-2025	19,900	114	20,014
	$77,900	$1,521	$79,421

Variable rate master notes are subject to prepayment at the option of the Port Authority or upon demand of the holders.

D. Versatile Structure Obligations

There were no outstanding Versatile Structure Obligations in 2012.

Versatile Structure Obligations Series 1R and 4 were refunded in their entirety on April 29, 2011 through a combination of Consolidated Bond proceeds and net revenues deposited into the Consolidated Bond Reserve Fund.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

	December 31, 2011			
	Dec. 31, 2010	Issued	Refunded/ Repaid	Dec. 31, 2011
	(In thousands)			
Series 1R*	$ 92,800	$ -	$ 92,800	$ -
Series 4*	82,400	-	82,400	-
	$175,200	$ -	$175,200	$ -

E. Port Authority Equipment Notes

Equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $250 million.

	December 31, 2012			
	Dec. 31, 2011	Issued	Refunded/ Repaid	Dec. 31, 2012
	(In thousands)			
Notes 2004, 2006, 2008*	$ 2,635	$ -	$ 1,020	$ 1,615
Notes 2004, 2006, 2008	65,525	-	17,575	47,950
	$68,160	$ -	$18,595	$49,565

	December 31, 2011			
	Dec. 31, 2010	Issued	Refunded/ Repaid	Dec. 31, 2011
	(In thousands)			
Notes 2004, 2006, 2008*	$ 4,380	$ -	$ 1,745	$ 2,635
Notes 2004, 2006, 2008	94,265	-	28,740	65,525
	$98,645	$ -	$30,485	$68,160

Variable interest rates, set weekly by a remarketing agent for each series, ranged from 0.12% to 0.40% in 2012.

Annual debt service requirements on outstanding Port Authority equipment notes, valued for presentation purposes at the rate in effect on December 31, 2012, would be as follows:

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2013	$ 2,640	$ 90	$ 2,730
2014	15,425	62	15,487
2015	31,500	11	31,511
	$49,565	$ 163	$49,728

The Port Authority has entered into agreements with the purchasers of the notes stating that on seven days notice on any business day during the term of the agreements, the Port Authority may prepay in whole, or, from time to time, in part, without penalty or premium, the outstanding principal amount of the notes. Also, the purchasers can tender the notes back to the remarketing agent on seven days notice, in whole and not in part. In the event that the remarketing agent cannot resell the notes, notice shall be given by the remarketing agent to the Port Authority requesting the Port Authority to pay the purchase price of the notes.

F. Fund for Regional Development Buy-Out Obligation

	December 31, 2012			
	Dec. 31, 2011	Accretion (a)	Refunded/ Repaid	Dec. 31, 2012
		(In thousands)		
Obligation outstanding	$359,859	$27,807	$51,213	$336,453

	December 31, 2011			
	Dec. 31, 2010	Accretion (a)	Refunded/ Repaid	Dec. 31, 2011
		(In thousands)		
Obligation outstanding	$373,707	$29,363	$43,211	$359,859

(a) Represents the annual implicit interest cost (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.

Payment requirements of the fund for regional development buy-out obligation outstanding, including the implicit interest cost, on December 31, 2012 are as follows:

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

Year ending December 31:	Payments (In thousands)
2013	$ 51,212
2014	51,214
2015	51,212
2016	51,211
2017	53,213
2018-2021	213,240
	$471,302

As of February 25, 2013, the fund for regional development buy-out obligation outstanding totaled $340,714,304. For additional information associated with the fund for regional development buy-out obligation, refer to Note H.3.

G. MOTBY Obligation

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). 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 an asset financing obligation in 2010.

	December 31, 2012			
	Dec. 31, 2011	Accretion (a)	Refunded/ Repaid	Dec. 31, 2012
		(In thousands)		
Obligation outstanding	$105,141	$2,919	$30,000	$78,060

	December 31, 2011			
	Dec. 31, 2010	Accretion (a)	Refunded/ Repaid	Dec. 31, 2011
		(In thousands)		
Obligation outstanding	$138,396	$1,745	$35,000	$105,141

(a) Represents the annual implicit interest cost (5.25%) contained in the present value of amounts due the BLRA.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

Payment requirements for the MOTBY obligation outstanding, including the implicit interest cost, on December 31, 2012 are as follows:

Year ending December 31:	Payments
	(In thousands)
2013	$ 30,000
2014	5,000
2015	5,000
2016	5,000
2017	5,000
2018-2022	25,000
2023-2027	25,000
2028-2032	25,000
2033	5,000
	$130,000

H. 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.

	Dec. 31, 2011	December 31, 2012 Issued	December 31, 2012 Repaid/ Amortized	Dec. 31, 2012
		(In thousands)		
Series 2011	$1,225,520	$ -	$ -	$1,225,520
Add: unamortized premium	24,401	-	612	23,789
Total Tower 4 Liberty Bonds	$1,249,921	$ -	$ 612	$1,249,309

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

	Dec. 31, 2010	December 31, 2011 Issued	December 31, 2011 Repaid/ Amortized	Dec. 31, 2011
		(In thousands)		
Series 2011	$ -	$1,225,520	$ -	$1,225,520
Add: unamortized premium	-	24,479	78	24,401
Total Tower 4 Liberty Bonds	$ -	$1,249,999	$ 78	$1,249,921

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds on December 31, 2012, would be as follows:

Year ending December 31:	Principal	Interest (a)	Debt Service
		(In thousands)	
2013	$ -	$65,293	$65,293
2014	-	65,293	65,293
2015	-	65,293	65,293
2016	-	65,293	65,293
2017	-	65,293	65,293
2018-2022	-	326,467	326,467
2023-2027	25,370	326,467	351,837
2028-2032	147,190	306,123	453,313
2033-2037	188,030	265,277	453,307
2038-2042	240,360	212,956	453,316
2043-2047	308,605	144,705	453,310
2048-2051	315,965	46,690	362,655
	$1,225,520	$1,955,150	$3,180,670

(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.

D-2. 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

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

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.

	Dec. 31, 2011	December 31, 2012 Issued	December 31, 2012 Repaid/ Amortized	Dec. 31, 2012
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2013-2015	$ 78,980	$ -	$17,240	$ 61,740
Less: unamortized discount and premium	1,906	-	487	1,419
Total - Series 2	77,074	-	16,753	60,321
Series 4, KIAC Partners Project (b)*				
6.75% due 2013-2019	137,000	-	13,900	123,100
Less: unamortized discount and premium	1,484	-	192	1,292
Total - Series 4	135,516	-	13,708	121,808
Series 6, JFKIAT Project (c)*				
5.75%-6.25% due 2013-2025	729,180	-	34,475	694,705
Less: unamortized discount and premium	4,670	-	335	4,335
Total - Series 6	724,510	-	34,140	690,370
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	-	-	796,280
Less: unamortized discount and premium	12,844	-	415	12,429
Total - Series 8	783,436	-	(415)	783,851
Amounts payable - Special Project Bonds	$1,720,536	$ -	$64,186	$1,656,350

(a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued 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 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 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 connection with a project that included the expansion of Terminal 4 at JFK.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

	December 31, 2011			
	Dec. 31, 2010	Issued	Repaid/ Amortized	Dec. 31, 2011
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2012-2015	$ 94,775	$ -	$15,795	$ 78,980
Less: unamortized discount and premium	2,392	-	486	1,906
Total - Series 2	92,383	-	15,309	77,074
Series 4, KIAC Partners Project (b)*				
6.75% due 2012-2019	150,500	-	13,500	137,000
Less: unamortized discount and premium	1,675	-	191	1,484
Total - Series 4	148,825	-	13,309	135,516
Series 6, JFKIAT Project (c)*				
5.75%-7% due 2012-2025	761,590	-	32,410	729,180
Less: unamortized discount and premium	5,006	-	336	4,670
Total - Series 6	756,584	-	32,074	724,510
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	-	-	796,280
Less: unamortized discount and premium	13,259	-	415	12,844
Total - Series 8	783,021	-	(415)	783,436
Amounts payable - Special Project Bonds	$1,780,813	$ -	$60,277	$1,720,536

(a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued 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 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 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 connection with a project that included the expansion of Terminal 4 at JFK.

Notes to Consolidated Financial Statements (continued)

Note D - Outstanding Obligations and Financing (continued)

D-3. Interest Rate Exchange Contracts (Swap agreements)

At December 31, 2011, the Port Authority had three pay-fixed, receive-variable rate interest rate swap agreements with a negative fair value totaling $241.9 million. In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives*, changes in the fair value of these investment derivative instruments (unhedged), have been recognized as a change to investment income on the Consolidated Statement of Revenues, Expenses and Changes in Net Position.

Two of these unhedged swap agreements were entered into in anticipation of the issuance of future variable interest rate versatile structure obligations in July and August 2008, respectively; however, due to unfavorable market conditions, these obligations were not issued. The third remaining swap agreement became unhedged when the corresponding variable rate obligation was refunded in 2008 (Versatile Structure Obligations, Series 8). To mitigate the impacts of unfavorable market conditions, in the second quarter of 2009, the Port Authority amended the three unhedged swap agreements to defer periodic interest rate exchange contract payments until the last quarter of 2010. Periodic interest rate exchange contract payments resumed on these three unhedged swap agreements in October and November 2010, respectively.

During 2012, the three unhedged swap agreements were terminated, either by the Port Authority or the swap counterparty, resulting in total aggregate termination payments made by the Port Authority of $228.5 million. The difference between the negative fair value of $241.9 million and the termination payments of $228.5 million increased the change in fair value of investments by $13.4 million in 2012. As of December 31, 2012, the Port Authority had no interest rate swap agreements outstanding.

Note E – General and Consolidated Bond Reserve Funds

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, 2012, the General Reserve Fund balance was $2,026,605,437 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.

Other asset obligations (commercial paper obligations, variable rate master notes, MOTBY obligation and Tower 4 Liberty Bonds), and the interest thereon, are not secured by or payable from the General Reserve Fund. Principal of, and interest on, other asset obligations are payable solely from the proceeds of obligations issued for such purposes or from net revenues paid into 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. Operating asset obligations (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. Special project bonds are not secured by or payable from the General Reserve Fund or the Consolidated Bond Reserve Fund.

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. 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, 2012, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

Note F – Funding Provided by Others

During 2012 and 2011, the Port Authority received federal and state grants and contributions from other entities for various programs as summarized below:

1. Operating 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 $1,315,000 in 2012 and $1,336,000 in 2011.

b. Airport Screening Program – The TSA provided approximately $413,000 in 2012 and $459,000 in 2011 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 $646,000 in 2012 and $1,310,000 in 2011 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly.

Amounts in connection with operating activities are recorded as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Position and on Schedule A – Revenues and Reserves.

2. Grants and Contributions in Aid of Construction

a. Subsequent to September 11, 2001, the Port Authority entered into various agreements with federal and state agencies for programs associated with security related projects through which the Port Authority would be reimbursed for eligible expenses. Amounts provided in connection with security projects totaled $35 million in 2012 and $39 million in 2011.

b. The Port Authority receives contributions in aid of construction with respect to its facilities from federal, state and other entities. Amounts from the FTA for the construction of the WTC Transportation Hub totaled $446 million in 2012 and $315 million 2011, respectively. Amounts from the FAA under the Airport Improvement Program in 2012 and 2011 were approximately $52 million and $40 million, respectively. Other contributions in aid of construction, including $325 million in contributed capital from the Silverstein net lessees for the construction of WTC Towers 2, 3 and 4, and $100 million in contributed capital from the WTC Retail Joint Venture, Westfield member to WTC Retail LLC for the further construction and development of retail space at the WTC site totaled $460 million in 2012 and $386 million in 2011.

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 2012 and $1.0 billion in 2011.

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, the WTC and the Newark Legal and Communications Center. Investments in such facilities, as of December 31, 2012, 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, 2012 are as follows:

Notes to Consolidated Financial Statements (continued)

Year ending December 31:

	(In thousands)
2013	$ 946,511
2014	1,001,716
2015	989,202
2016	862,167
2017	847,724
2018-2100 (a)	21,666,411
Total future minimum rentals (b and c)	$26,313,731

(a) Includes future minimum rentals of approximately $14 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.
(b) Future minimum rentals decreased in 2012 by approximately $19 billion primarily in connection with the net lease for WTC Retail, resulting from the Port Authority and Westfield entering into various agreements related to the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of the retail space at the WTC site.
(c) Not included in the future minimum rentals is approximately $2.1 billion attributable to lease agreements at One World Trade Center entered into with Vantone Industrial Co., Ltd for 191,000 square feet of office space and Advance Magazine Publishers Inc d/b/a Conde Nast for approximately 1.2 million square feet of office and related space. Rentals from these leases are contingent upon specific events commencing upon completion of the building.

3. Property leased from others

Rental expenses under leases, including payments to the Cities of New York and Newark for various air terminals, marine terminals and other facilities and the cost of temporary office space due to the destruction of the WTC, aggregated $302 million in 2012 and $278 million in 2011.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2012 are detailed below. Additional rentals may be payable based on earnings of specified facilities under some of these leases.

Year ending December 31:

	(In thousands)
2013	$ 270,044
2014	234,948
2015	234,099
2016	230,170
2017	191,770
2018-2022	899,148
2023-2027	880,131
2028-2032	870,000
2033-2037	870,000
2038-2065*	3,387,000
Total future minimum rent payments	$8,067,310

* Future minimum rent payments for the years 2038-2065 reflect payments associated with the Cities of New York and Newark lease commitments.

Notes to Consolidated Financial Statements (continued)

Note H – Regional Programs

1. 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 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** – 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, 2012, approximately $248 million has been expended under this program.

- **Regional Economic Development Program** – 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 $395 million as of December 31, 2012.

- **Oak Point Rail Freight Link** – 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, 2012, 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** – 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** – 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, 2012, $245 million has been spent on projects associated with this program.

- **Regional Transportation Program** – This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. As of December 31, 2012, all funds under this program have been fully expended.

Notes to Consolidated Financial Statements (continued)

- **Hudson-Raritan Estuary Resources Program** – This facility was 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 this program is not to exceed $60 million. As of December 31, 2012, approximately $52 million has been expended under this program.

- **Regional Rail Freight Program** – 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. As of December 31, 2012, all funds under this program have been fully expended.

- **Meadowlands Passenger Rail Facility** – 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 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. As of December 31, 2012, all funds under this program have been fully expended.

As of December 31, 2012, a total of 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, 2011	Project Expenditures	Amortization	Dec. 31, 2012
		(In thousands)		
Regional Development Facility	$34,393	$ -	$6,423	$27,970
Regional Economic Development Program	102,354	-	19,884	82,470
Oak Point Rail Freight Link	8,149	-	1,630	6,519
New Jersey Marine Development Program	4,194	-	834	3,360
New York Transportation, Economic Development and Infrastructure Renewal Program	142,172	-	15,891	126,281
Regional Transportation Program	160,054	-	16,667	143,387
Hudson-Raritan Estuary Resources Program	35,977	6,697	3,057	39,617
Regional Rail Freight Program	25,495	-	3,333	22,162
Meadowlands Passenger Rail Facility	107,395	-	10,000	97,395
Total unamortized costs of regional programs	$620,183	$6,697	$77,719	$549,161

Notes to Consolidated Financial Statements (continued)

2. Bi-State Initiatives – From time to time, the Port Authority makes payments to assist various bi-state regional operating initiatives. During 2012, the Port Authority expended approximately $30 million on regional initiatives, bringing the total amount spent to date to approximately $170 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 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-1 (F).

Note I - Pension Plans and Other Employee Benefits

1. Pension Plans

a. Generally, full-time employees of the Port Authority (but not its related entities) are required to join one of two cost-sharing multiple-employer defined benefit pension plans, 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 "Retirement System." The New York State Constitution provides that membership in a pension 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.

The Retirement System provides retirement benefits related to years of service and final average salary, death and disability benefits, vesting of benefits after a set period of credited public service, and optional methods of benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years-of-service requirement for service retirement, the benefit formula used in calculating the retirement allowance and the contributory or non-contributory nature of the plan.

Employer contributions to the Retirement System are determined based on an actuarial valuation of the present value of future benefits for active and retired members. When the actuarially determined value of benefits is greater than the assets to be used for the payment of benefits, the difference must be made up through employer contributions. That difference is amortized over the working lives of current members to determine the required annual contribution. Separate calculations are done for each plan, since each plan allows for different benefits. However, in no case will the employer’s annual contribution to the Retirement System be less than 4.5% of covered payroll, including years in which the investment performance of the New York State Common Retirement Fund would make a lower contribution possible.

The Port Authority's covered ERS and PFRS payroll expense for 2012 was approximately $392 million and $226 million, respectively.

Required Port Authority contributions to the Retirement System, including costs for participation in retirement incentive programs, are as follows:

Year Ended	ERS	% of Covered Payroll	PFRS	% of Covered Payroll
		($ In thousands)		
2012	$76,321	19.5%	$61,687	27.4%
2011	$77,549	19.6%	$41,789	19.0%
2010	$46,181	11.1%	$35,220	17.0%

These contributions cover the entire funding requirements for the current year and each of the two preceding years.

In 2012, employee contributions of approximately $9.3 million to the ERS represented 2.4% of the payroll for employees covered by ERS.

The Annual Report of the Retirement System, which provides details on valuation methods and ten-year historical trend information, is available from the Comptroller of the State of New York, 110 State Street, Albany, New York 12236.

b. Employees of PATH are not eligible to participate in New York State's Retirement System. For most employees represented by unions, PATH contributes to supplemental pension plans that are administered by trustees, appointed by union members. Annual PATH contributions to these plans are defined in the various collective bargaining agreements; no employee contributions are required. PATH payroll expense in 2012 for these employees was approximately $85 million. For the year 2012, contributions made by PATH in accordance with the terms of various collective bargaining agreements totaled approximately $6 million, which represented approximately 7.4% of the total PATH covered payroll for 2012. Contributions were approximately $6 million for both 2011 and 2010.

c. Employees of PATH who are not covered by collective bargaining agreements (sometimes referred to as PATH Exempt Employees) are members of the PATH Corporation Exempt Employees Supplemental Pension Plan, amended and restated as of January 1, 2011 (the Plan). The Plan is a non-contributory, single employer, qualified defined benefit 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.

As of January 1, 2012, Plan participants included 97 retired PATH Exempt Employees (or their beneficiaries), 77 active PATH Exempt Employees, and 31 terminated but vested employees who were not receiving benefits.

On January 31, 2011, PATH requested a determination letter from the Internal Revenue Service to recognize the amended and restated Plan as a qualified plan under section 401(a) of the Internal Revenue Code. In May 2012, the IRS issued a favorable determination letter confirming the Plan's status as a qualified governmental plan.

Actuarial Methods and Assumptions

The actuarially determined valuation of the unfunded Net Pension Obligation (NPO) of the Plan was reviewed in 2012 for purposes of recognizing an actuarially determined annual required contribution operating expense provision and the change in the NPO liability for the Plan in the Port Authority consolidated financial statements.

The actuarial valuation was performed in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27).* The Plan does not issue separate stand-alone financial statements.

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.

In the January 1, 2012 actuarial valuation, the projected unit credit cost method was employed for all participants. Actuarial assumptions used to project pension benefits included a 5.25% investment rate of return, representing the estimated long term yield on investments expected to be used for the payment of pension benefits and a salary scale adjustment of 3% per annum (including 2.5% inflation factor).

The annual required contribution represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization amounts, which represents the difference between the actuarial accrued liability and amounts previously recognized. The following reflects the components of the 2012 annual pension cost, benefits paid and changes to the NPO.

Notes to Consolidated Financial Statements (continued)

Annual Pension Cost and NPO for 2012

	(In thousands)
Service Cost	$ 1,267
Amortization Cost	1,287
Interest on NPO	1,413
Annual Pension Cost	3,967
Benefits Paid in 2012	(2,947)
Increase in NPO in 2012	1,020
NPO Beginning of Year	26,904
NPO End of Year	$27,924

The year-to-year change in the NPO consists of the difference between the 2012 annual pension cost and 2012 pension benefits paid to Plan participants. As of January 1, 2012, the actuarial accrued liability for pension benefits totaled $53.9 million. The difference between the actuarial accrued liability of $53.9 million and the $26.9 million previously recognized is being amortized as a level dollar amount over an open amortization period of 30 years.

Annual Pension Cost and NPO for 2010 - 2012

Year	Annual Pension Cost	Ratio of Benefit Payments to Annual Pension Cost	NPO Year-End Balance
		($ In thousands)	
2012	$3,967	74.29 %	$27,924
2011	$3,934	73.14 %	$26,904
2010	$3,976	84.64 %	$25,847

Funding Status

PATH (the employer) does not currently fund the Plan; therefore, there are no Plan assets. Retirement benefit payments are on a pay-as-you-go basis from available Port Authority operating funds.

The Schedule of Funding Progress for the plan covering 2012 is as follow:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Payroll
			($ In thousands)			
1/1/12	$0	$53,903	$53,903	0%	$ 9,391	574%

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 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.

2. Other Employee Benefits

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 active and retired employees of the Port Authority and PATH (and for eligible dependents and survivors of active and retired employees). Collectively, these covered individuals are referred to as “participants.” Contributions toward the costs of some of these benefits are required of certain participants. These contributions generally range from 10% to 50% of the Port Authority or PATH’s cost of the benefit and depend on a number of factors, including status of the participants, type of benefit, hire date, years of service, 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. The actuarially determined valuation of postemployment benefits is reviewed annually for the purpose of estimating the present value of future benefits for participants.

Actuarial Methods and Assumptions

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.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment, 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, 2012 actuarial valuation, the projected unit credit cost method was used for all participants. The actuarial assumptions used to project future costs included a 6% investment rate of return, representing the estimated yield on investments expected to be used for the payment of benefits; a medical healthcare cost trend rate of 7% in 2012, declining to an ultimate rate of 5% in 2016 (including 2.5% inflation factor); a pharmacy benefit cost trend rate of 5% in 2012; and a dental benefit cost trend rate of 4.5% per year. The actuarial value of assets is based on the market value of assets. In addition, the unfunded, unrecognized actuarial accrued liability is amortized as a level dollar amount over a period of 30 years.

Other Postemployment Benefit Costs and Obligations

The annual non-pension postemployment benefit cost is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which also forms the basis for calculating the annual required contribution for the Port Authority and PATH. The annual required contribution represents the actuarially determined level of funding that, if paid on an ongoing basis, is projected to cover annual benefit costs and the 30-year open amortization of the difference between the actuarial accrued liability and amounts previously recognized. The Port Authority has been recognizing OPEB costs since 1985. The following reflects the components of the 2012 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2012 actuarial valuation:

	(In millions)
Normal actuarial cost	$ 31.2
Amortization cost	82.0
Interest on excess contribution	(12.1)
Annual OPEB Cost	101.1
OPEB payments	(108.7)
Increase/(decrease) in net OPEB obligation	(7.6)
Net accrued OPEB obligation as of 12/31/11	449.3
OPEB obligation as of 12/31/12	441.7
Trust contributions	(100.0)
Net accrued OPEB obligation as of 12/31/12	$ 341.7

As of January 1, 2012, the actuarially accrued liability for OPEB totaled approximately $2 billion. The difference between the actuarial accrued liability of $2 billion and the sum of the $449.3 million liability previously recognized and the $376.6 million in trust assets is being amortized using an open amortization approach over a 30-year period.

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 2012, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $3.8 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

Notes to Consolidated Financial Statements (continued)

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 2012 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)	
2012	$ 101,128	206%	$ 341,702
2011	$ 113,078	180%	$ 449,299
2010	$ 130,942	127%	$ 539,979

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for postemployment benefits. Effective December 2010, the Port Authority's quarterly contribution 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 totals $25 million. In 2012 and 2011, contributions to the Trust totaled $100 million annually.

OPEB Trust assets, the actuarial accrued liability, the unfunded actuarial accrued liability for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded actuarial liability to covered payroll for 2012 were as follows:

Actuarial Valuation Date	Actuarial Value of OPEB Trust Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Payroll
			($ In millions)			
1/1/12	$377	$1,963	$1,586	19%	$714	222%

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 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 2012 and 2011. The activities are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Notes to Consolidated Financial Statements (continued)

Statement of Trust Net Position

	December 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Cash	**$ 138**	$ 6,425
Investments, at fair value:		
Bond/Equity Funds	**524,901**	370,126
Total Investments	**524,901**	370,126
Total assets	**525,039**	376,551
LIABILITIES		
Total liabilities	**-**	-
NET POSITION HELD IN TRUST FOR OPEB	**$ 525,039**	$ 376,551

Statements of Changes in Trust Net Position

	Year Ended December 31, 2012	Year Ended December 31, 2011
	(In thousands)	
Additions		
Contributions*	**$ 208,725**	$ 203,758
Total contributions	**208,725**	203,758
Investment Income:		
Net change in fair value of investments	**36,360**	(6,450)
Interest income	**12,432**	9,060
Total net investment income	**48,792**	2,610
Deductions		
Benefit payments, administrative expenses and fees*	**(109,029)**	(103,913)
Total deductions	**(109,029)**	(103,913)
Net Increase	**148,488**	102,455
Trust net position, January 1	**376,551**	274,096
NET POSITION HELD IN TRUST FOR OPEB	**$ 525,039**	$ 376,551

* Include Port Authority's payments totaling $108.7 million in 2012 and $103.8 million in 2011 that were paid to OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments were not included as part of the Trust's activities.

The audited financial statements for the years ended December 31, 2012 and December 31, 2011 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, 1 PATH Plaza, Jersey City, New Jersey 07306.

Note J – Commitments and Certain Charges to Operations

1. On December 6, 2012, the Board of Commissioners of the Port Authority adopted the operating budget for 2013. 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 of the Board of Commissioners consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2012, the Port Authority had entered into various construction contracts totaling approximately $4.4 billion, which are expected to be completed within the next three years.

3. 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. In view of the current state of the insurance industry, availability of coverage may be constrained and premium costs may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

a. Property damage and loss of revenue insurance program:

The Port Authority's property damage and loss of revenue insurance program (which was renewed effective June 1, 2012 and expires on June 1, 2013) provides for coverage as follows:

Notes to Consolidated Financial Statements (continued)

General Coverage (Excluding Terrorism)	Terrorism Coverage
$1.518 billion of purchased coverage	$1.518 billion TRIPRA* Coverage (PAICE)
$25 million in the aggregate self-insurance after which purchased coverage applies	$25 million in the aggregate self-insurance after which purchased coverage applies
$5 million per occurrence deductible	$5 million per occurrence deductible

* On December 26, 2007, the Federal government enacted the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA), which replaced the Federal reinsurance provisions of the Terrorism Risk Insurance Act of 2002 (TRIA) and added reinsurance for acts of domestic terrorism in addition to acts of foreign terrorism through December 31, 2014. Under TRIPRA, the Federal government reinsures 85% of certified terrorism losses, subject to a $100 million deductible 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.

Wind Coverage (Sub-limit to General Coverage)
$375 million purchased coverage
$25 million in the aggregate self-insurance after which purchased coverage applies
$5 million per occurrence deductible

Notes to Consolidated Financial Statements (continued)

b. Public liability insurance program:

(1-b) Aviation facilities

The Port Authority's public liability insurance program for aviation facilities (which was renewed effective October 27, 2012 and expires on October 27, 2013) provides for coverage as follows:

General Coverage (Excluding Terrorism)	**Terrorism Coverage**
$1.25 billion per occurrence and in the aggregate of purchased coverage	$1.25 billion aviation war risk** per occurrence and in the aggregate of purchased coverage
$3 million per occurrence deductible	

** Aviation war risk generally includes war, hijacking and other perils, both domestically and internationally.

(2-b) Non-Aviation facilities

The Port Authority's public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2012 and expires on October 27, 2013) provides for coverage as follows:

General Coverage (Excluding Terrorism)

$1 billion excess above $12.5 million

$7.5 million self-insurance

$1.05 billion of purchased coverage per occurrence

$5 million per occurrence deductible

Terrorism Coverage

$300 million purchased TRIPRA* Coverage

$300 million purchased coverage per occurrence

$5 million per occurrence deductible

* See footnote on page 64

Notes to Consolidated Financial Statements (continued)

During each of the past three years, claims payments have not exceeded insurance coverage.

4. In providing for uninsured potential losses, the Port Authority administers its self-insurance program by applications from the Consolidated Bond Reserve Fund and provides for losses by charging operating expense as liabilities are incurred. As of December 31, 2012, there was approximately $39 million for the payment of self-insured claims.

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 accrued self-insurable 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 IBNR claims. Changes in the liability amounts in 2012 and 2011 were:

Year	Beginning Balance	Additions and Changes	Payments	Year-end Balance
		(In thousands)		
2012	$ 45,602	$ 19,466	$ 11,871	$ 53,197
2011	$ 39,557	$ 12,347	$ 6,302	$ 45,602

5. 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 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, 2012, PAICE has continued to provide the first $1,000,000 in coverage under the Workers' Compensation portion, the first $500,000 in coverage under the general liability aspect of the Port Authority's Contractor's Insurance Program, and $1 billion of Builders Risk and Terrorism coverage for the WTC Transportation Hub 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.

Notes to Consolidated Financial Statements (continued)

The financial results for PAICE for the year ended December 31, 2012 are set forth below. Amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to reflect intercompany transfers between the Port Authority and PAICE (see Schedule E).

Financial Position	(In thousands)
Total Assets	$232,597
Total Liabilities	103,719
Net Position	$128,878

Operating Results	
Revenues	$ 25,180
Expenses	10,535
Net Income	$ 14,645

Changes in Net Position	
Net Position at January 1, 2012	$121,383
Member's Distribution	7,150
Net Income	14,645
Net Position at December 31, 2012	$128,878

6. "Other amounts receivable, net" recognized on the Consolidated Statement of Net Position totaled $141 million at December 31, 2012, and is comprised of the following:

	Dec. 31, 2011	Additions	Deductions	Dec. 31, 2012
	(In thousands)			
Long-term receivables from tenants	$24,423	$16,123	$21,560	$18,986
Installment due from the Essex County Resource Recovery Facility operator	1,738	155	311	1,582
Insurance receivable - Hurricane Sandy	-	106,331	-	106,331
Advances for construction projects	72,166	47,239	113,493	5,912
Interest due from Tower 4 net lessee	8,343	65,293	65,293	8,343
Other	319	-	-	319
Total other amounts receivable, net	$106,989	$235,141	$200,657	$141,473

Notes to Consolidated Financial Statements (continued)

7. The 2012 balance of "Other noncurrent liabilities" consists of the following:

	Dec. 31, 2011	Additions	Deductions	Dec. 31, 2012
		(In thousands)		
Workers' Compensation liability	$45,388	$25,346	$22,660	$48,074
Claims liability	45,602	19,466	11,871	53,197
Pollution remediation	31,832	2,895	6,780	27,947
Asset forfeiture	10,648	1,965	2,574	10,039
Contractors Insurance Program-WTC	122,701	3,822	67,277	59,246
Surety and security deposits	8,121	2,341	3,634	6,828
Other	62,660	14,815	82	77,393
Gross other liabilities	$326,952	$70,650	$114,878	282,724
Less current portion:				
Workers' Compensation liability				14,895
Total other noncurrent liabilities				$267,829

8. During 2012, approximately $35 million in capital expenditures primarily associated with preliminary and alternative design analysis for the construction of a new ramp connecting the southbound Palisades Interstate Parkway to the eastbound lower level of the George Washington Bridge, PATH Newport station improvements, Christopher and 9th Street station entrances, and alternative designs associated with the ongoing PATH signal system replacement project that were previously included as a component of "Facilities, net" and no longer considered viable were written off to operating expense accounts in 2012.

9. During 2012, the Port Authority provided voluntary termination benefits, consisting of severance payments to 2 employees. Port Authority costs totaled $190,684 in 2012 for these severance programs.

10. 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 have been recognized for certain pollution remediation obligations that previously may not have been required to be recognized, have been recognized earlier than in the past or are no longer able to be capitalized as a component of a capital project. The Port Authority recognized an additional $3 million in pollution remediation obligations, thus increasing the cumulative amounts recognized to date from $57 million in 2011 to $60 million in 2012, net of $2.1 million in expected recoveries. A corresponding liability, measured at its current value utilizing the prescribed expected cash flow method, has been recognized on the Consolidated Statements of Net Position.

Notes to Consolidated Financial Statements (continued)

As of December 31, 2012, the outstanding pollution remediation liability totaled $27.9 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.

11. On October 29-30, 2012, Hurricane Sandy, a category 1 hurricane, came onshore in the mid-Atlantic region, as a post-tropical cyclone, causing intense wind gusts and storm surges in the New York and New Jersey region. Port Authority operations were significantly disrupted and certain Port Authority facilities sustained significant damage due in large part to wind and water damage and power outages because of Hurricane Sandy. By Thursday, November 1, 2012, service at the Port Authority's aviation and TB&T facilities had been largely restored, and the Port Authority continued to work with other appropriate federal, state and local agencies to restore service to the PATH rail transit system and the Port Authority's marine terminal facilities, and to resume its full construction activities at the WTC site. In addition, with its financial and business systems remaining operational during this period, the Port Authority met all of its immediate payment requirements and other financial obligations. It is presently anticipated that available insurance coverage and federal disaster relief funds will substantially cover the economic loss sustained by the Port Authority as a result of the effects of Hurricane Sandy. In view of anticipated revenues from Port Authority operations, income from sources other than operations, and the availability of substantial reserve funds, it is presently expected that the costs of operations, 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.

Net expenses/(recoverables) associated with Hurricane Sandy totaled $30 million in 2012, which represents the Port Authority's self-insurance retention amounts associated with this event. In 2012, the Port Authority incurred approximately $120.6 million in repair and response costs, including direct labor and third-party contractor costs at Port Authority facilities that are directly attributable to Hurricane Sandy. In addition, approximately $15.7 million of unamortized investment (book value) associated with capital assets that were permanently destroyed as a result of Hurricane Sandy were written off in 2012. It is presently anticipated that available insurance coverage will cover the economic losses of $106.3 million that have been recognized to date. As such, a receivable for this amount was recognized in 2012. Net expenses/(recoverables) associated with Hurricane Sandy is comprised of the following:

	(In thousands)
Total Repair and Response Expenditures	$ 120,607
Losses on Destroyed Assets	15,724
Insurance Receivable	(106,331)
Net Expenses	**$ 30,000**

Note K – Information with Respect to the Redevelopment of the World Trade Center Site

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 net lessees obtained property damage and business interruption insurance in a combined single limit of approximately $3.5 billion per occurrence. The net lessees recovered approximately $4.57 billion against available policy limits of approximately $4.68 billion. Approximately $2.3 billion of these funds has been used for the net lessees' business interruption expenses, including the payment of rent to the Port Authority, the prepayment of the mortgage loan entered into on July 24, 2001 by the Silverstein net lessees with GMAC Commercial Mortgage Corporation in the amount of approximately $562 million, and the purchase by the Port Authority on December 23, 2003 of the retail net lessee from Westfield for $140 million as well as certain of their WTC redevelopment expenses.

Conceptual Framework for the Redevelopment of the Office, Retail and Other Components of the World Trade Center

The redevelopment of the WTC 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 450,000 square feet of retail space, a WTC Transportation Hub, a memorial and interpretive museum (Memorial/Museum) and cultural facilities and certain related infrastructure.

Future minimum rentals (see Note G) include rentals of approximately $14 billion attributable to WTC net leases. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the WTC Towers 2, 3 and 4, and WTC Retail 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. The net lessees' ability to meet these contractual commitments may be affected by the nature of the downtown Manhattan real estate market, and coordination among various public and private sector entities involved in the redevelopment of downtown Manhattan.

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 Durst 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. Durst contributed $100 million for a minority equity interest in Tower 1 Joint Venture LLC. One World Trade Center will contain 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. It is presently expected that One World Trade Center will be substantially completed by late 2013, at a cost of approximately $3.1 billion.

World Trade Center Tower 2, Tower 3 and Tower 4

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.

The Silverstein net lessees are required to construct Tower 4, the Tower 3 podium and certain subgrade and foundation work required for Tower 2, to be located on the eastern portion of the WTC site, along the Church Street corridor, comprising, in the aggregate, approximately 6.2 million square feet of office space, 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.

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, the Port Authority, as a co-borrower/obligor with respect to the Liberty Bonds issued on November 15, 2011 under a Tower 4 Tenant Repayment Agreement, has provided tenant support payments for the benefit of the Silverstein net lessee of Tower 4. The Port Authority's obligations with respect to the payment of debt service on the Tower 4 Liberty Bonds are evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the bond trustee. Tenant Support payments would be reimbursed to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until repaid with an overall term of the investment not in excess of 40 years. As security for the repayment to the Port Authority under the Tower 4 Tenant Support Agreement, the Silverstein net lessee of Tower 4, the Port Authority and a third party banking institution have entered into an account control agreement pursuant to which the revenues derived from the operation of Tower 4 (excluding the rents payable under the space lease with the City of New York which have been assigned by the Silverstein net lessee of Tower 4 directly to the bond trustee for 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 the Tower 4 Tenant Repayment Agreement. To provide additional security for the repayment to the Port Authority, the Silverstein net lessee of Tower 4 will assign 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; will grant a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; and will assign all Tower 4 space leases and rents (other than the space lease with the City of New York) to the Port Authority.

World Trade Center Tower 3

The Silverstein net lessee of Tower 3 would 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-marketing triggers, the Port Authority has entered into a 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 private-market triggers include the Silverstein Tower 3 net lessee raising $300 million of private equity, preleasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office tower. The State of New York and the City of New York have agreed to reimburse the Port Authority for $200 million each of the $600 million to be provided under the Tower 3 Tenant Support Agreement for a total reimbursement of $400 million. Under the 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.

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 WTC site recommenced on November 23, 2003 at the temporary PATH station at the WTC site.

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 and is presently expected to be substantially completed in 2015, at 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 FTA and an independent assessment conducted by Navigant Consulting, Inc. as part of its comprehensive review and assessment of the Port Authority.

World Trade Center Infrastructure Projects

In addition to the WTC Transportation Hub, the Port Authority continues to advance planning and design for various infrastructure projects toward full build out of the WTC site. A vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities is presently expected to be operational in time to support the commercial development throughout the WTC site at a cost of approximately $670 million. Other infrastructure work to be implemented includes streets and utilities, a central chiller plant, and electrical infrastructure that will support the 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.” In such capacity, the Port Authority has been involved in the planning for the restoration of the retail components of the WTC.

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 the Retail Premises through its current net lessee New WTC Retail Owner LLC, a bankruptcy remote single purpose entity. New WTC Retail Owner LLC is indirectly owned by affiliated entities of the Port Authority and Westfield. Each party will be a 50% participant in the joint venture and contribute $612.5 million to the joint venture during the course of construction and initial lease-up of the Retail Premises. As part of this overall obligation, in 2012, the Port Authority and Westfield contributed $100 million of initial capital contributions which was subsequently redistributed to New WTC Retail Owner LLC for the further construction of the Retail Premises.

The Memorial

On July 6, 2006, the Board of Commissioners authorized the Port Authority to enter into an agreement with the Lower Manhattan Development Corporation (LMDC), the National September 11 Memorial and Memorial Museum at the WTC (Memorial Foundation), the City of New York and the State of New York for the construction by the Port Authority of the WTC memorial and cultural project. The agreement establishes the general areas of responsibility of the parties for the design, development, construction, financing and operation of the project, which will include the Memorial/Museum, the Visitor Orientation and Education Center (VOEC), and the related common and exclusive infrastructure (Infrastructure).

In connection with the funding of the costs of the construction of the project, under the July 6, 2006 agreement, the Memorial Foundation and the LMDC were responsible for providing $280 million and $250 million, respectively, 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.

On October 19, 2012, the Port Authority and the Memorial Foundation entered into an agreement resolving certain issues pertaining to the continuing construction of the museum portion of the Memorial/Museum. The LMDC will pay the next $45 million of any additional construction funding and the Port Authority's total responsibility for any additional construction funding will be reduced to $38 million after the expenditure of the LMDC's $45 million commitment. The Memorial/Museum and the Port Authority will each contribute additional amounts to ensure completion of the Memorial/Museum based on a revised construction budget, which is now estimated by the Memorial/Museum at approximately $718 million, excluding the $150 million of Infrastructure costs.

The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial/Museum or the VOEC. The Memorial Plaza was substantially completed and opened for public access on September 11, 2011.

Accounting

In connection with the events of September 11, 2001, the Port Authority reclassified and recognized as an operating expense the $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprised the components of the WTC complex destroyed as a result of the September 11, 2001 terrorist attacks. A receivable in an amount equal to such net book value was recorded in 2001. In connection with the recovery for and redevelopment of certain assets comprising the WTC, the receivable has been fully satisfied on the Port Authority's consolidated financial statements as of December 31, 2011. Contributed capital amounts provided by the Silverstein net lessees totaling $1.4 billion for the construction of WTC Towers 2, 3 and 4 have been recognized as a component of "Facilities, net". Of these amounts, $800 million was applied against the 2001 receivable and $600 million was recorded as contributions in aid of construction.

Required Supplementary Information (Unaudited)

Schedule of Funding Progress (Unaudited)
PATH Exempt Employees Supplemental Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (c) = (b–a)	Funded Ratio (a) / (b)	Covered Payroll (d)	Unfunded Actuarial Accrued Liability as a % of Payroll (c) / (d)
			($ In thousands)			
1/1/12	$0	$53,903	$53,903	0%	$ 9,391	574%
1/1/11	$0	$53,977	$53,977	0%	$ 9,185	588%
1/1/10	$0	$53,382	$53,382	0%	$10,456	511%

Schedule of Funding Progress (Unaudited)
Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of OPEB Trust Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (c) = (b–a)	Funded Ratio (a) / (b)	Covered Payroll (d)	Unfunded Actuarial Accrued Liability as a % of Payroll (c) / (d)
			($ In millions)			
1/1/12	$377	$1,963	$1,586	19%	$714	222%
1/1/11	$274	$1,978	$1,704	14%	$712	239%
1/1/10	$180	$2,120	$1,940	9%	$722	269%

Schedule A - Revenues and Reserves
(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2012			2011
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fares	$ 1,337,372	$ -	**$ 1,337,372**	$ 1,148,061
Rentals	1,208,730	-	**1,208,730**	1,150,569
Aviation fees	904,666	-	**904,666**	895,356
Parking and other	338,178	-	**338,178**	339,131
Utilities	152,945	-	**152,945**	154,810
Rentals - Special Project Bonds Projects	108,125	-	**108,125**	112,553
Total gross operating revenues	4,050,016	-	**4,050,016**	3,800,480
Operating expenses:				
Employee compensation, including benefits	1,038,243	-	**1,038,243**	1,037,681
Contract services	749,106	-	**749,106**	726,883
Rents and amounts in-lieu-of taxes	304,020	-	**304,020**	280,237
Materials, equipment and other	215,937	-	**215,937**	219,183
Utilities	174,016	-	**174,016**	188,432
Interest on Special Project Bonds	108,125	-	**108,125**	112,553
Total operating expenses	2,589,447	-	**2,589,447**	2,564,969
Amounts in connection with operating asset obligations	27,956	-	**27,956**	29,580
Net expenses/(recoverables) related to Hurricane Sandy	30,000	-	**30,000**	-
Net operating revenues	1,402,613	-	**1,402,613**	1,205,931
Financial income:				
Interest income	1,488	25,482	**26,970**	48,026
Net increase/(decrease) in fair value of investments	(3,048)	5,199	**2,151**	(101,296)
Contributions in aid of construction	570,261	-	**570,261**	487,296
Application of Passenger Facility Charges	110,015	-	**110,015**	215,645
Application of 1WTC LLC/WTC Retail LLC insurance proceeds	17,962	-	**17,962**	57,340
Application of 4 WTC associated payments	65,293	-	**65,293**	8,343
Restricted Net Revenues - PAICE	2,710	-	**2,710**	644
Grants	52,161	-	**52,161**	23,727
Pass-through grant program payments	(56,446)	-	**(56,446)**	(11,507)
Net revenues available for debt service and reserves	2,163,009	30,681	**2,193,690**	1,934,149
Debt service:				
Interest on bonds and other asset financing obligations	539,436	87,764	**627,200**	518,325
Debt maturities and retirements	169,770	-	**169,770**	140,390
Debt retirement acceleration	-	54,635	**54,635**	6,100
Repayment of asset financing obligations	-	16,514	**16,514**	20,258
Total debt service	709,206	158,913	**868,119**	685,073
Transfers to reserves	$ (1,453,803)	1,453,803	**-**	-
Revenues after debt service and transfers to reserves		1,325,571	**1,325,571**	1,249,076
Direct investment in facilities		(691,079)	**(691,079)**	(742,001)
Change in appropriations for self-insurance		37,547	**37,547**	1,949
Increase in reserves		672,039	**672,039**	509,024
Reserve balances, January 1		2,705,036	**2,705,036**	2,196,012
Reserve balances, December 31		$ 3,377,075	**$ 3,377,075**	$ 2,705,036

See Notes to Consolidated Financial Statements

Schedule B - Assets and Liabilities
(Pursuant to Port Authority bond resolutions)

	December 31, 2012				2011
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 259,928	$ 1,772,956	$ 1,660,016	**$ 3,692,900**	$ 3,297,365
Restricted cash:					
1 WTC LLC/WTC Retail LLC insurance proceeds	-	-	-	**-**	14,434
Passenger Facility Charges	120,795	-	-	**120,795**	-
Port Authority Insurance Captive Entity, LLC	11,130	-	-	**11,130**	11,038
Investments	777	100,000	-	**100,777**	26,290
Current receivables, net	369,846	77,716	-	**447,562**	362,875
Other current assets	82,259	205,708	-	**287,967**	285,938
Restricted receivables and other assets	41,250	(5,773)	-	**35,477**	46,428
Total current assets	885,985	2,150,607	1,660,016	**4,696,608**	4,044,368
Noncurrent assets:					
Restricted cash	6,472	-	-	**6,472**	7,765
Investments	118,661	-	1,717,059	**1,835,720**	1,356,269
Restricted Investments - PAICE	162,630	-	-	**162,630**	156,356
Other amounts receivable, net	120,560	20,913	-	**141,473**	106,989
Deferred charges and other noncurrent assets	1,382,736	51,688	-	**1,434,424**	1,514,071
Restricted deferred/other noncurrent assets - PAICE	10,147	-	-	**10,147**	13,409
Amounts receivable - Special Project Bonds Projects	-	1,675,825	-	**1,675,825**	1,741,440
Amounts receivable - Tower 4 Liberty Bonds	-	1,225,520	-	**1,225,520**	1,225,520
Invested in facilities	-	40,818,087	-	**40,818,087**	37,591,818
Total noncurrent assets	1,801,206	43,792,033	1,717,059	**47,310,298**	43,713,637
Total assets	2,687,191	45,942,640	3,377,075	**52,006,906**	47,758,005
LIABILITIES					
Current liabilities:					
Accounts payable	305,006	581,856	-	**886,862**	818,149
Accrued interest and other current liabilities	507,629	60,679	-	**568,308**	759,127
Restricted other liabilities - PAICE	852	-	-	**852**	816
Accrued payroll and other employee benefits	283,180	-	-	**283,180**	231,657
Deferred income:					
1 WTC LLC/WTC Retail LLC insurance proceeds	-	-	-	**-**	14,434
Passenger Facility Charges	132,228	-	-	**132,228**	19,590
Restricted Net Revenues - PAICE	(764)	-	-	**(764)**	1,946
Current portion bonds and other asset financing obligations	110,837	938,116	-	**1,048,953**	825,919
Total current liabilities	1,338,968	1,580,651	-	**2,919,619**	2,671,638
Noncurrent liabilities:					
Accrued pension and other noncurrent employee benefits	369,951	-	-	**369,951**	476,879
Other noncurrent liabilities	162,121	105,708	-	**267,829**	311,396
Restricted other noncurrent liabilities - PAICE	46,938	-	-	**46,938**	46,389
Amounts payable - Special Project Bonds	-	1,675,825	-	**1,675,825**	1,741,440
Amounts payable - Tower 4 Liberty Bonds	-	1,225,520	-	**1,225,520**	1,225,520
Bonds and other asset financing obligations	730,699	17,223,448	-	**17,954,147**	15,731,335
Total noncurrent liabilities	1,309,709	20,230,501	-	**21,540,210**	19,532,959
Total liabilities	2,648,677	21,811,152	-	**24,459,829**	22,204,597
NET POSITION	$ 38,514	$ 24,131,488	$ 3,377,075	**$ 27,547,077**	$ 25,553,408
Net position is composed of:					
Facility infrastructure investment	$ -	$ 24,131,488	$ -	**$ 24,131,488**	$ 22,772,311
Reserves	-	-	3,377,075	**3,377,075**	2,705,036
Appropriated reserves for self-insurance	38,514	-	-	**38,514**	76,061
NET POSITION	$ 38,514	$ 24,131,488	$ 3,377,075	**$ 27,547,077**	$ 25,553,408

See Notes to Consolidated Financial Statements

Schedule C - Analysis of Reserve Funds
(Pursuant to Port Authority bond resolutions)

	Year ended December 31, 2012			2011
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
	(In thousands)			
Balance, January 1	$ 1,783,370	$ 921,666	**$ 2,705,036**	$ 2,196,012
Increase in reserve funds *	243,235	1,241,249	**1,484,484**	1,313,136
	2,026,605	2,162,915	**4,189,520**	3,509,148
Applications:				
Repayment of asset financing obligations	-	16,514	**16,514**	20,258
Interest on asset financing obligations	-	87,764	**87,764**	37,702
Debt retirement acceleration	-	54,635	**54,635**	6,100
Direct investment in facilities	-	691,079	**691,079**	742,001
Self-insurance	-	(37,547)	**(37,547)**	(1,949)
Total applications	-	812,445	**812,445**	804,112
Balance, December 31	$ 2,026,605	$ 1,350,470	$ 3,377,075	$ 2,705,036

* Consists of "Transfers to reserves" from the operating fund totaling $1.5 billion, plus "financial income" generated on Reserve funds of $30.7 million in 2012.

See Notes to Consolidated Financial Statements

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2012

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.

Financial Trends – Schedule D-1

Trend information is provided to help the reader understand how the Port Authority's financial performance and fiscal health has changed over time.

Debt Capacity – Schedule D-2

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, and the reserve funds are described in Note E). 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.

Operating Information – Schedule D-3 (Unaudited)

Operating and service data is provided to help the reader understand how information in the Port Authority's financial report relates to the services it provides and activities it performs.

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 Port Authority operating facility level.

Information on Port Authority Capital Program Components – Schedule F

This schedule provides information on capital investment summarized by Port Authority operating facilities, which includes net capital expenditures and depreciation expenses.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
		(In thousands)								
Net position is composed of										
Net investment in capital assets	**$ 10,010,965**	$10,020,306	$ 9,200,077	$ 8,415,993	$7,526,446	$6,609,691	$ 5,872,518	$ 5,725,929	$ 5,563,683	$ 5,397,959
Restricted	**392,389**	294,460	222,871	211,725	409,800	719,306	208,771	17,916	14,651	15,153
Unrestricted	**2,457,080**	1,411,125	1,601,675	2,050,064	1,895,118	1,608,284	1,553,114	1,371,928	1,375,533	1,389,219
Net Position	**12,860,434**	11,725,891	11,024,623	10,677,782	9,831,364	$ 8,937,281	$ 7,634,403	$ 7,115,773	$ 6,953,867	$ 6,802,331
Revenues, Expenses and Changes in Net Position:										
Gross operating revenues:										
Tolls and Fares	**$ 1,337,372**	$ 1,148,061	$ 1,069,785	$ 1,068,105	$ 1,054,801	$ 800,244	$ 798,682	$ 787,381	$ 788,333	$ 758,326
Rentals	**1,208,730**	1,150,569	1,144,709	1,115,652	1,079,634	986,663	952,431	928,395	877,306	858,414
Aviation Fees	**904,666**	895,356	872,774	839,327	816,628	781,355	716,700	748,811	714,766	705,302
Parking and other fees	**338,178**	339,131	321,257	316,005	328,220	387,966	335,019	296,663	269,413	234,261
Utilities	**152,945**	154,810	154,041	140,817	169,576	149,537	146,822	147,795	121,436	112,555
Rentals associated with Special Project Bonds	**108,125**	112,553	71,457	72,337	78,693	85,861	88,884	91,648	93,570	95,193
Gross operating revenues	**4,050,016**	3,800,480	3,634,023	3,552,243	3,527,552	3,191,626	3,038,538	3,000,693	2,864,824	2,764,051
Operating expenses:										
Employee compensation, including benefits	**1,038,243**	1,037,681	1,022,195	974,154	941,289	922,671	840,640	870,784	806,890	769,711
Contract services	**749,106**	726,883	630,438	683,418	670,489	587,730	590,197	564,332	545,404	543,927
Rents and amounts in-lieu-of taxes	**304,020**	280,237	272,002	276,830	274,916	271,073	254,178	243,411	252,658	237,014
Utilities	**215,937**	188,432	183,826	168,249	183,583	167,912	150,729	149,604	141,476	122,445
Interest on Special Project Bonds	**174,016**	112,553	71,457	72,337	78,693	85,861	88,884	91,648	93,570	95,193
Materials, equipment and other	**108,125**	219,183	418,639	263,682	314,722	212,147	187,996	168,139	141,367	150,961
Operating expenses	**2,589,447**	2,564,969	2,598,557	2,438,670	2,463,692	2,247,394	2,112,624	2,087,918	1,981,365	1,919,251
Net recoverables/(expenses) related to the events of September 11, 2001	**-**	-	53,051	202,978	457,918	(4,563)	(2,069)	(3,358)	(4,985)	664,211
Net recoverables/(expenses) related to the events of Hurricane Sandy	**(30,000)**	-	-	-	-	-	-	-	-	-
Depreciation of facilities	**(884,239)**	(852,727)	(789,011)	(712,331)	(644,620)	(632,553)	(674,940)	(643,732)	(575,539)	(488,986)
Amortization of costs for regional programs	**(77,719)**	(77,537)	(76,504)	(74,617)	(70,840)	(59,316)	(49,319)	(42,996)	(38,677)	(32,112)
Income from operations	**468,611**	305,247	223,002	529,603	806,318	247,800	199,586	222,689	264,258	987,913
Income on investments (including fair value adjustment)	**39,661**	(46,898)	4,435	146,561	(4,976)	229,812	137,968	105,579	59,047	66,148
Interest expense on bonds and other asset financing	**(658,313)**	(559,110)	(501,607)	(501,892)	(488,463)	(493,689)	(454,134)	(422,334)	(391,870)	(344,755)
Gain/(loss) on disposition of assets	**(4)**	-	-	27,125	7	17,011	(3,741)	(55)	-	787
Pass-through grant program payments	**(56,446)**	(11,507)	(2,166)	(1,120)	(3,130)	(4,717)	(6,832)	-	-	(28,237)
4 WTC associated payments	**65,293**	8,343	-	-	-	-	-	-	-	-
Grants	**52,161**	23,727	11,708	10,613	9,811	11,310	17,469	14,336	13,396	34,501
Contributions in aid of construction	**997,441**	767,010	358,268	382,978	313,078	313,504	250,904	107,262	81,173	57,568
Passenger Facility Charges	**222,614**	214,456	210,387	201,737	211,667	221,380	192,509	134,429	125,532	109,111
1 WTC LLC/WTC Retail LLC insurance proceeds	**3,525**	-	42,814	50,813	49,771	760,467	184,901	-	-	-
Increase in net position December 31,	**$ 1,134,543**	$ 701,268	$ 346,841	$ 846,418	$ 894,083	$ 1,302,878	$ 518,630	$ 161,906	$ 151,536	$ 883,036

Schedule D-2 - Selected Statistical Debt Capacity Data

(In thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross Operating Revenues	**$ 4,050,016**	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552	$ 3,191,626	$ 3,038,538	$ 3,000,693	$ 2,864,824	$ 2,764,051
Operating expenses	**(2,589,447)**	(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)	(2,247,394)	(2,112,624)	(2,087,918)	(1,981,365)	(1,919,251)
Net recoverables/(expenses) related to the events of September 11, 2001 (a)	**-**	-	53,051	202,978	457,918	(4,563)	(2,069)	(3,358)	(4,985)	664,211
Net recoverables/(expenses) related to Hurricane Sandy (a)	**(30,000)**	-	-	-	-	-	-	-	-	-
Amounts in connection with operating asset obligations	**(27,956)**	(29,580)	(46,561)	(55,058)	(41,301)	(40,787)	(42,391)	(48,008)	(34,609)	(35,113)
Net operating revenues	**1,402,613**	1,205,931	1,041,956	1,261,493	1,480,477	898,882	881,454	861,409	843,865	1,473,898
Financial income	**29,121**	(53,270)	(900)	141,136	(19,537)	208,274	134,806	103,572	57,403	61,765
Grants and contributions in aid of construction, net	**565,976**	499,516	367,810	392,471	319,759	320,097	261,541	121,598	94,569	63,832
Application of Passenger Facility Charges	**110,015**	215,645	207,122	205,164	215,407	220,583	186,555	113,649	-	-
Application of 4 WTC associated payments	**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	**2,710**	644	(102)	3,177	(4,311)	(1,354)	-	-	-	-
Net Revenues available for debt service and reserves (b)	**2,193,690**	1,934,149	1,677,354	2,270,117	2,403,073	1,952,014	1,464,356	1,200,228	995,837	1,599,495
DEBT SERVICE - OPERATIONS										
Interest on bonds and other asset financing obligations (c)	**(539,436)**	(480,623)	(436,622)	(427,384)	(409,175)	(417,209)	(379,361)	(355,068)	(345,129)	(291,514)
Times, interest earned* (b/c)	**4.07**	4.02	3.84	5.31	5.87	4.68	3.86	3.38	2.89	5.49
Debt maturities and retirements (d)	**(169,770)**	(140,390)	(178,095)	(147,370)	(152,275)	(177,160)	(254,210)	(205,220)	(211,870)	(698,280)
Times, debt service earned* [b/(c+d)]	**3.09**	3.11	2.73	3.95	4.28	3.28	2.31	2.14	1.79	1.62
APPLICATION OF RESERVES										
Direct investment in facilities	**(691,079)**	(742,001)	(1,375,008)	(1,522,096)	(1,514,369)	(808,694)	(490,750)	(626,813)	(285,441)	(542,260)
Debt retirement acceleration	**(54,635)**	(6,100)	-	-	-	-	-	-	(110,075)	(183,120)
Change in appropriations for self-insurance	**37,547**	1,949	(3,971)	6,463	2,123	(3,220)	(4,968)	(5,325)	249	(15,201)
Interest on bonds and other asset financing obligations	**(87,764)**	(37,702)	(7,580)	(8,938)	(28,797)	(36,077)	(26,587)	(17,645)	(8,684)	(6,860)
Repayment of asset financing obligations	**(16,514)**	(20,258)	(30,062)	(13,525)	(80,775)	(110,424)	(109,934)	(12,205)	(10,737)	(6,329)
Net increase/(decrease) in reserves	**672,039**	509,024	(353,984)	157,267	219,805	399,230	198,546	(22,048)	24,150	(144,069)
RESERVE BALANCES										
January 1	**2,705,036**	2,196,012	2,549,996	2,392,729	2,172,924	1,773,694	1,575,148	1,597,196	1,573,046	1,717,115
December 31	**$ 3,377,075**	$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924	$ 1,773,694	$ 1,575,148	$ 1,597,196	$ 1,573,046
Reserve funds balances represented by:										
General Reserve	**2,026,605**	1,783,370	1,584,955	1,412,221	1,270,215	1,238,915	1,198,499	1,068,790	1,068,790	948,902
Consolidated Bond Reserve	**1,350,470**	921,666	611,057	1,137,775	1,122,514	934,009	575,195	506,358	528,406	624,144
Total	**$ 3,377,075**	$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924	$ 1,773,694	$ 1,575,148	$ 1,597,196	$ 1,573,046
OBLIGATIONS AT DECEMBER 31										
Consolidated Bonds and Notes	**$ 18,076,497**	$ 15,550,039	$ 13,340,378	$ 12,284,449	$ 10,794,831	$ 9,495,419	$ 9,659,104	$ 8,328,644	$ 8,273,573	$ 7,053,296
Fund for regional development buy-out obligation	**336,453**	359,859	373,707	386,480	398,262	409,128	419,155	420,660	422,050	423,330
MOTBY obligation	**78,060**	105,141	138,396	-	-	-	-	-	-	-
Amounts payable - Special Project Bonds	**1,675,825**	1,741,440	1,803,145	1,064,380	1,118,105	1,264,735	1,311,100	1,354,425	1,393,920	1,420,240
Variable rate master notes	**77,900**	77,900	77,900	90,990	90,990	90,990	130,990	130,990	130,990	149,990
Commercial paper notes	**384,625**	396,155	354,280	321,010	186,040	238,950	270,740	282,095	280,315	249,200
Versatile structure obligations	**-**	-	175,200	250,900	399,700	1,205,600	519,600	532,100	544,000	554,500
Port Authority equipment notes	**49,565**	68,160	98,645	110,485	112,485	93,460	93,460	47,105	65,105	61,800
Tower 4 Liberty Bonds	**1,225,520**	1,225,520	-	-	-	-	-	-	-	-
Total obligations	**$ 21,904,445**	$ 19,524,214	$ 16,361,651	$ 14,508,694	$ 13,100,413	$ 12,798,282	$ 12,404,149	$ 11,096,019	$ 11,109,953	$ 9,912,356
DEBT RETIRED THROUGH INCOME:										
Annual	**240,919**	166,748	208,157	160,895	233,050	287,584	364,144	217,425	332,682	887,729
Cumulative	**$ 7,734,225**	$ 7,493,306	$ 7,326,558	$ 7,118,401	$ 6,957,506	$ 6,724,456	$ 6,436,872	$ 6,072,728	$ 5,855,303	$ 5,522,621

* Debt service ratios excluding net recoverables/(expenses) related to the events of September 11, 2001 and Hurricane Sandy are as follows:

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Times, interest earned [(b-a)/c]	**4.12**	4.02	3.72	4.84	4.75	4.69	3.87	3.39	2.90	3.21
Times, debt service earned [(b-a)/(c+d)]	**3.14**	3.11	2.64	3.60	3.46	3.29	2.31	2.15	1.80	0.94

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 Operating Data (Unaudited)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Authorized Port Authority staffing levels:										
Tunnels, Bridges and Terminals	**881**	881	911	911	940	910	938	1,010	1,039	1,023
PATH	**1,070**	1,070	1,081	1,081	1,088	1,075	1,080	1,089	1,092	1,093
Port Commerce facilities	**170**	170	172	172	179	168	175	183	187	191
Air Terminal facilities	**926**	926	958	958	978	918	953	989	999	999
Development (a)	**50**	52	82	82	86	77	-	-	-	-
Other operational and support activities (b)	**1,968**	1,957	2,030	2,030	2,082	2,208	2,259	2,382	2,403	2,409
Subtotal	**5,065**	5,056	5,234	5,234	5,353	5,356	5,405	5,653	5,720	5,715
Public Safety and Security	**1,712**	1,721	1,743	1,743	1,774	1,772	1,776	1,541	1,547	1,519
Total	**6,777**	6,777	6,977	6,977	7,127	7,128	7,181	7,194	7,267	7,234
Facility Traffic and Other Indicators (c):						(In thousands)				
INTERSTATE TRANSPORTATION NETWORK										
Tunnels and Bridges (Total Eastbound Traffic)										
George Washington Bridge	**49,111**	50,397	51,231	52,126	52,947	53,956	54,265	53,612	54,202	52,971
Lincoln Tunnel	**19,015**	19,829	20,214	20,248	20,937	21,842	21,933	21,794	21,733	21,078
Holland Tunnel	**16,118**	16,590	17,037	16,609	16,871	17,349	17,365	16,982	16,963	16,566
Staten Island Bridges	**32,009**	32,334	32,724	32,517	32,970	33,857	33,457	33,479	33,649	33,205
Total vehicles	**116,253**	119,150	121,206	121,500	123,725	127,004	127,020	125,867	126,547	123,820
Automobiles	**105,895**	108,428	110,482	110,755	112,176	115,349	115,506	114,481	115,219	112,869
Buses	**2,957**	3,111	3,122	3,119	3,158	3,139	3,140	3,137	3,123	3,041
Trucks	**7,401**	7,611	7,602	7,626	8,391	8,516	8,374	8,249	8,205	7,910
Total vehicles	**116,253**	119,150	121,206	121,500	123,725	127,004	127,020	125,867	126,547	123,820
Bus Facility Terminals										
Bus facilities passengers	**77,100**	76,403	75,378	75,769	76,236	71,540	72,731	69,060	69,871	69,428
Bus movements	**3,414**	3,385	3,338	3,386	3,375	3,361	3,394	3,346	3,426	3,447
PATH										
Total Passengers	**72,563**	76,556	73,911	72,277	74,956	71,592	66,966	60,787	57,725	47,920
Passenger weekday average	**242**	256	247	243	253	242	227	206	194	160
Total Interstate Transportation Network Net Capital Expenditures	**$ 976,843**	$ 895,688	$ 1,005,891	$ 935,147	$ 834,742	$ 660,620	$ 491,269	$ 471,306	$ 463,652	$ 751,509
PORT COMMERCE										
Containers in twenty foot equivalent units (TEU) (in thousands)	**5,530**	5,503	5,292	4,562	5,249	5,298	5,015	4,793	4,478	4,068
International waterborne vehicles (in thousands)	**429**	388	493	440	724	790	725	625	670	608
Waterborne bulk commodities (in metric tons) (in millions)	**3**	4	3	5	5	7	6	5	5	3
Total Port Commerce Net Capital Expenditures	**$ 184,750**	$ 228,747	$ 302,858	$ 174,459	$ 181,772	$ 288,677	$ 228,873	$ 220,545	$ 258,669	$ 298,162
THREE MAJOR AIR TERMINALS										
John F. Kennedy International Airport total passengers	**49,293**	47,644	46,514	45,878	47,790	47,717	42,630	40,892	37,517	31,737
LaGuardia Airport total passengers	**25,708**	24,122	23,983	23,163	23,077	24,985	25,810	25,889	24,452	22,483
Newark Liberty International Airport total passengers	**34,014**	33,700	33,194	33,429	35,347	36,367	35,692	33,078	31,908	29,451
Total passengers	**109,015**	105,466	103,691	102,470	106,214	109,069	104,132	99,859	93,877	83,671
Domestic passengers	**71,328**	69,034	68,071	68,956	71,579	75,546	73,163	70,223	66,329	59,655
International passengers	**37,687**	36,432	35,620	33,514	34,635	33,523	30,969	29,636	27,548	24,016
Total passengers	**109,015**	105,466	103,691	102,470	106,214	109,069	104,132	99,859	93,877	83,671
Total Cargo-tons	**2,067**	2,203	2,261	1,925	2,343	2,620	2,697	2,695	2,799	2,723
Revenue Mail-tons	**174**	185	186	205	237	227	194	180	194	188
Total Plane Movements	**1,186**	1,185	1,168	1,181	1,249	1,271	1,222	1,191	1,156	1,020
Total Air Terminals Net Capital Expenditures	**$ 351,535**	$ 243,995	$ 518,545	$ 658,292	$ 624,700	$ 685,787	$ 587,265	$ 501,476	$ 410,581	$ 560,695

(a) Reflects reorganization of Development Department in 2011. The Development Department was established in early 2007.

(b) Includes staff such as engineering, finance, human resources, legal, technical services and other activities that provide support to the different Port Authority lines of business.

(c) Some 2012 and 2011 numbers reflect estimated data based on available year-end volumes and revised data, respectively.

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2012							2011
	Gross Operating Revenues	Operating Expenses(a)	Depreciation & Amortization	Income (Loss) from Operations	Interest, Grant & Other Expenses(b)	Capital Contributions & PFCs	Net Income (Loss)	Net Income (Loss)
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
G.W. Bridge & Bus Station	$ 550,086	$ 123,981	$ 39,456	$ 386,649	$ 26,701	$ 37	**$ 359,985**	$ 282,104
Holland Tunnel	157,184	72,054	17,207	67,923	9,033	-	**58,890**	32,148
Lincoln Tunnel	196,885	97,875	34,621	64,389	15,474	-	**48,915**	17,983
Bayonne Bridge	33,333	24,629	5,199	3,505	6,806	-	**(3,301)**	(4,099)
Goethals Bridge	151,170	23,074	17,203	110,893	6,340	-	**104,553**	86,386
Outerbridge Crossing	132,143	23,896	9,027	99,220	2,705	-	**96,515**	75,166
P. A. Bus Terminal	37,324	102,754	24,273	(89,703)	16,975	1,328	**(105,350)**	(112,556)
Subtotal - Tunnels, Bridges & Terminals	1,258,125	468,263	146,986	642,876	84,034	1,365	**560,207**	377,132
PATH	130,604	315,474	138,975	(323,845)	96,148	16,423	**(403,570)**	(395,934)
Permanent WTC PATH Terminal	-	-	28,546	(28,546)	-	445,483	**416,937**	291,122
Journal Square Transportation Center	3,778	14,189	7,322	(17,733)	2,884	-	**(20,617)**	(17,886)
Subtotal - PATH	134,382	329,663	174,843	(370,124)	99,032	461,906	**(7,250)**	(122,698)
Ferry Transportation	254	252	5,320	(5,318)	4,895	-	**(10,213)**	(8,038)
Access to the Regions Core (ARC)	-	782	10,115	(10,897)	4,441	-	**(15,338)**	(17,980)
Total Interstate Transportation Network	1,392,761	798,960	337,264	256,537	192,402	463,271	**527,406**	228,416
AIR TERMINALS								
LaGuardia	334,828	240,387	49,384	45,057	27,125	13,004	**30,936**	29,466
JFK International	1,115,567	707,116	152,222	256,229	95,695	29,857	**190,391**	130,933
Newark Liberty International	780,081	418,635	119,774	241,672	82,662	19,644	**178,654**	174,134
Teterboro	37,100	24,087	14,430	(1,417)	7,545	9,229	**267**	14,195
Stewart International	8,442	14,806	1,006	(7,370)	738	2,663	**(5,445)**	(7,471)
Heliport	-	4	-	(4)	-	-	**(4)**	(158)
PFC Program	-	5,035	95,383	(100,418)	3,300	222,614	**118,896**	105,426
Total Air Terminals	2,276,018	1,410,070	432,199	433,749	217,065	297,011	**513,695**	446,525
PORT COMMERCE								
Port Newark	78,928	84,850	27,211	(33,133)	21,765	3,597	**(51,301)**	(54,916)
Elizabeth Marine Terminal	117,869	23,342	38,948	55,579	37,002	-	**18,577**	(3,595)
Brooklyn	6,450	9,619	546	(3,715)	1,246	2,634	**(2,327)**	(6,061)
Red Hook	15,690	30,966	1,385	(16,661)	-	2,380	**(14,281)**	(9,936)
Howland Hook	13,210	12,695	17,503	(16,988)	15,248	-	**(32,236)**	(28,578)
Greenville Yard	351	3	-	348	-	-	**348**	426
NYNJ Rail LLC	1,784	4,178	398	(2,792)	(1,938)	2,301	**1,447**	(1,248)
Port Jersey - Port Authority Marine Terminal	15,327	24,390	2,269	(11,332)	9,073	-	**(20,405)**	(19,630)
Total Port Commerce	249,609	190,043	88,260	(28,694)	82,396	10,912	**(100,178)**	(123,538)
DEVELOPMENT								
Essex County Resource Recovery	57,110	64,873	1,408	(9,171)	481	-	**(9,652)**	(3,983)
Industrial Park at Elizabeth	1,070	123	286	661	307	-	**354**	156
Bathgate	4,624	1,583	1,455	1,586	319	-	**1,267**	743
Teleport	14,438	12,913	2,176	(651)	651	-	**(1,302)**	(2,204)
Newark Legal & Communications Center	2,171	(114)	3,007	(722)	1,026	-	**(1,748)**	(1,958)
Queens West	268	-	605	(337)	1,588	-	**(1,925)**	4,132
Hoboken South	7,840	242	2,841	4,757	3,012	-	**1,745**	320
Total Development	87,521	79,620	11,778	(3,877)	7,384	-	**(11,261)**	(2,794)
WORLD TRADE CENTER								
WTC Site	14,897	79,306	12,380	(76,789)	(8,868)	25,190	**(42,731)**	(43,052)
One World Trade Center	-	(3,448)	690	2,758	12,772	2,397	**(7,617)**	78,417
WTC Towers 2, 3 & 4	29,210	78	-	29,132	-	324,799	**353,931**	274,739
WTC Retail LLC	-	213	1,668	(1,881)	4,806	100,000	**93,313**	(3,691)
Total World Trade Center	44,107	76,149	14,738	(46,780)	8,710	452,386	**396,896**	306,413
Port Authority Insurance Captive Entity, LLC	-	4,238	-	(4,238)	(1,527)	-	**(2,711)**	(644)
Regional Programs	-	30,367	77,719	(108,086)	51,218	-	**(159,304)**	(153,110)
Recoverables/(expenses) related to Hurricane Sandy	-	-	-	(30,000)	-	-	**(30,000)**	-
Total Port Authority	$ 4,050,016	$ 2,589,447	$ 961,958	$ 468,611	$ 557,648	$ 1,223,580	**$ 1,134,543**	$ 701,268

(a) Amounts include all direct operating expenses and allocated expenses.
(b) Amounts include net interest expense (interest expense less financial income), 4 WTC associated payments, pass-through grant program payments and gain or loss generated by the disposition of assets, if any.

Schedule F - Information on Port Authority Capital Program Components

	Facilities, net Dec. 31, 2011	Net Capital Expenditures *	Depreciation	Facilities, net Dec. 31, 2012
		(In thousands)		
INTERSTATE TRANSPORTATION NETWORK				
G.W. Bridge & Bus Station	$ 815,210	$ 44,725	$ 39,456	$ 820,479
Holland Tunnel	368,348	18,891	17,207	370,032
Lincoln Tunnel	460,049	76,561	34,621	501,989
Bayonne Bridge	192,006	44,699	5,199	231,506
Goethals Bridge	258,843	25,454	17,203	267,094
Outerbridge Crossing	77,943	2,545	9,027	71,461
P. A. Bus Terminal	483,725	20,762	24,273	480,214
Subtotal - Tunnels, Bridges & Terminals	2,656,124	233,637	146,986	2,742,775
PATH	1,973,748	173,747	139,958	2,007,537
Temporary WTC PATH Station	304,248	-	8,634	295,614
WTC Transportation Hub	2,106,993	563,756	28,546	2,642,203
Journal Square Transportation Center	91,974	5,633	7,322	90,285
Subtotal - PATH	4,476,963	743,136	184,460	5,035,639
Ferry Transportation	125,635	70	5,320	120,385
Access to the Region's Core (ARC)	118,733	-	10,115	108,618
Total Interstate Transportation Network	7,377,455	976,843	346,881	8,007,417
AIR TERMINALS				
LaGuardia	800,166	11,487	49,384	762,269
JFK International	2,408,149	77,169	152,222	2,333,096
Newark Liberty International	1,853,635	135,201	119,773	1,869,063
Teterboro	226,817	15,753	14,430	228,140
Stewart International	59,327	10,284	1,006	68,605
PFC Program	2,036,300	101,641	95,383	2,042,558
Total Air Terminals	7,384,394	351,535	432,198	7,303,731
PORT COMMERCE				
Port Newark	674,079	70,065	27,211	716,933
Elizabeth Marine Terminal	1,090,894	52,371	39,352	1,103,913
Brooklyn	38,926	6,935	546	45,315
Red Hook	158	1,590	1,385	363
Howland Hook	513,771	9,339	17,503	505,607
Greenville Yard / NYNJ Rail LLC	13,134	7,868	4,201	16,801
Port Jersey-Port Authority Marine Terminal	174,036	36,582	2,269	208,349
Total Port Commerce	2,504,998	184,750	92,467	2,597,281
DEVELOPMENT				
Essex County Resource Recovery	11,291	-	1,408	9,883
Industrial Park at Elizabeth	7,228	-	286	6,942
Bathgate	8,151	106	1,455	6,802
Teleport	17,033	34	2,176	14,891
Newark Legal & Communications Center	26,412	-	3,007	23,405
Queens West	88,457	-	606	87,851
Hoboken South	79,934	-	2,841	77,093
Total Development	238,506	140	11,779	226,867
WORLD TRADE CENTER				
WTC Site	1,726,225	491,369	12,380	2,205,214
One World Trade Center	1,921,379	586,887	689	2,507,577
WTC Towers 2, 3 & 4	1,059,790	401,293	-	1,461,083
WTC Memorial	286,087	49,501	-	335,588
WTC Retail LLC	635,454	272,959	1,668	906,745
Total World Trade Center	5,628,935	1,802,009	14,737	7,416,207
FACILITIES, NET	$ 23,134,288	$ 3,315,277	$ 898,062	$ 25,551,503
REGIONAL PROGRAMS	$ 620,183	$ 6,697	$ 77,719	$ 549,161

* excludes premium and discount on debt issuances.

Schedule G - Port Authority Facility Traffic* (Unaudited)

TUNNELS AND BRIDGES (Eastbound Traffic)	2012	2011
All Crossings		
Automobiles	**105,895,000**	108,428,000
Buses	**2,957,000**	3,111,000
Trucks	**7,401,000**	7,611,000
Total vehicles	**116,253,000**	119,150,000
George Washington Bridge		
Automobiles	**45,042,000**	46,116,000
Buses	**430,000**	487,000
Trucks	**3,639,000**	3,794,000
Total vehicles	**49,111,000**	50,397,000
Lincoln Tunnel		
Automobiles	**15,909,000**	16,644,000
Buses	**2,106,000**	2,156,000
Trucks	**1,000,000**	1,029,000
Total vehicles	**19,015,000**	19,829,000
Holland Tunnel		
Automobiles	**15,489,000**	15,968,000
Buses	**234,000**	268,000
Trucks	**395,000**	354,000
Total vehicles	**16,118,000**	16,590,000
Staten Island Bridges		
Automobiles	**29,455,000**	29,700,000
Buses	**187,000**	200,000
Trucks	**2,367,000**	2,434,000
Total vehicles	**32,009,000**	32,334,000

PATH	2012	2011
Total passengers	**72,563,052**	76,555,644
Passenger weekday average	**241,725**	256,186

MARINE TERMINALS	2012	2011
All Terminals		
Containers	**3,210,809**	3,197,016
General cargo (a) (Metric tons)	**34,380,850**	33,896,217
Containers in twenty foot equivalent units	**5,529,908**	5,503,485
International waterborne vehicles	**428,616**	387,656
Waterborne bulk commodities (in metric tons)	**3,240,189**	3,885,614
New Jersey Marine Terminals		
Containers	**2,782,059**	2,652,744
New York Marine Terminals		
Containers	**428,750**	544,272

AIR TERMINALS	2012	2011
Totals at the Major Airports		
Plane movements	**1,185,730**	1,184,624
Passengers	**109,014,544**	105,466,030
Cargo-tons	**2,067,120**	2,202,680
Revenue mail-tons	**174,242**	184,696
John F. Kennedy International Airport		
Plane movements	**401,680**	408,730
Passengers	**49,292,733**	47,644,060
Domestic	**24,217,083**	23,757,976
International	**25,075,650**	23,886,084
Cargo-tons	**1,318,834**	1,382,949
LaGuardia Airport		
Plane movements	**369,989**	365,870
Passengers	**25,707,784**	24,122,478
Domestic	**24,274,029**	23,086,756
International	**1,433,755**	1,035,722
Cargo-tons	**7,009**	7,390
Newark Liberty International Airport		
Plane movements	**414,061**	410,024
Passengers	**34,014,027**	33,699,492
Domestic	**22,836,683**	22,189,669
International	**11,177,344**	11,509,823
Cargo-tons	**741,277**	812,341

TERMINALS	2012	2011
All Bus Facilities		
Passengers	**77,100,350**	76,403,160
Bus movements	**3,413,500**	3,384,900
Port Authority Bus Terminal		
Passengers	**65,000,000**	64,550,000
Bus movements	**2,255,000**	2,263,500
George Washington Bridge Bus Station		
Passengers	**4,700,000**	4,605,000
Bus movements	**327,000**	307,000
PATH Journal Square Transportation Center Bus Station		
Passengers	**7,400,350**	7,248,160
Bus movements	**831,500**	814,400

* Some 2012 and 2011 numbers reflect estimated data based on available year-end volumes and revised data, respectively.

(a) International oceanborne general 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-14 — IV-32. Each series of Consolidated Bonds is issued pursuant to the Consolidated Bond Resolution. The resolutions pertaining to the establishment and the authorization of the issuance of, and the authorization of the sale of, the Bonds are set forth at "*Bond Resolutions and Legal Opinion,*" p. VII-1 — VII-7 and VII-8 — VII-9, respectively. 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 installments (in addition to the Bonds) 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.

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-12 — IV-13), the establishment of the issue of Consolidated Bonds (see pp. IV-14 — IV-32) and the establishment and authorization of the issuance of the Bonds (see pp. VII-1 — VII-7), 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.

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 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, 2012 was $2,026,605,437 (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 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 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 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:

$42,930,000 Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (LaGuardia Airport passenger terminal);

$108,500,000 Special Project Bonds, Series 4, KIAC Partners Project (John F. Kennedy International Airport cogeneration project);

$657,805,000 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, 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 — 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 two separate series known as Series A and Series B. Port Authority Commercial Paper Obligations are currently issued under the June 22, 2010 amendment and supplement, which authorizes their issuance through December 31, 2015.

The aggregate principal amount of all Port Authority Commercial Paper Obligations, Series A outstanding at any one time may not exceed $300,000,000, and the aggregate principal amount of all Port Authority Commercial Paper Obligations, Series B outstanding at any one time may not exceed $200,000,000. 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.

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.

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 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-23—IV-24)).

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.

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 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 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 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

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 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 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;

(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

(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 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 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 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 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 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, 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.

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 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 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.

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

* *I.e.* securities in which public officers, banks and savings banks, insurance companies, trustees and other fiduciaries may legally invest funds.

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 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.

Terrorism Risk Insurance Act of 2002, Pub. L. No. 107-297, 116 Stat. 2322 (2002), relating to provision of insurance for certain acts of terrorism.

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 Act of 2005, Pub. L. No. 109-144, (2005), amends the Terrorism Risk Insurance Act of 2002.

Terrorism Risk Insurance Program Reauthorization Act of 2007, Pub. L. No. 110-160, (2007), amends the Terrorism Risk Insurance Act of 2002.

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 June 9, 1977, relating to public hearings in connection with toll and fare increases.

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 and June 22, 2010 with respect to the establishment and authorization of issuance of Port Authority Commercial Paper Obligations.

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.

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 December 14, 1989, establishing and authorizing the issuance of Special Project Bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, and Resolution of December 14, 1989, as amended on May 10, 1990, authorizing the sale thereof.

Resolutions of June 14, 1990, establishing Consolidated Bonds, Seventy-fourth Series, Due 2026, 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, Seventy-fourth Series.”

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.

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.

Resolutions of June 27, 2002, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Twenty-ninth Series through Consolidated Bonds, One Hundred Thirtieth Series and Consolidated Bonds, One Hundred Thirty-fifth Series through Consolidated Bonds, One Hundred Thirty-eighth Series, and authorizing the sale thereof.

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.

Resolutions of November 18, 2004, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Thirty-ninth 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, and August 1, 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.

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.

Resolution of March 29, 2012, relating to freedom of information and public access to Port Authority records and certain procedures with respect thereto.

Resolutions of August 1, 2012, establishing and authorizing the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third 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-third Series).

Resolutions of August 1, 2012, 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 August 1, 2012, recognizing the continued issuance, within the scope of existing authorizations, of Versatile Structure Obligations, Variable Rate Master Notes, Equipment Notes, and Commercial Paper Obligations.

SCHEDULES OF OUTSTANDING DEBT

The following schedule of Consolidated Bonds (as of December 31, 2013)* 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.

**Consolidated Bonds (as of December 31, 2013)*
(in thousands)**

	TOTAL ALL ISSUES Total Principal Amount-$18,856,845		
Year	**Total**	**Interest**	**Amortization**
2014	$ 1,168,913	$ 907,708	$ 261,205
2015	1,183,665	901,270	282,395
2016	1,198,941	889,451	309,490
2017	1,207,130	875,405	331,725
2018	1,233,719	859,354	374,365
2019	1,303,708	841,193	462,515
2020	1,228,490	818,455	410,035
2021	1,231,475	798,595	432,880
2022	1,226,327	777,792	448,535
2023	1,209,044	755,824	453,220
2024	1,354,571	732,411	622,160
2025	1,197,204	699,439	497,765
2026	1,196,738	674,773	521,965
2027	1,175,191	648,161	527,030
2028	1,164,163	622,818	541,345
2029	1,351,920	596,380	755,540
2030	1,231,172	554,062	677,110
2031	1,257,822	520,902	736,920
2032	1,255,329	484,704	770,625
2033	1,151,720	449,645	702,075
2034	1,078,956	415,811	663,145
2035	1,113,403	383,568	729,835
2036	958,445	348,625	609,820
2037	849,924	319,314	530,610
2038	738,377	295,852	442,525
2039	762,787	272,897	489,890
2040	650,746	250,706	400,040
2041	514,483	232,023	282,460
2042	689,703	215,203	474,500
2043	607,675	192,555	415,120
2044	371,928	171,928	200,000
2045	361,328	161,328	200,000
2046	350,728	150,728	200,000
2047	342,082	142,082	200,000
2048	332,230	132,230	200,000
2049	322,378	122,378	200,000
2050	312,526	112,526	200,000
2051	302,674	102,674	200,000
2052	95,285	95,285	0
2053	293,056	93,056	200,000
2054	284,140	84,140	200,000
2055	275,224	75,224	200,000
2056	266,308	66,308	200,000
2057	257,392	57,392	200,000
2058	248,476	48,476	200,000
2059	239,560	39,560	200,000
2060	230,644	30,644	200,000
2061	221,728	21,728	200,000
2062	212,812	12,812	200,000
2063-2094	267,621	167,621	100,000
TOTAL	**$38,079,861**	**$19,223,016**	**$18,856,845**

* This Schedule has been revised to include the Bonds and may be further revised from time to time during 2014. “Total All Issues" also includes: (i) $100,000,000 Consolidated Bonds, Ninety-third Series with interest included in each of the years 2014 through 2062, and with principal and interest included on a cumulative basis during the period 2063 through 2094; and (ii) $4,150,000 in aggregate maturity amount of a Second Installment (serial maturities on a capital appreciation basis) for Consolidated Bonds, Seventy-fourth Series. Not included are: (i) Special Project Bonds; (ii) Commercial Paper Obligations; (iii) Variable Rate Master Notes; (iv) Equipment Notes; (v) $120,180,000 Consolidated Bonds, One Hundred Thirty-third Series, which were refunded on January 15, 2014 through the allocation of Consolidated Bonds, One Hundred Eightieth Series; and (vi) $235,110,000 Consolidated Bonds, One Hundred Thirty-fourth Series, which were refunded on January 15, 2014 through the allocation of a portion of Consolidated Bonds, One Hundred Seventy-ninth Series.

Principal Amounts of Certain Port Authority Obligations Outstanding (as of January 15, 2014)*

Consolidated Bonds:	Par Value
Seventy-fourth Series, Serial (A), due 2014	$ 4,150,000
Eighty-fifth Series, 5.2%-5.375%, Serial/Term, due 2014-2028	80,500,000
Ninety-third Series, 6.125%, Term, due 2085-2094	100,000,000
One Hundred Twenty-ninth Series, 3.875%-4%, Serial, due 2014-2015	15,875,000
One Hundred Thirtieth Series, 3.75%, Serial, due 2014-2015	16,080,000
One Hundred Thirty-fifth Series, 4.5%-5%, Serial/Term, due 2024-2039	400,000,000
One Hundred Thirty-sixth Series, 5%-5.5%, Serial/Term, due 2014-2034(**)	334,110,000
One Hundred Thirty-seventh Series, 5%-5.5%, Serial/Term, due 2014-2034 (**)	218,035,000
One Hundred Thirty-eighth Series, 4.25%-5%, Serial/Term, due 2014-2034 (**)	311,285,000
One Hundred Thirty-ninth Series, 4.5%-5%, Serial, due 2014-2025 (**)	134,400,000
One Hundred Fortieth Series, 4.125%-5%, Serial/Term, due 2016-2035	400,000,000
One Hundred Forty-first Series, 4.5%-5%, Serial/Term, due 2016-2035 (**)	350,000,000
One Hundred Forty-second Series, 4%-5%, Serial/Term, due 2015-2036	350,000,000
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 2015-2037	500,000,000
One Hundred Forty-ninth Series, 4%-5%, Serial/Term, due 2017-2037	400,000,000
One Hundred Fiftieth Series, 4.35%-6.4%, Serial/Term, due 2014-2027 (B)	335,000,000
One Hundred Fifty-first Series, 5.25%-6%, Term, due 2019-2035 (**)	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 2014-2029	84,410,000
One Hundred Fifty-fifth Series, 2.5%-3.5%, Serial, due 2014-2019	37,700,000
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 (B)	150,000,000
One Hundred Fifty-eighth Series, 5.859%, Term, due 2024 (B)	250,000,000
One Hundred Fifty-ninth Series, 6.04%, Term, due 2029 (B)	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%-3.3%, Serial, due 2014-2020	51,030,000
One Hundred Sixty-third Series, 2.5%-5%, Serial/Term, due 2017-2040	400,000,000
One Hundred Sixty-fourth Series, 5.647%, Term, due 2035-2040 (B)	425,000,000
One Hundred Sixty-fifth Series, 5.647%, Term, due 2035-2040 (B)	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 2014-2028(**)	200,120,000
One Hundred Sixty-eighth Series, 4.926%, Term, due 2047-2051 (B)	1,000,000,000
One Hundred Sixty-ninth Series, 4.50%-5%, Serial/Term, due 2014-2041 (**)	363,325,000
One Hundred Seventieth Series, 5%-5.25%, Term, due 2041 & 2043 (C)	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 2014-2037	374,685,000
One Hundred Seventy-third Series, 3%-5%, Serial, due 2018-2032	300,000,000
One Hundred Seventy-fourth Series, 4.458%, Term, due 2053-2062 (B)	2,000,000,000
One Hundred Seventy-fifth Series, 3%-5%, Serial/Term, due 2014-2042	420,660,000
One Hundred Seventy-sixth Series, 0.5%-2.5%, Serial, due 2014-2022 (B)	153,000,000
One Hundred Seventy-seventh Series, 3%-5% Serial/Term, due 2014-2043 (**)	350,000,000
One Hundred Seventy-eighth Series, 3%-5%,Serial/Term, due 2014-2043 (**)	475,675,000
One Hundred Seventy-ninth Series, 3%-5%, Serial/Term, due 2014-2043	915,175,000
One Hundred Eightieth Series, 3%-5%, Serial/Term, due 2014-2021	109,150,000
One Hundred Eighty-first Series, Term, due 2042-2046 (B)*	1,000,000,000
Total	$18,856,845,000

(A) Aggregate maturity amount (serial maturities on a capital appreciation basis).

(B) Subject to Federal taxation.

(C) 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).

Equipment Notes	$ 46,925,000
Versatile Structure Obligations	$ —
Commercial Paper Obligations	$ 348,150,000
Variable Rate Master Notes	$ 77,900,000

*This schedule has been adjusted to reflect the issuance of the Bonds.

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.

BOND RESOLUTIONS AND LEGAL OPINION

Resolution Establishing and Authorizing the Issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series

(Adopted August 1, 2012*)

This resolution constitutes a contract with the holders in whose names the Bonds are registered on the books and records of the Registrar. During the period in which a book-entry system is applicable to the Bonds, the Depository or its nominee shall be the sole registered holder of the Bonds

WHEREAS, heretofore and on the 9th day of October, 1952, The Port Authority of New York and New Jersey (formerly known as The Port of New York Authority and hereinafter called the "Authority") adopted a resolution (hereinafter called the "Consolidated Bond Resolution"), constituting a contract with the holders of the obligations issued thereunder, providing for the issuance of certain direct and general obligations of the Authority (hereinafter called "Consolidated Bonds"), from time to time, in conformity with the Consolidated Bond Resolution for the purposes therein set forth; and

WHEREAS, the Consolidated Bond Resolution provides that Consolidated Bonds shall be issued in such series as the Authority may determine, and that the characteristics of each such series shall be determined by the Authority by and in the resolution establishing such series, and that the resolution establishing such series may contain other terms and provisions not inconsistent with the Consolidated Bond Resolution; and

WHEREAS, the Authority has heretofore established various series of Consolidated Bonds and has now determined that it is appropriate to establish certain additional series of Consolidated Bonds, without prejudice to its right hereafter to establish further series of Consolidated Bonds;

NOW, THEREFORE, be it resolved by the Authority:

SECTION 1. As used in this resolution, any words or phrases specifically defined in the Consolidated Bond Resolution shall be read and construed in accordance with such specific definitions. As used in this resolution, the term "Authorized Officer" shall mean any of the officers or employees of the Authority designated as such from time to time by the Chairman; Vice-Chairman; Chairman of the Committee on Finance; Executive Director; Deputy Executive Director; Chief Financial Officer; or Treasurer of the Authority.

SECTION 2. Each of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series, inclusive, is established as a separate series of Consolidated Bonds and the issuance of up to Five Hundred Million Dollars ($500,000,000) of each such series with a term to maturity not in excess of thirty-five (35) years is authorized; *provided*, *however*, that to the extent that any of such series are sold solely for purposes of capital expenditures in connection with the redevelopment of the World Trade Center site, such series may be issued without limit as to principal amount and term to maturity, provided that the total aggregate principal amount of all of such series (regardless of the purpose for issuance) shall not be in excess of $10 billion. Each of such series shall be issued in conformity with the Consolidated Bond Resolution for the purposes specified in this resolution. This resolution shall apply with equal force and effect to each of such series on an individual basis (each of such series hereinafter called the "Bonds"). This resolution shall constitute a contract with the registered holders of the Bonds and with each such registered holder.*

* See footnote (*) on p. VII-9.

SECTION 3. The Committee on Finance of the Authority (hereinafter called the "Committee on Finance") is authorized to establish, fix and determine the terms of the Bonds and, in connection therewith, to make such changes and adjustments to the provisions set forth in the third paragraph of this Section 3 and in Sections 4, 5, 6, 9 and 10 of this resolution as in the opinion of the Committee on Finance will effectuate the issuance of the Bonds, and to take such other action as in the opinion of the Committee on Finance will best serve the public interest.

The proceeds of the Bonds may be used for any purpose for which at the time of issuance of the Bonds the Authority is authorized by law to issue its obligations. The Committee on Finance may allocate the proceeds of the Bonds, from time to time, to certain of the authorized purposes, including the specific designation of any obligations to be refunded with the proceeds of the Bonds.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America; principal of the Bonds shall be payable upon presentation and surrender thereof by the registered holders, at the office or offices, designated by the Authority, of the Paying Agent (or Paying Agents) appointed for the purpose by the Authority, in a county which is in whole or in part in the Port of New York District; and interest on the Bonds shall be payable when due to the registered holders thereof by check or draft drawn on the Paying Agent (or Paying Agents) appointed for the purpose by the Authority and mailed to said registered holders at their last known addresses as appearing upon the Authority's Registry Books for the Bonds.

SECTION 4. The Bonds shall be issued only in registered form, registered as to both principal and interest and not as to either alone, in authorized denominations.

The Authority will keep or cause to be kept at the offices, designated by the Authority, of a Registrar appointed for that purpose, in a county which is in whole or in part in the Port of New York District, proper and sufficient Registry Books for the registration of the Bonds. The Bonds shall be transferable only upon such Registry Books by the registered holder thereof or by such registered holder's attorney duly authorized in accordance with the provisions of this resolution. Upon the written request of the registered holder or registered holders thereof and upon surrender thereof, a bond or bonds may be exchanged for a bond or bonds of like tenor, registered as designated in such request, of any other authorized denominations. All requests for registration, transfer, exchange and delivery pertaining to the Bonds as above provided shall be filed with the Registrar of the Authority; all bonds to be surrendered pursuant to such requests shall be surrendered to the Registrar; and all bonds delivered in exchange as aforesaid shall be delivered by the Registrar. All bonds surrendered to the Registrar in exchange for other bonds or for transfer as above provided shall be cancelled by the Registrar upon such surrender. The Authority shall bear the cost incurred by the Authority in connection with the registration, authentication (if any), transfer, cancellation, exchange and delivery of bonds, including such fees as may be imposed by the Registrar for such services performed by the Registrar as provided in this resolution.

SECTION 5. The Bonds shall be redeemable at the option of the Authority, on prior notice, in whole, or, from time to time, in part, at such redemption price and on such date set forth in the applicable notice of intention to redeem the Bonds.

If less than all of the Bonds then outstanding are to be called for redemption at the option of the Authority, and if the Bonds then outstanding include bonds of any serial maturities, the bonds so to be called shall be in inverse order of maturity, and if bonds constituting a particular maturity are to be called for redemption, but not all bonds constituting such maturity are to be called for redemption, the bonds so to be called shall be determined by lot by the Registrar.

If bonds are to be called for redemption to meet the schedule of mandatory periodic retirement for the Bonds, the bonds so to be called shall be determined by lot by the Registrar.

Notice of intention to redeem any of the Bonds shall be given by the Registrar not less than thirty (30) nor more than forty-five (45) days prior to the date fixed for redemption, to the registered holders of the bonds to be called for redemption, by deposit of a copy of such notice, postage prepaid by certified or registered mail, in a United States Post Office, addressed to such registered holders at their last known addresses as appearing upon the Authority's Registry Books for the Bonds. Notice of the mailing of such notice of intention to redeem bonds shall also be published by the Authority in a daily newspaper of general circulation in the Port of New York District not less than thirty (30) nor more than forty-five (45) days prior to the date fixed for redemption; *provided, however,* that failure to give such notice by publication, or any defect therein, shall not affect the validity of any action with respect to the redemption of such bonds.

On or before the date fixed for redemption specified in the notice of intention to redeem any of the Bonds, the Authority will pay or cause to be paid to the Paying Agent (or Paying Agents) an amount in cash in the aggregate sufficient to redeem all of the bonds which are to be redeemed, at the respective redemption price thereof, which, in each case, shall include the accrued interest until the date fixed for redemption and the premium (if any), such principal amount and premium (if any), to be held by the Paying Agent (or Paying Agents) in trust for the account of the registered holders of the bonds so called for redemption and to be paid to them respectively upon presentation and surrender of such bonds with accrued interest included in such redemption price to be paid to the registered holders in accordance with the provisions of this resolution. On and after the date fixed for redemption, the notice of intention to redeem having been completed as above provided, the bonds so called shall become due and payable at the office of the Paying Agent (or Paying Agents) designated by the Authority, and if funds sufficient for payment of the redemption price shall have been deposited with the Paying Agent (or Paying Agents) in trust as aforesaid and if such funds shall be available for redemption of such bonds on the date fixed for redemption, then and in any such event, interest shall cease to accrue on the bonds so called on and after the date fixed for their redemption, and such bonds shall not be entitled to the benefit or security of this resolution or the Consolidated Bond Resolution, but shall rely solely upon the funds so deposited.

In the case of bonds of denominations greater than the minimum authorized denomination, for all purposes in connection with redemption, each unit of face value representing the minimum authorized denomination shall be treated as though it were a separate bond of the minimum authorized denomination, and the word "bond" as used in the foregoing provisions of this Section 5 shall be deemed to refer to such unit of face value representing the minimum authorized denomination. If it is determined as above provided that one or more but not all of the units of face value representing the minimum authorized denomination of any bond are to be called for redemption, then upon notice of intention to redeem such unit or units, the registered holder of such bond shall forthwith present such bond to the Registrar who shall issue a new bond or bonds of like tenor of smaller authorized denominations but of the same aggregate principal amount in exchange therefor, pursuant to Section 4 of this resolution, including a new bond or bonds with the aggregate principal amount of the unit or units of face value called for redemption; and such new bond or bonds shall be deemed to be duly called for redemption without further notice to the registered holder thereof. If the registered holder of such bond of a denomination greater than the minimum authorized denomination shall fail to present such bond to the Registrar for the issuance of new bonds of smaller denominations in exchange therefor, as aforesaid, such bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the unit or units of face value called for redemption (and to that extent only); and (funds sufficient for the payment of the redemption price having been deposited with the Paying Agent (or Paying Agents), as aforesaid, and being available as aforesaid on the date fixed for redemption) interest shall cease to accrue on the portion of the principal amount of such bond represented by such unit or units of face value on and after the date fixed for redemption, and such bond shall not be entitled to the benefit or security of this resolution or the Consolidated Bond Resolution to the extent of the portion of its principal amount (and accrued interest thereon until the date fixed for redemption and premium, if any) represented by such unit or units of face value, but to that extent shall rely solely upon the funds so deposited.

SECTION 6. The Bonds shall be retired at or prior to maturity, by purchase, call or payment, by the dates and in at least the cumulative principal amounts set forth on the schedule of mandatory periodic retirement for the Bonds.

If, at least forty-five (45) days prior to the mandatory periodic retirement date in each year (except the year of maturity) set forth in the schedule of mandatory periodic retirement for the Bonds, the Authority shall not have purchased or redeemed (at any prior time or times during such year or at any time or times during any prior years) a principal amount of the Bonds at least equal to the principal amount of the Bonds to be retired on such mandatory periodic retirement date, then the Authority shall call a principal amount of the Bonds equal to such deficiency, at the respective redemption price thereof, in the manner and upon the notice set forth in Section 5 of this resolution. Any of the Bonds purchased by the Authority as aforesaid may be purchased at such prices as the Authority may deem reasonable and proper and, in the discretion of the Authority, at public or private sale, with or without advertisement and with or without notice to any person other than the seller, and such of the Bonds as are theretofore issued and negotiated and then held by the Authority may be purchased for such purpose as well as bonds held by others.

Nothing herein contained shall be construed in any way to prevent the Authority from retiring the Bonds more rapidly than is set forth in the schedule of mandatory periodic retirement for the Bonds.

SECTION 7. The Authority shall not apply any moneys in the Consolidated Bond Reserve Fund except for the payment of bonds secured by a pledge of the General Reserve Fund in whole or in part, the payment of debt service upon bonds so secured, the purchase for retirement of bonds so secured or the redemption of bonds so secured, or for the payment of expenses incurred for the establishment, acquisition, construction or effectuation, or for the operation, maintenance, repair or administration of any facility financed or refinanced in whole or in part by bonds secured by a pledge of the General Reserve Fund in whole or in part, or otherwise for the fulfillment of any undertakings which the Authority has assumed or may or shall hereafter assume to or for the benefit of the holders of bonds secured by a pledge of the General Reserve Fund in whole or in part; *provided, however,* that nothing herein contained shall be construed to permit the application by the Authority of moneys in the Consolidated Bond Reserve Fund except for purposes and upon conditions which are authorized by the Consolidated Bond Resolution.

Consolidated Bonds proposed to be issued for purposes in connection with an additional facility or a group of additional facilities in connection with which the Authority has not theretofore issued bonds which have been secured by a pledge of the General Reserve Fund in whole or in part, may be issued, and bonds other than Consolidated Bonds proposed to be issued for purposes in connection with such an additional facility or group of additional facilities may be secured by a pledge of the General Reserve Fund in whole or in part, in each case if and only if the Authority shall certify at the time of issuance (as defined in Section 3 of the Consolidated Bond Resolution) its opinion that the issuance of such Consolidated Bonds or that such pledge of the General Reserve Fund as security for such bonds other than Consolidated Bonds will not, during the ensuing ten (10) years or during the longest term of any of such bonds proposed to be issued (whether or not Consolidated Bonds), whichever shall be longer, in the light of its estimated expenditures in connection with such additional facility or such group of additional facilities, materially impair the sound credit standing of the Authority or the investment status of Consolidated Bonds or the ability of the Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds; and the Authority may apply moneys in the General Reserve Fund for purposes in connection with those of its bonds and only those of its bonds which it has theretofore secured by a pledge of the General Reserve Fund in whole or in part. Expenditures in connection with an additional facility or group of additional facilities shall mean the amount of the excess, if any, of the sum of all items of expense to be considered in determining the net revenues of the additional facility or group of additional facilities plus the debt service upon the bonds proposed to be issued and upon any additional bonds which in the Authority's opinion would be required to be issued to place and maintain such facility or group of facilities upon a sound operating basis, over and above the sum of all items of revenue and income to be considered in determining such net revenues.

SECTION 8. The Authority shall appoint a bank or trust company as trustee for and in connection with the Bonds (hereinafter called the "Trustee"). The Trustee is authorized to (i) institute any action or proceeding on behalf of the registered holders of the Bonds against the Authority or others, or (ii) intervene in any pending action or proceeding, or (iii) take any other action which it shall in its sole discretion determine to be necessary or advisable in order to protect the rights of the registered holders of the Bonds. The rights of the Trustee in this respect and in all other respects shall be in addition to and not in substitution of any and all rights which would otherwise inure to the registered holder or registered holders of the Bonds. It is understood that the Trustee in its sole discretion may, but shall be under no obligation to, review the activities or operations of the Authority or any of the contracts or agreements of the Authority or exercise any of the rights or powers vested in it by this Section 8 whether on the Trustee's initiative or at the request or direction of any of the registered holders of the Bonds.

The Trustee (which shall include any successor Trustee) appointed under the provisions of this Section 8 shall be a bank or trust company organized under the laws of the State of New York or the State of New Jersey or a national banking association doing business and having its principal office in the Port of New York District and having a total capital (including capital stock, surplus, undivided profits and capital notes, if any) aggregating at least $25,000,000, which is willing and able to accept the office on reasonable and customary terms and is authorized by law to perform all the duties imposed upon it by this resolution.

The Trustee shall not be liable for any action taken or suffered upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this resolution in good faith and in accordance therewith. The Trustee shall not be liable in connection with the performance or nonperformance of its duties except for its own wilful misconduct, negligence or bad faith.

If the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this resolution, such matter (unless other evidence in respect thereof be specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this resolution upon the faith thereof; but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

The Authority shall annually, within one hundred twenty (120) days after the close of each calendar year, file with the Trustee a statement of an Authorized Officer showing for the preceding calendar year (i) net revenues, (ii) the aggregate interest paid on bonds of the Authority, and (iii) the payments of principal on bonds of the Authority.

The Authority shall annually, within one hundred twenty (120) days after the close of each calendar year, file with the Trustee a copy of its annual report for such year and its financial statement for such year accompanied by an opinion signed by an independent public accountant or firm of public accountants of recognized standing selected by the Authority and satisfactory to the Trustee.

The Authority shall file with the Trustee a copy of any Official Statement hereafter issued by the Authority in connection with the issuance of bonds by the Authority.

The Authority shall file with the Trustee a copy of the minutes of every meeting of the Authority and of its subsidiary corporations at the time said minutes are transmitted to the Governor of New York and the Governor of New Jersey.

The Authority shall not be required to file with the Trustee (except when requested to do so by the Trustee) and the Trustee shall not be required to review any document, instrument, report or paper other than those which the Authority is expressly required hereunder to file with the Trustee. The Trustee shall not be bound to make any investigation into the facts or matters stated in any document, instrument, report or paper supplied to it, but the Trustee in its sole discretion may make such further inquiry or investigation into such facts or matters as the Trustee may deem advisable, and, if the Trustee shall determine to make such further inquiry or investigation, the Trustee is authorized to examine such books and records of and properties owned or operated by the Authority as the Trustee may deem advisable, personally or by agent or attorney.

The Authority agrees (i) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder, (ii) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in connection with the exercise or performance of any of its powers or duties hereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel), and (iii) to indemnify the Trustee for, and hold it harmless against, any loss, liability or expense incurred without wilful misconduct, negligence or bad faith on its part, arising out of or in connection with the exercise or performance of the Trustee's powers and duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with such exercise or performance.

The Trustee may become the owner or holder of any bonds of the Authority with the same rights as it would have were it not a Trustee. To the extent permitted by law, the Trustee may act as depositary for the Authority, act as Paying Agent and Registrar of bonds of the Authority and act itself and permit any of its officers or directors to act in any other capacity with respect to the Authority, the bonds of the Authority and the holders of bonds of the Authority as it or its officers or directors would be able to act were it not a Trustee.

The Trustee may at any time resign and be discharged of the duties and obligations created by this resolution by giving not less than sixty (60) days' written notice to the Authority and publishing notice thereof, specifying the date when such resignation shall take effect, once in each week for two (2) successive calendar weeks in a newspaper of general circulation in the City of New York, State of New York, and such resignation shall take effect upon the date specified in such notice unless previously a successor shall have been appointed by the Authority in which event such resignation shall take effect immediately on the appointment of such successor.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed and acknowledged by the registered holders of a majority in principal amount of the Bonds then outstanding or by their attorneys duly authorized, excluding the principal amount of any of the Bonds held by or for the account of the Authority. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, 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, a successor may be appointed by the holders of a majority in principal amount of the Bonds then outstanding, excluding the principal amount of any of the Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such registered holders of the Bonds or by their attorneys duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee; *provided, however,* nevertheless, the Authority shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the registered holders of the Bonds as authorized in this Section 8. The Authority shall publish notice of any such appointment made by it once in each week for two (2) consecutive calendar weeks, in a newspaper of general circulation in the City of New York, State of New York, the first publication to be made within twenty (20) days after such appointment. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by a Trustee appointed by the registered holders of the Bonds.

Any company into which any 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 any Trustee may sell or transfer all or substantially all of its corporate trust business (*provided, however,* such company shall be a bank or trust company located in the Port of

New York District and shall be authorized by law to perform all the duties imposed upon it by this resolution), shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

The failure of the Authority to take any action required by this Section 8 shall not invalidate any bond or bonds issued pursuant to this resolution or hereafter issued by the Authority, or affect any other actions of the Authority. The Authority shall in no way be restricted by this Section 8 from entering any defense to an action or proceeding instituted by the Trustee or by the registered holder or registered holders of the Bonds.

SECTION 9. The form of the bond, including provisions with respect to assignment, for the Bonds shall be determined by the Committee on Finance or by an Authorized Officer. The bonds shall have the official seal of the Authority, or a facsimile thereof, affixed thereto or printed or impressed thereon, and shall be manually signed by an Authorized Officer. In case any Authorized Officer who shall have signed any of the bonds shall cease to be an Authorized Officer before such bonds shall have been actually issued, such bonds may nevertheless be issued as though such Authorized Officer who signed such bonds had not ceased to be an Authorized Officer.

SECTION 10. In case any bond shall at any time become mutilated or be lost or destroyed, the Authority, in its discretion, may execute and deliver a new bond of like tenor in exchange or substitution for and upon cancellation of such mutilated bond or in lieu of or in substitution for such destroyed or lost bond; or if such bond shall have matured, instead of issuing a substitute bond the Authority may pay the same without surrender thereof. In case of destruction or loss, the applicant for a substitute bond shall furnish to the Authority evidence satisfactory to the Authority of the destruction or loss of such bond and of the ownership thereof and also such security and indemnity as may be required by the Authority. The Authority may execute and deliver any such substitute bond or make any such payment; or any Paying Agent may make any such payment upon the written request or authorization of the Authority. Upon the issuance of any substitute bond, the Authority, at its option, may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge or other reasonable expense connected therewith and also a further sum not exceeding the cost of preparation of each new bond so issued in substitution. Any bond issued under the provisions of this Section 10 in lieu of any bond alleged to have been destroyed or lost shall constitute an original contractual obligation on the part of the Authority, whether or not the bond so alleged to have been destroyed or lost be at any time enforceable by anyone, and shall be equally and proportionately entitled to the security of this resolution and of the Consolidated Bond Resolution with all other bonds, notes and coupons (if any) issued hereunder or thereunder.

SECTION 11. An Authorized Officer is authorized to take any and all action that the Committee on Finance is authorized to take under this resolution (without further action by the Committee on Finance); *provided*, *however*, that any such action may only be taken by an Authorized Officer if the Bonds are issued and sold on a competitive basis.[*]

[*] See footnotes (*), (‡) and (§) on p. VII-9.

Resolution Authorizing the Sale of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series

(Adopted August 1, 2012*)

SECTION 1. This resolution shall apply with equal force and effect to each of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series, inclusive, on an individual basis (each such series hereinafter called the "Bonds").

SECTION 2. The Committee on Finance of the Authority (hereinafter called the "Committee on Finance") is authorized in the name of and on behalf of the Authority to sell all or any part of Five Hundred Million Dollars ($500,000,000) in principal amount of the Bonds at a true interest cost to the Authority not in excess of eight percent (8%) with a term to maturity not in excess of thirty-five (35) years, at public or private sale, with or without advertisement, at one or more times, and to apply the proceeds of such sale or sales as provided in the resolution authorizing the establishment and issuance of the Bonds; *provided, however*, that to the extent that any of such series are sold solely for purposes of capital expenditures in connection with the redevelopment of the World Trade Center site, such series may be sold without limit as to principal amount and term to maturity, provided that the total aggregate principal amount of all of such series (regardless of the purpose for issuance) shall not be in excess of $10 billion.*

SECTION 3. The Committee on Finance is authorized in the name of and on behalf of the Authority, in connection with the Bonds, to fix the time or times of sale of the Bonds, to determine the terms and conditions upon which such sales shall be made and to accept or reject offers in connection with such sales.

SECTION 4. The Committee on Finance is authorized in the name of and on behalf of the Authority, in connection with the Bonds, to enter into any contracts or agreements pertaining to the Bonds; to fix the time or times and determine the terms and conditions of delivery of the Bonds; to appoint one or more Paying Agents and a Registrar and a Trustee, and to designate the office or offices of any such Paying Agent (or Paying Agents) at which payments shall be made and the office or offices of any such Registrar at which the Authority's Registry Books for the Bonds shall be kept; to make any selection, designation, determination or estimate and to take or withhold any action and to formulate and express any opinions and to exercise any discretion or judgment which may be or is required to be made, taken, withheld, formulated, expressed or exercised in connection with the Bonds, the Authority adopting all such selections, designations, determinations, estimates, actions, withholdings of action, formulations and expressions of opinions and exercises of discretion or judgment, including those pursuant to Section 3 of the Consolidated Bond Resolution, or otherwise, as its own; and to authorize any of the foregoing and generally to take such other action as in the opinion of the Committee on Finance will best serve the public interest.

SECTION 5. The Committee on Finance is authorized to arrange, from time to time (i) for the preparation and distribution of disclosure documents, including official statements, offering statements or other offering materials in connection with the Bonds and (ii) for the preparation and distribution of such other documents giving pertinent data with respect to the Authority and its finances as it deems appropriate, in each case, in the name of and on behalf of the Authority.

SECTION 6. An Authorized Officer is authorized to take any and all action that the Committee on Finance is authorized to take under this resolution (without further action by the Committee on Finance);

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* See footnote (*) on p. VII-9.

provided, however, that any such action may only be taken by an Authorized Officer if the Bonds are issued and sold on a competitive basis. [*‡§]

SECTION 7. The Committee on Finance or any Authorized Officer is authorized, in connection with the issuance of the Bonds on the basis that the Bonds are to be in conformity with, and that the interest on the Bonds is not to be includible for Federal income tax purposes in the gross income of the recipients thereof under, Section 103(a) of the Internal Revenue Code of 1986, or successor provisions of law, and the regulations thereunder, to take any action which may be appropriate to assure that the Bonds are issued, and during their term are outstanding, on such basis, and any such actions taken in connection therewith are ratified. Any Authorized Officer is authorized to certify on behalf of the Authority as to the need for the issuance of the Bonds, as to the status of the projects for which the proceeds of the Bonds are to be used, as to the Authority's intentions with respect to the application and investment of the proceeds of the Bonds, and as to such other matters as such Authorized Officer deems appropriate.

SECTION 8. As used in this resolution, the term "Authorized Officer" shall mean any of the officers or employees of the Authority designated as such from time to time by the Chairman; Vice-Chairman; Chairman of the Committee on Finance; Executive Director; Deputy Executive Director; Chief Financial Officer; or Treasurer of the Authority.

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[*] On October 16, 2013, the Board of Commissioners of the Port Authority amended this resolution as it pertains to the establishment and issuance and sale of Consolidated Bonds, One Hundred Seventy-eighth Series through One Hundred Ninety-third Series to provide (i) for the issuance and sale of each of such series without limit as to principal amount, provided that the total aggregate principal amount of Consolidated Bonds, One Hundred Seventy-fourth Series through One Hundred Ninety-third Series (regardless of the purpose for issuance) shall not be issued and sold under this resolution in a total aggregate principal amount in excess of $10 billion; (ii) for the issuance and sale of each of such series with a term to maturity not in excess of 120 percent of the weighted average reasonably expected economic life of the Port Authority facilities to be provided with the proceeds of such series, determined as of the date of issuance of such series; and (iii) that an Authorized Officer would be authorized to take any and all action which the Committee on Finance has been authorized to take in connection with the issuance and sale of such series on either a competitive or negotiated basis, provided that actions to be taken by an Authorized Officer in connection therewith shall be subject to prior approval of the Committee on Finance.

[‡] In connection with the acceptance by an Authorized Officer of an offer to purchase the Bonds represented by a proposed Bond Purchase Agreement (see "*Underwriting*," pp. I-22 — I-23), the terms of the Bonds shall be established, fixed and determined, and the provisions of this resolution shall be changed and adjusted, to the extent required, to conform the terms of the Bonds to the summary description of the Bonds as set forth in and pursuant to the Bond Purchase Agreement with respect to the Bonds; subject thereto, such description is reflected at *"Description of the Bonds,"* pp. I-5 — I-10.

[§] On December 3, 2013, the Committee on Finance approved the issuance and sale by an Authorized Officer of up to approximately $1 billion in aggregate principal amount of Consolidated Bonds, on a negotiated basis, through a senior underwriting syndicate comprised of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc. and RBC Capital Markets, LLC, for purposes of capital expenditures in connection with the World Trade Center site.

Form of Legal Opinion of General Counsel of the Port Authority

In connection with the delivery upon original issuance of the Bonds by the Port Authority, General Counsel of the Port Authority will render a legal opinion on such date of delivery relating to the Bonds substantially in the following form.

[Letterhead of General Counsel of the Port Authority]

(Date of delivery upon original issuance)

The Board of Commissioners
The Port Authority of New York and New Jersey
225 Park Avenue South
New York, New York 10003

The Port Authority of New York and New Jersey
Consolidated Bonds, One Hundred Eighty-first Series

Dear Commissioners:

I have examined into the validity of the $ . . . . . Consolidated Bonds, One Hundred Eighty-first Series (the "Bonds"), of The Port Authority of New York and New Jersey, a body corporate and politic and a municipal corporate instrumentality 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 said States and thereafter consented to by the Congress of the United States (the "Authority").

The Bonds are dated as of . . . . and are issued pursuant to and in conformity with the Compact of April 30, 1921 and the various statutes of the States of New York and New Jersey amendatory thereof and supplemental thereto and under and pursuant to and in conformity with (a) the resolution of the Authority adopted October 9, 1952, entitled *"Consolidated Bonds — Establishment of Issue;"* (b) the resolution of the Authority adopted August 1, 2012, entitled *"Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series — Establishment and Issuance,"* as amended October 16, 2013; and (c) the resolution of the Authority adopted August 1, 2012, entitled *"Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-third Series — Sale,"* as amended October 16, 2013.

I have examined the Constitutions of the United States and of the States of New York and New Jersey; legislation affecting the Authority; pertinent resolutions of the Authority; a certified determination pertaining to the sale of the Bonds by the Authority on . . . . , which, among other matters, fixed and determined the stated rate of interest of the Bonds; a certificate with respect to the Bonds; a certificate with respect to the delivery of the Bonds and the receipt of full payment for the Bonds; a letter of representations dated . . . ., between the Authority and . . . . , pertaining to the book-entry system for determining beneficial ownership interests in the Bonds; an agreement dated as of. . . . . between the Authority and . . . . , as trustee for the Bonds (the "Trust Agreement"); an agreement dated . . . . of the Authority with the registered holders of the Bonds, and for the benefit of any individual purchasers of beneficial ownership interests in the Bonds, to provide certain 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 amended, while the Bonds are outstanding (the "Disclosure Agreement"); and such other materials as I deemed necessary or appropriate for the purposes hereof.

I am of the opinion, on the basis of such examination and in the light of the actions of the Authority contemplated by and described in the referenced materials examined, that all necessary proceedings have been taken by the Authority for the issuance of the Bonds; that the Bonds have been duly executed, delivered and paid for in accordance with the resolutions authorizing their sale, and, accordingly, that the

Bonds now constitute valid and legally binding obligations of the Authority in accordance with their terms; that the Bonds are secured in the manner provided in the aforesaid resolution adopted October 9, 1952, establishing the issue of Consolidated Bonds (which includes Consolidated Notes); that at the time of the adoption of the aforesaid resolution adopted October 9, 1952, the Authority had outstanding certain General and Refunding, Air Terminal and Marine Terminal Bonds, the debt service requirements on which have been fully satisfied, when due, as scheduled; and that the Trust Agreement and the Disclosure Agreement have been properly authorized, duly executed and delivered by the Authority, are now in full force and effect and, accordingly, now constitute valid and legally binding agreements of the Authority in accordance with their respective terms.

I am also of the opinion, on the basis of such examination and in the light of the actions of the Authority contemplated by and described in the referenced materials examined, that the Bonds and interest (including that portion of any original issue discount accruing in any year) thereon are exempt, under the Compact of April 30, 1921 and supplementary legislation, from any and all taxation (except estate, inheritance and gift taxes) now or hereafter imposed directly thereon by or under authority of the States of New York and New Jersey or by any political subdivision thereof. In addition, I am of the opinion, on the basis of the foregoing, that interest (including that portion of any original issue discount accruing in any year) on the Bonds is not excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"); *provided, however,* that no other opinion is expressed with respect the consequences of the acquisition, ownership, sale, exchange, redemption, retirement or other disposition of the Bonds arising under the Code.

I am further of the opinion, on the basis of such examination and in the light of the actions of the Authority contemplated by and described in the referenced materials examined, that the Bonds are legal under existing legislation for investment for state and municipal officers, banks and savings banks, insurance companies, trustees and other fiduciaries in the States of New York and New Jersey, and that the Bonds are eligible under existing legislation for deposit with state or municipal officers or agencies of the States of New York and New Jersey for any purpose for which the bonds or other obligations of such States may be deposited.

On behalf of the Authority, my office has assisted in the preparation of the Preliminary Official Statement dated . . . . . (the "Preliminary Official Statement"), and the Official Statement dated . . . . . (the "Official Statement"), pertaining to the Bonds, has reviewed the information contained therein and has participated in discussions in which the contents of the Preliminary Official Statement and the Official Statement and related matters were considered. On the basis of the foregoing, and, without offering any comment on the accuracy, completeness or fairness of any of the financial or statistical information (including that which appears at *"Introduction and Securities Being Offered"* and *"Financial Statements of the Port Authority"* in the Preliminary Official Statement and the Official Statement) contained in the Preliminary Official Statement and the Official Statement, we have no reason to believe that, as of (i) their respective dates, the Preliminary Official Statement and the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (ii) the date hereof, the Official Statement contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. It should be noted that no opinion is expressed with respect to any electronic version of the Preliminary Official Statement or the Official Statement that is prepared or distributed by the Authority or any other entity.

Respectfully submitted,

General Counsel