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

Six Digit Base CUSIP Number(s): 733581, 733580, 73358E, 73358T, 73358W, 73359A, 73359B

Nine Digit CUSIP Number(s): 649519BP9, 649519BR5, 649519BS3, 649519BQ7, 649519BU8, 649519BV6, 645918Y64, 645918Y72, 645918Y80, 645918Y98, 645918Z22, 645918Z30, 6459182E2, 645918Z48, 645918Z55, 645918Z63, 645918Z71, 645918Z89, 645918Z97, 6459182A0, 6459182B8, 6459182F9, 6459182D4, 6459182C6, 649519DA0, 649519DB8, 649519DC6, 649519DD4, 650116AU0, 650116AH9, 650116AJ5, 650116AK2, 650116AL0, 650116AM8, 650116AN6, 650116AP1, 650116AS5, 650116AQ9, 650116AW6, 650116AR7, 650116AV8, 650116AT3, 650116AX4, 650116AY2, 650116AZ9, 650116BA3, 650116BB1, 650116BC9, 650116BD7, 650116BE5, 650116BF2

Type of Filing: Electronic (1 PDF attached – 224 Pages)

Type of information being provided: The Port Authority of New York and New Jersey "Appendix A- Certain Information with respect to The Port Authority of New York and New Jersey as of June 12, 2017"

I hereby represent that I am authorized by the issuer to distribute this information publicly.
Issuer Contact:

John A. Tomasulo
Debt Manager
Debt Management, Treasury Department
The Port Authority of New York & New Jersey
4 World Trade Center, 19th Floor, New York, NY 10007
Phone: 212-435-5822 Fax: 212-435-5818
Email: jtomasulo@panynj.gov

Appendix A

Certain Information with respect to The Port Authority of New York and New Jersey as of June 12, 2017

[THIS PAGE INTENTIONALLY LEFT BLANK]

CERTAIN INFORMATION WITH RESPECT TO THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY AS OF JUNE 12, 2017

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

INTRODUCTION

Description of the Port Authority

General

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

Facilities

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

The Port Authority's facilities include two tunnels and four bridges between the States of New York and New Jersey, the Hudson Tubes facility, including the Port Authority Trans-Hudson ("PATH") system, a bus terminal, the Trans-Hudson ferry service, five airports, the World Trade Center, six marine terminals, two waterfront development facilities, 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*" in Section II hereof. Information pertaining to capital investment in such facilities as of December 31, 2016, and significant capital projects as of December 31, 2016, appear at "*Information on Capital Investment in Certain Port Authority Facilities*" and "*Significant Capital Projects*" in Section II hereof. Facility activity for calendar year 2016 appears at "*Volume of Vehicular Traffic at all Port Authority Crossings*," "*Oceanborne General*

Cargo at Port Authority Marine Terminals," "*Number of Passengers at Port Authority Airports*" and "*Domestic and International Air Cargo at Port Authority Airports*" in Section II hereof and in "*APPENDIX I—Consolidated Financial Statements as of and for the Years Ended December 31, 2016 and December 31, 2015 and Related Schedules*" (hereinafter referred to as "Appendix I"). Certain facility traffic information for the three-month periods ending March 31, 2017 and March 31, 2016 appears in "*APPENDIX II—Condensed Consolidated Financial Statements as of and for the Three-Month Period Ended March 31, 2017 (Unaudited)*" (hereinafter referred to as "Appendix II").

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 Section III hereof, "*Bonds, Notes and Other Obligations*.")

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 "*Regional Development*" in Section II hereof and Note H (Regional Facilities and Programs) in Appendix I hereto.)

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 Section IV hereof, "*Pertinent Statutes and General Resolutions*" and Section III hereof, "*Bonds, Notes and Other Obligations*.")

Financial Statements

The consolidated financial statements of the Port Authority as of and for the years ended December 31, 2016 and December 31, 2015, along with the notes, schedules and other supplementary information (including management's discussion and analysis of the Port Authority's financial performance and activity), and the independent auditors' report pertaining thereto, are set forth in Appendix I hereto. 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 March 1, 2017, in connection with the release of the consolidated financial statements of the Port Authority for the years ended December 31, 2016 and December 31, 2015, the Executive Director, the Chief Financial Officer and the Comptroller certified that to the best of their knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the consolidated financial statements, was accurate in all material respects and was reported in a manner designed to present fairly the Port Authority's net position, changes in net position, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and, that on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

While the Port Authority's Consolidated Financial Statements as of and for the years ended December 31, 2016 and December 31, 2015 have been audited by a firm of independent auditors, which conducts such audits in accordance with auditing standards generally accepted in the United States of America, the accuracy of the data and the completeness and fairness of the information presented in the financial statements are the responsibility of management of the Port Authority.

The Audit Committee of the Board of Commissioners of the Port Authority ("Board of Commissioners") meets on a regular basis with the independent auditors, the law firm retained to address certain Audit Committee matters and management of the Port Authority, in connection with its oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing, and financial reporting processes.

Unaudited condensed consolidated financial statements for the Port Authority for the three-month period ended March 31, 2017 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 in Appendix II. Such unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the accompanying notes and schedules of the Port Authority for the year ended December 31, 2016, set forth in Appendix I hereto. The results of operations for the three-month period ended March 31, 2017 set forth in such unaudited condensed consolidated financial statements are not necessarily indicative of the results of operations for the annual period ending December 31, 2017.

SEC Settlement and Certain Other Matters

The United States Securities and Exchange Commission ("SEC") conducted a formal investigation into disclosures by the Port Authority in Official Statements issued in January 2012, December 2012, November 2013 and June 2014 concerning the funding by the Port Authority of a portion of the costs of 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 (collectively, the "Roadway Projects"). The Port Authority has now reached a settlement with the SEC, embodied in a consent order entered on January 10, 2017 (the "Order"), that it understands resolves this investigation. The Port Authority acknowledged pursuant to the settlement that it "was negligent for failing to disclose" in the relevant Official Statements certain "risks relating to statutory authority with respect to the Roadway Projects" and that its conduct "violated Sections 17(a)(2) and 17(a)(3) of the Securities Act [of 1933]." The principal terms of the settlement are set forth below. The Order is available at https://emma.msrb.org/ER1034388-ER792161-ER1193627.pdf.

Under the settlement, the Port Authority agreed to pay a $400,000 civil monetary penalty which has been timely paid. In addition, the Port Authority agreed to certain undertakings. First, it agreed to retain, and has retained, an independent consultant "to conduct a review of [the Port Authority's] policies and procedures as they relate to disclosures concerning legal and governance risks in connection with municipal securities offerings." The independent consultant is to submit a written report of its findings with the consultant's recommendations for "changes in or improvements to [the Port Authority's] policies and procedures" within 180 days of the date of the Order. Generally, the Port Authority is required to adopt the independent consultant's recommendations within certain time limitations unless the Port Authority objects to particular recommendations and the SEC staff agrees with the Port Authority. Second, within 180 days of the date of the Order, the Port Authority is required to "establish written policies and procedures and periodic trainings relating to bond offering disclosures and adopt a policy requiring that the Port Authority's Law Department certify in writing to the Port Authority's Board of Commissioners that any proposed expenditure of the Port Authority's funds presented to the Board for approval is legally authorized and, with respect to any expenditure of Port Authority funds exceeding Fifty Million Dollars provide the Board of Commissioners with a legal opinion that such expenditure is legally authorized."

In addition to the SEC investigation described above, over the last several years the Port Authority has received subpoenas and requests for documents from the United States Attorney's Office for the District of New Jersey, the District Attorney of the County of New York, the New Jersey Legislative Select Committee on Investigation and the New Jersey State Ethics Commission in connection with certain investigations. The Port Authority believes that such investigations are concluded or inactive with respect to the Port Authority.

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.

Certain Information Pertaining to this Appendix A and the Port Authority

The information and expressions of opinion in this Appendix A are subject to change without notice after June 12, 2017, and future use of this Appendix A shall not otherwise create any implication that there has been no change in the matters referred to in this Appendix A since June 12, 2017.

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 Section IV hereof, "*Pertinent Statutes and General Resolutions*" and Section III hereof, "*Bonds, Notes and Other Obligations*.") Such statutes and resolutions should be studied in connection with this Appendix A 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 Appendix A may be made to the office of the Treasurer, The Port Authority of New York and New Jersey, 4 World Trade Center, 150 Greenwich Street, 19th Floor, New York, N.Y. 10007, Tel. No. (212) 435-7700, during regular business hours.

DESCRIPTION OF THE PORT AUTHORITY AND ITS FACILITIES

Management

Board of Commissioners

The Board of Commissioners of 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, 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

MICHAEL D. FASCITELLI–July 1, 2016
Founder–MDF Capital

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

JEFFREY H. LYNFORD–July 1, 2019
President and CEO–Educational Housing Services, Inc.

VACANT–July 1, 2018

VACANT–July 1, 2020

VACANT–July 1, 2021

NEW JERSEY*

JOHN J. DEGNAN, *Chairman*–July 1, 2019

RICHARD H. BAGGER–July 1, 2018
Executive Vice President, Corporate Affairs and Market Access–Celgene Corporation

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

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

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

CAREN Z. TURNER–July 1, 2022
Chief Executive Officer–Turner Government and Public Affairs

* On March 13, 2017 the New Jersey State Senate confirmed Kevin O'Toole as a Commissioner of the Port Authority, effective July 2, 2017.

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.

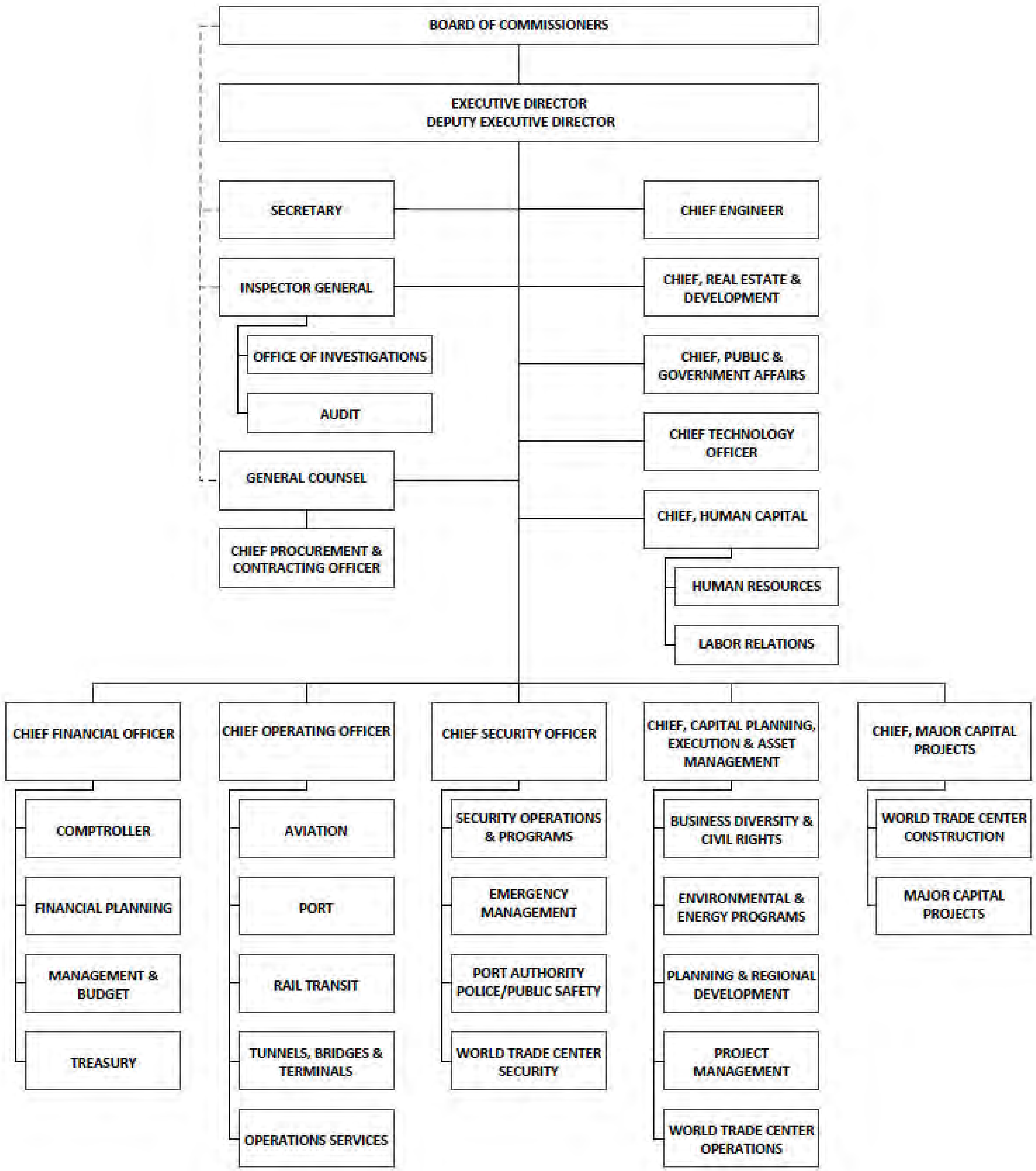
Patrick J. Foye is Executive Director; Karen E. Eastman is Secretary; Michael Farbiarz is General Counsel; Elizabeth M. McCarthy is Chief Financial Officer; Daniel G. McCarron is Comptroller; Cheryl Yetka is Treasurer; George Anderson is Director of World Trade Center Security; John Bilich is Acting Chief Security Officer; Molly Campbell is Director of Port; Ana Carvajalino is Director of the Office of Financial Planning; Janet Cox is Director of Management and Budget; Michael B. DeGidio is Director of Security Operations and Programs; Jose B. Febrillet is Director of the Project Management Office; Michael A. Fedorko is Director of Public Safety and Superintendent of Police; Cedrick Fulton is Director of Tunnels, Bridges and Terminals; Robert Galvin is Chief Technology Officer; Mary Lee Hannell is Chief of Human Capital; Huntley Lawrence is Director of Aviation; Andrew Levine is Director of Audit; Andrew Lynn is Director of Planning and Regional Development; Michael Marino is Director of Rail Transit; Michael G. Massiah is Chief of Capital Planning, Execution and Asset Management; Hugh McCann is Director of World Trade Center Operations; Gerard McCarty is Director of the Office of Emergency Management; Michael Nestor is Inspector General; Steven Pasichow is Director of the Office of Investigations; Steven P. Plate is Chief of Major Capital Projects; Alan Reiss is Director of World Trade Center Construction; James Starace is Chief Engineer; Virginia Trubek is Director of Operations Services; Lillian Valenti is Chief Procurement and Contracting Officer; and Christine Weydig is Director of the Office of Environmental and Energy Programs.

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.

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.

Prior to assuming positions with the Port Authority: Mr. Anderson, who became the Director of World Trade Center Security in October 2015, was most recently Vice President of Operations-Manhattan for AlliedBarton Security, and prior thereto was an Assistant Chief in the New York City Police Department, where he had a 30-year career; Mr. Bilich, who became the Acting Chief Security Officer in December 2016, was most recently First Deputy Chief Security Officer of the Port Authority from March 2015 to December 2016, prior thereto was Chief Investigator for Brooklyn District Attorney Kenneth Thompson, and has 33 years of law enforcement experience including positions as Chief Investigator for Manhattan District Attorney Cyrus Vance Jr., the Deputy Commissioner of Public Safety in the New York State Division of Criminal Justice, and Deputy Commissioner of Operations for the New York City Police Department, where he had a 24-year career; Ms. Campbell, who became Director of Port in July 2015, was most recently Director of Financial Management Systems at Los Angeles World Airports for the City of Los Angeles, and prior thereto served at the Port of Los Angeles, where she joined as Chief Financial Officer in 2000 and was appointed Deputy Executive Director in 2007; Mr. Farbiarz, who became General Counsel in October 2016, was most recently a Senior Fellow at New York University School of Law, and prior thereto was Assistant U.S. Attorney for the Southern District of New York, where he served for 10 years, and prior thereto was employed by the New York law firm Davis Polk & Wardwell LLP from 2001 to 2004; 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; 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



Staffing Levels

The Port Authority and PATH budget for calendar year 2017 includes 7,147 permanent employee positions. In addition, New York New Jersey Rail, LLC has 12 employees, and the Port Authority's other related entities have no employees.

Certain Ongoing Port Authority Governance Initiatives

By letter dated May 6, 2014, the Governors of the States of New York and New Jersey advised the Board of Commissioners that they were forming a bi-State Special Panel on the Future of the Port Authority (the "Special Panel"), to review and evaluate reforms of the Port Authority's mission, structure, management, operations and overall governance for the betterment of the region. The Special Panel released a report on December 26, 2014, which was endorsed by the Governors of the States of New York and New Jersey on December 27, 2014, recommending both a comprehensive overhaul of the governance of the Port Authority, with a single Chief Executive Officer selected by and accountable to the Board of Commissioners replacing the current positions of Executive Director and Deputy Executive Director and a reorganization of the leadership of the Board of Commissioners, and a recommitment to the Port Authority's core transportation mission. On February 19, 2015, the Board of Commissioners endorsed, in concept, the six core structural and strategic recommendations of the Special Panel, organized in two categories: "Governance and Accountability" and "Mission and Stewardship of Assets"; and established a Special Panel Implementation Office to coordinate the implementation of these recommendations. The "Governance and Accountability" recommendations include (i) reorganizing the leadership of the Board of Commissioners and the executive management of the Port Authority to increase accountability and foster regional focus in its day-to-day operations; and (ii) continuing reforms to promote a culture of transparency and ethical conduct at the Port Authority. The "Mission and Stewardship of Assets" recommendations include (iii) refocusing the Port Authority's mission statement, strategic vision and capital plan to return the Port Authority to its core mission of facilitating the efficient movement of people and goods through the region; (iv) revitalizing the Port Authority's core transportation assets, including LaGuardia Airport ("LaGuardia Airport"), John F. Kennedy International Airport ("JFK Airport") and Newark Liberty International Airport ("Newark Airport"), the Port Authority Bus Terminal, Port Commerce and PATH; (v) phasing out real estate ownership and development as an element of the Port Authority's mission; and (vi) employing innovative and flexible financing techniques to increase operational flexibility and financing capacity while maintaining the Port Authority's high standing in the credit markets. The Board of Commissioners also authorized the Chairman and Vice Chairman of the Board of Commissioners to engage an executive search firm to assist the Port Authority in identifying candidates for the position of Chief Executive Officer of the Port Authority in furtherance of the implementation of the "Governance and Accountability" reorganization recommendation. The candidate search is ongoing. Additionally, in connection with the implementation of such recommendation, the Chairmanship of the Port Authority will rotate on a two-year basis once the Chief Executive Officer is in place, with the first such designation presently expected to be made by the Governor of New York. At its March 19, 2015 meeting, the Board of Commissioners adopted a plan and schedule submitted by the Special Panel Implementation Office for the implementation of the Special Panel's recommendations, and directed the Chairman and Vice Chairman of the Board of Commissioners to arrange for the implementation of such core recommendations, consistent with such approved plan and schedule. The Board of Commissioners received a final progress report in April 2016, and is considering specific actions to be undertaken in furtherance of the implementation of such recommendations.

On September 24, 2015, the Board of Commissioners took certain actions to adopt a Port Authority Recusal Policy to serve as guidelines for the members of the Board of Commissioners for the avoidance of conflicts of interest between their private interests and those of the public, as well as the appearance of a conflict.

On February 16, 2017, the Board of Commissioners took further steps to improve Port Authority governance by requiring certain senior Port Authority employees ("Port Authority Senior Leaders") to take an oath and swear or affirm in writing that he or she will discharge all Port Authority duties in conformity with the law; by expanding the process for identifying and addressing employee's and officer's potential conflicts of interest; and by eliminating an impediment to employee participation in workplace investigations of potential misconduct.

Code of Ethics and Financial Disclosure

The Port Authority's Code of Ethics and Financial Disclosure (the "Ethics Code") 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.

Certain Port Authority Financial Information

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, based upon financial projections developed as part of the Port Authority's planning process, does not in itself authorize any specific expenditures, which are authorized from time to time by, or are contemplated by other actions of, the Board of Commissioners 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. (See "*Additional Facilities, Capital Improvements and Certain Programs—Certification in Connection with Additional Facilities*," and "*—Certain Additional Projects Under Study*" in this Section II.)

On December 8, 2016, the Board of Commissioners approved a 2017 annual budget (the "2017 Budget") of $7.4 billion. The 2017 Budget includes $3.1 billion in operating expenses and $2.9 billion in capital investment, with the remaining amount of $1.4 billion covering debt service, and deferred and other expenses. The operating expenses budget, which increased by 3.1 percent from the 2016 budget, funds ongoing operations, maintenance and security at all Port Authority facilities and provides for the first full year of operations at the World Trade Center Transportation Hub, retail complex and other World Trade Center facilities which opened in phases in 2016. Before consideration of the additional costs of operating and maintaining newly completed portions of the World Trade Center, and contractual five-year step increases in rents for certain Port Authority facilities, the 2017 Budget represents an increase in operating expenses of 1.3 percent. The 2017 Budget includes funding to maintain safe and secure facilities through investment in new technology and infrastructure and employment of best practices for security. The 2017 Budget provides for increased salaries based on market indicators, increased pension and healthcare costs for existing and retired employees based on actuarial evaluations, as well as workforce training and succession planning initiatives which include two additional police classes for a total of 250 recruits to address staff turnover, retirements and new workload, and operations and maintenance training programs.

The $2.9 billion 2017 capital budget provides funds to maintain critical transportation facilities at the region's airports, seaports, tunnels, bridges, terminals and PATH system, as well as the continued redevelopment of the World Trade Center. Further, the capital budget provides continued funding for several major ongoing projects that will modernize and revitalize critical transportation assets for the bi-state region. These projects include the rehabilitation of the George Washington Bridge, the on-going Terminal B Redevelopment Project at LaGuardia Airport, the construction of a new ship-to-rail facility at Greenville Yard to enhance the movement of cargo, the PATH Signal System Replacement Program, the Bayonne Bridge Navigational Clearance Program, which will provide clearance for larger, modern container ships which began calling the port in 2016, the Goethals Bridge Replacement, and the Harrison PATH Station Renovation. In addition to delivering these projects already under construction and maintaining assets in a state of good repair, the capital budget provides funding for, among other things, the continued planning for the long-term replacement of the Port Authority Bus Terminal, replacement of Newark Airport's Terminal A and advancing the redevelopment efforts of JFK Airport and an AirTrain system at LaGuardia Airport.

2017 Annual Budget Compared to 2016 Actual Expenditures

The 2017 Budget provides for estimated expenditures totaling $7.4 billion, representing an increase of $549 million from 2016 actual expenditures. The estimated operating expenses of $3.1 billion in the 2017 Budget reflect an increase of $100 million or 3% when compared to 2016 actual operating expenses. This increase includes the cost of contractual increase in payments to municipalities hosting Port Authority facilities as well as full year operations of the World Trade Center Transportation Hub and retail complex and phase in of additional World Trade Center site components. Deferred and other expenditures of $160 million set forth in the 2017 Budget are $95 million higher than actual deferred and other expenditures for calendar year 2016 primarily due to the purchase of additional ancillary equipment, including operations and maintenance equipment, information technology software and hardware, and vehicle replacements.

The estimated debt service of $1.2 billion in the 2017 Budget is $13 million higher than actual debt service for calendar year 2016 primarily due to higher scheduled interest and principal payments on Consolidated Bonds, Variable Rate Master Notes and Commercial Paper obligations.

The estimated capital expenditures of $2.9 billion in the 2017 Budget are 13% higher compared to the actual capital expenditures of $2.6 billion for calendar year 2016. This increase is primarily driven by timing of spending for aviation projects including redevelopment projects at LaGuardia Airport and Newark Airport.

2016 Operating Results

The Port Authority's net operating revenues (as defined in the Consolidated Bond Resolution) for the year ended December 31, 2016 totaled $2.1 billion, an increase of $280 million, or 15% higher than the year ended December 31, 2015.

Gross operating revenues of $5.2 billion, increased $341 million or 7.1% from 2015. Toll revenue at the Port Authority's six vehicular crossings increased $142 million, primarily due to the final scheduled toll increases that became effective in December 2015 and a 2.4% increase in vehicular traffic. Rental revenue increased $117 million or 8.1% when compared to 2015, primarily due to increases in fixed rentals and percentage rentals at the World Trade Center, due to increased occupancy at One World Trade Center, including the World Trade Center observation deck which opened to the public in 2015, and aviation facilities, primarily due to fixed rent increases in certain terminal lease agreements. Operating expenses of approximately $3 billion, increased 3.9% when compared to 2015, primarily due to increases in employee compensation, including increases in certain actuarially determined costs related to Other Post Employment Employee Benefits and pension benefits provided to employees as well as increases in employee compensation related to heightened security at aviation facilities, the World Trade Center site and the training of additional police officers. Partially offsetting these increases were decreases in snow and ice removal activities, utility consumption and supply charges at Port Authority facilities, due to milder weather conditions.

2017-2026 Capital Plan

On February 16, 2017, the Board of Commissioners adopted a ten-year, 2017-2026 capital plan (the "2017-2026 Capital Plan"). The 2017-2026 Capital Plan, which totals $32.2 billion includes $29.5 billion in direct spending on Port Authority facilities, and support of debt service payments on $2.7 billion of Gateway Program Development Corporation low-cost borrowing for Phase 1 of the Gateway Program, subject to facility certification (see "*The Gateway Program*" in this Section II). The 2017-2026 Capital Plan was developed using a comprehensive planning process and risk-based prioritization that considered asset condition, operational and revenue impact, threat assessment, customer service, regional benefit, and regulatory or statutory requirements and long-term affordability of the plan. The comprehensive planning process includes an annual assessment of the factors that impact the continuing operations of the Port Authority's facilities, such as contractual, municipal lease and other relationships, as well as the regional needs, customer demands and industry specific business environments. These factors provide inputs to the Port Authority's integrated financial model, which is used to determine the capital capacity for the ten-year period and the size of the capital plan. This capital capacity is then allocated to the various projects under consideration using a comprehensive risk-based approach. In determining funding allocation, the first priority was to ensure sufficient funds to deliver the projects that are currently in construction. Next, funds were allocated to maintain assets in full operational capacity and provide for projects required by law or for security purposes. Finally, funds were allocated to provide for projects that will restore and fortify assets damaged by Superstorm Sandy, and to other high priority projects that will expand and improve critical transportation assets.

The 2017-2026 Capital Plan includes the following four categories: (1) Renewing Port Authority assets to maintain them in a state of good repair, so that the Port Authority can continue providing infrastructure that is efficient, reliable, and safe. This category includes the "Restoring the George" construction program at the George Washington Bridge, as well as projects to rehabilitate runways at JFK Airport, and to replace the Lincoln Tunnel Helix, and represents $8.8 billion in spending. (2) Expanding capacity, improving connectivity, and advancing the region's transportation needs by, among other things, funding investments with respect to a replacement for the Port Authority Bus Terminal; redevelopment of Terminals C and D and related infrastructure at LaGuardia Airport; redevelopment of JFK Airport; redevelopment of Terminal A at Newark Airport; a new AirTrain connecting LaGuardia Airport to Willets Point; and an extension of the PATH rail infrastructure from the existing terminus at Newark Penn Station to a station adjacent to the Northeast Corridor Rail Link Station, at Newark Airport, representing $11.1 billion in spending. (3) Partnering with federal and regional entities to restore infrastructure that was damaged by Superstorm Sandy, to enhance resiliency, and to plan for the future, in the amount of $4.7 billion. This category also includes the Port Authority's support of the Gateway Program. (4) Delivering projects that are currently under construction, including: supporting the Terminal B Redevelopment Project at LaGuardia Airport; making upgrades to the Harrison and Grove Street PATH stations, and to a port and rail cargo facility at Greenville Yard–Port Authority Marine Terminal; and completing other large projects, such as the Bayonne Bridge Navigational Clearance Program, the Goethals Bridge Replacement, the PATH Signals Replacement Program (including positive train control) and the World Trade Center site, in the amount of $7.6 billion. Within this structure, the 2017-2026 Capital Plan provides $11.6 billion for aviation projects, $10 billion for tunnels, bridges and terminal projects, $4.4 billion for PATH projects, $1.1 billion for port projects, and $1.8 billion for World Trade Center site projects.

The 2017-2026 Capital Plan is a blueprint for future spending, and does not supplant the Board of Commissioners' authorization process for specific projects and contracts. As part of the February 16, 2017 authorization, the Board of Commissioners confirmed the process by which performance, plan progress and revisions to reflect changes in programs, policies and projects and the environment in which the Port Authority operates will occur. The Committee on Capital Planning, Execution and Asset Management, and the Committee on Finance will continue their current practice of monitoring quarterly capital expenditures and capital capacity. In addition, at least every two years the Board of Commissioners will reassess the

2017-2026 Capital Plan in light of then-current information as to capital capacity and the progress of capital projects, and determine whether there will be sufficient resources to: (1) invest in projects during the remaining period of the 2017-2026 Capital Plan at roughly the pace and the cost that has been planned, and (2) fund necessary expenditures in the subsequent ten-year period. If the Board of Commissioners cannot make this determination, it shall modify the 2017-2026 Capital Plan to ensure that these two conditions can be met and to maintain a balanced plan. In addition, the Board of Commissioners directed Port Authority staff to enhance its “gates” management process for determining when construction may begin on a given capital project set out in the 2017-2026 Capital Plan. This process shall include, among other things, consideration of: the revenue-generating potential and capital capacity impact of the capital project; the relative priority of the project; and the overall capital capacity of the Port Authority. The enhanced gating process provides natural break points in a project’s life cycle, to either continue or modify a specific project. Gate 1 occurs during planning authorization, and ensures proper project definition, scoping and prioritization. Gate 2 occurs during project authorization, and ensures the appropriate level of project development (cost, schedule and scope), and validation of available capacity prior to proceeding to final design. Gate 3 occurs during contract authorization and ensures project compliance with existing budget and authorization, and validation of available capacity prior to proceeding to construction phase. If in the Board of Commissioners’ judgment there is not sufficient capital capacity to complete a project, or other priorities arise, then: (1) construction shall not begin; (2) other projects shall be deferred, eliminated, or modified to the point that there is sufficient capital capacity, at which point construction may begin; or (3) the Board of Commissioners shall consider other fiscally-prudent alternatives, taking into account such factors as revenues, expenses, and anticipated project costs. In determining whether there is sufficient capital capacity, consideration shall be given to steps to reduce expenses (“Savings”), as well as to projected revenue increases and anticipated receipt of proceeds from either third-party grants or monetization of Port Authority assets (collectively, “Additional Funding”), but only to the extent that such Savings and Additional Funding are, in the judgment of the Board of Commissioners, highly likely to be realized.

Proceeds of Bonds, Notes and Other Obligations

Periodically, in connection with the Port Authority’s capital program projections, the Board of Commissioners 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.

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 June 12, 2017, variable rate obligations outstanding were approximately 2.25% of such total aggregate principal amounts.

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 or its Committee on Finance. (See Note A(3)(k), Note C(3) and Note E in Appendix I hereto.)

Operations

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 $2.8 billion. Studies are currently underway at affected facilities to fully ascertain any latent damage caused by salt water intrusion, 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.

Operating and Construction Costs

It is expected that costs with respect to individual Port Authority facilities will continue to increase and that there will be an increasing need for capital investment for the renovation or rehabilitation of existing and additional facilities in order for the Port Authority to continue to maintain appropriate levels of service. Construction costs in connection with Port Authority facilities are subject, among other items, to the effects of national and regional economic conditions and the nature of governmental regulations with respect to transportation, security, commerce, energy and environmental permits and approvals and environmental impact analyses. Port Authority operating revenues are also subject to the effects of national and regional economic conditions, including fuel availability and costs, labor and equipment costs and the nature of federal legislation, governmental regulations and judicial proceedings with respect to transportation, security, commerce, energy and environmental protection. Port Authority operating revenues and capital requirements may also be affected by enacted or proposed reductions in various federal programs. Additionally, resolution of existing matters and associated proceedings (certain of which are described herein), or those which arise during the course of construction or operation of Port Authority facilities, including those pertaining to environmental conditions and channel improvements and dredging, the costs for which are not presently quantifiable, may result in substantial delays in such construction and may give rise to substantially increased costs to the Port Authority.

On May 22, 2014, the City of Jersey City, N.J. ("Jersey City") instituted an action in the United States District Court for the District of New Jersey against the Port Authority and PATH seeking, among other things, (i) an order declaring that the Port Authority is not entitled to unqualified tax exemptions on property it owns in Jersey City and directing it to pay all back taxes due and owing on properties not subject to payment-in-lieu-of-taxes agreements; (ii) an order directing the Port Authority to enter into payment-in-lieu-of-taxes agreements with respect to all properties it owns in Jersey City and precluding the Port Authority from constructing any industrial project or facility in Jersey City until said agreements have been entered into; (iii) reformation of the existing payment-in-lieu-of-taxes agreements to increase the payments and set definite terms; and (iv) an order declaring that the properties owned by the Port Authority which are not used for a public purpose be subject to real estate taxes. In this action, Jersey City alleges that the Port Authority properties in Jersey City would yield $18 million in annual real estate taxes and would have yielded more than $315 million in additional taxes during the period of Port Authority ownership. The Port Authority disputes Jersey City's allegations in this matter and intends to vigorously defend the Port Authority's position under the applicable law, including but not limited to the provisions of the bi-State legislation pertaining to the Port Authority's facilities and those pertaining to the Port Authority's immunity from taxes and payment-in-lieu of such taxes.

Certain Information With Respect to Security Initiatives at Port Authority Facilities

The Port Authority has undertaken various initiatives with respect to security at its facilities, in certain cases pursuant to the requirements of federal legislation. The implementation of these security initiatives may involve additional capital and/or operating costs to the Port Authority. Certain of these costs have been reimbursed through various federal programs.

Pursuant to the terms of the Aviation and Transportation Security Act, 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 JFK Airport, LaGuardia Airport and Newark 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 directed that a Port Authority Security Department be established with centralized control over all Port Authority security functions, programs, resources and personnel, including the Port Authority Police Department, and that this new department be headed by a Chief Security Officer ("CSO").

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. Further, the addition of new Port Authority police officers has increased the law enforcement presence and response capabilities at Port Authority facilities. A dedicated cadre of aircraft rescue and fire fighting ("ARFF") personnel has been assigned to the Port Authority's aviation facilities. ARFF training, led by an ARFF Fire Chief reporting to the CSO and supported by an ARFF Training and Certifications Deputy Fire Chief, has also been significantly enhanced, with a focus on improved records management.

Additionally, the Port Authority has launched a comprehensive cyber security program, which includes risk assessment, asset inventory, and network infrastructure monitoring efforts that will improve cyber security, as well as increase education, prevention, detection, mitigation and recovery efforts related to cyber threats. Finally, the World Trade Center ("WTC") Director of Security, reporting to the CSO, is responsible for a multi-layered security program that employs the use of sound operational strategies and security technology solutions. The program ensures that the key elements of the WTC campus security plan that were jointly developed by the Port Authority and the New York City Police Department are effectively implemented at the site.

Insurance

The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities and those under construction to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering deductibles, retentions, and exceptions or exclusions of portions of facilities and the scope of insurable hazards. A portion of the insurance under the programs described below is provided by the Port Authority's captive insurer, the Port Authority Insurance Captive Entity, LLC ("PAICE") (see "*Port Authority Insurance Captive Entity, LLC*" in this Section II).

Property Damage and Loss of Revenue Insurance Program

The property damage and loss of revenue insurance program on Port Authority facilities (which was renewed effective June 1, 2017 and expires on June 1, 2018) applies to all Port Authority facilities, excluding the World Trade Center (except for the area of the PATH station inside the fare zone), with program limits of $1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards. Property damage and loss of revenue insurance on the operating portions of the World Trade Center[1] and related infrastructure is provided in a separate program (which was renewed effective June 1, 2017 and expires on June 1, 2018) with program limits of up to $500 million per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards covering all Port Authority assets at the site and excess limits of $2 billion on One World Trade Center and $1.5 billion on the World Trade Center Transportation Hub, Vehicular Security Center and other assets. The Port Authority also purchased terrorism insurance with respect to its facilities (which was renewed effective June 1, 2016 and expires on June 1, 2018), excluding the World Trade Center, with limits of $1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions and exclusions for certain hazards; and for the operating portions of the World Trade Center (which was renewed effective March 31, 2017 and expires on June 1, 2018), with limits of $5 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and exclusions for certain hazards. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2015 ("TRIPRA")[2] and commercial reinsurance.

Public Liability Insurance Programs

The public liability insurance program for Port Authority aviation facilities (which was renewed effective October 27, 2016 and expires October 27, 2017) applies to such facilities with program limits of $1.25 billion per occurrence and in the aggregate, subject to certain deductibles and retentions, and insurance for aviation war risk, which includes terrorism, and which has no deductible.

The public liability insurance program for "non-aviation" facilities (which was renewed effective October 27, 2016 and expires October 27, 2017) applies to such facilities, including components of the World Trade Center[1], with program limits of $1.0 billion per occurrence and in the aggregate, subject to certain deductibles and retentions. Terrorism insurance with respect thereto totals $300 million, which is insured through PAICE and reinsured through TRIPRA[2] and commercial reinsurance.

Construction Insurance Programs

The Port Authority's World Trade Center Owner Controlled Insurance Program applies to the portions of the World Trade Center under construction with program limits for construction liability of $150 million per occurrence. Builder's Risk coverage for the remaining construction at the site is provided under the WTC Property Operational Insurance program, with limits of $2.5 billion.

[1] The Port Authority's insurance programs do not provide coverage for World Trade Center Towers 2, 3, 4 (except for the Port Authority's Tower 4 leased space), Tower 5, the World Trade Center Memorial/Museum and the net leased retail components (except for certain retail infrastructure) of the World Trade Center site. Coverage for these assets is the responsibility of the net lessees.

[2] Under TRIPRA, the formula established in 2015 provides that the federal government reinsures 85% of certified terrorism losses in 2015 (and decreases its reinsurance incrementally by 1% per year for the next five years), subject to aggregate industry insured losses of at least $100 million in 2015 (which increases incrementally by $20 million per year for the next five years) and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of $100 billion. For calendar year 2017, under the formula established in 2015, no federal payments would be made under this program until the aggregate industry insured losses from acts of terrorism exceed $140 million. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 140% of the amount of federal payments for insured losses during that calendar year.

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all other Port Authority facilities under construction (which was renewed effective June 1, 2017 and expires June 1, 2020) with program limits for builders' risk of $50 million per occurrence, subject to certain deductibles, retentions, and sub-limits on certain hazards, construction general liability insurance with program limits of $50 million per occurrence, and statutory workers' compensation coverage, which do not have a deductible. PAICE provides portions of the construction general liability and statutory workers' compensation insurance. The Port Authority also maintains builders' risk and terrorism coverage, with respect to the Bayonne Bridge Navigational Clearance Program (which were purchased effective October 1, 2013 and expire September 1, 2017), each with a program limit of $743 million per occurrence and comprehensive general liability insurance (which was purchased effective June 1, 2017 and expires June 1, 2020) with program limits of $50 million per occurrence and in the aggregate in excess of the $50 million coverage described above.

Port Authority Insurance Captive Entity, LLC

On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the "Port Authority Insurance Captive Entity, LLC," for insuring certain risk exposures of the Port Authority. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business in connection with workers compensation, general liability, builders' risk, property and terrorism insurance coverages for the Port Authority. With the passage of TRIPRA[1], PAICE assumed coverage for acts of terrorism under the Port Authority's public liability, builders' risk, and property damage and loss of revenue insurance programs. PAICE also insures certain components of the Port Authority's workers' compensation and wrap-up contractors' insurance programs. Certain elements of PAICE's insurance portfolio are reinsured by TRIPRA[1] and commercial insurers.

Certain 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. The Port Authority participates in the E-ZPass® Interagency Group, now known as the E-ZPass® Group, which currently includes various public agencies, including the Port Authority, and certain private toll operators in various states, including New York and New Jersey, in connection with the implementation of a regional electronic toll collection system.

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. The Federal-Aid Highway Act of 1987, which retained the just and reasonable requirement of the 1906 Act, has applied to tolls on Port Authority bridges. 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"), with the last scheduled increases taking effect on December 6, 2015. The current toll is $15.00 for automobiles paying with cash, $24.00 for buses carrying 10 or more people paying with cash and $21.00 per axle for vehicle classes 2-6 paying with cash. Tolls are

[1] See footnote 2 on previous page.

discounted for users of the E-ZPass® electronic toll collection system, including additional discounts for certain "off-peak" and weekday overnight hours and for users of the Port Authority Carpool Plan, Staten Island Bridges Plan, and the "GreenPass" discount program available to qualifying pre-registered low-emission vehicles with a green E-ZPass® tag. On February 16, 2017, the Board of Commissioners amended the 2011 Tolls Schedule to discontinue the Port Authority Carpool Plan at the Bayonne Bridge due to the commencement of cashless tolling at the Bayonne Bridge, as there will not be toll collectors to verify the number of passengers in the vehicle (see *"Bayonne Bridge"* in this Section II).

Consistent with applicable statutory provisions and in the effectuation of the Port Authority's obligations to and for the benefit of the holders of its bonds, on January 4, 2008, the Executive Director of the Port Authority was authorized and directed by the Board of Commissioners 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 Section IV hereof, "*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 (the "AAA Litigation") 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. On November 18, 2016, the District Court granted the Port Authority's motion for summary judgment and dismissed the plaintiffs' claims in their entirety. The time period for the plaintiffs to appeal the decision has expired. The District Court's judgment is now final.

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 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. On December 23, 2013, the plaintiff filed an amended complaint with the District Court. The action was stayed. On March 20, 2017, the District Court lifted the stay of proceedings that was previously granted, and set a schedule for supplemental briefing on the Port Authority's motion to dismiss on the dormant Commerce Clause claim only. The Port Authority disputes the plaintiff's allegations in the matter described above and is vigorously defending the Port Authority's position that the 2011 Tolls Schedule does not violate the dormant Commerce Clause.

Holland Tunnel

The Holland Tunnel, which opened to traffic in 1927 and control of which was vested in the Port Authority in 1931, 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 consists of two traffic lanes.

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. Each of its three tubes consists of two traffic lanes. 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 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. See discussion of Roadway Projects under "*SEC Settlement and Certain Other Matters*" in Section I hereof.

George Washington Bridge

The George Washington Bridge, which opened to traffic in 1931, is a fourteen-lane, two-level suspension bridge over the Hudson River joining upper Manhattan and Fort Lee, N.J. 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 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 January 1963, the George Washington Bridge Bus Station was placed in operation. Located in the Washington Heights section of Manhattan, the Bus Station was constructed as part of the George Washington Bridge improvement. In July 2011, the Port Authority executed agreements with a private developer in connection with a project to redevelop the Bus Station, as well as a net lease of the retail areas therein. The redevelopment project consists of upgrading and consolidating bus operations, modernizing the Bus Station to provide for more efficient operations, and increasing the retail space within the Bus Station. The redevelopment of the George Washington Bridge Bus Station is expected to be fully completed during 2017.

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 accommodates four lanes of vehicular traffic.

On August 13, 2009, the Board of Commissioners 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, which was completed in mid-2016. On April 24, 2013, the Board of Commissioners 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. Construction, which commenced in June 2013, is currently expected to be complete in mid-2019, with increased navigational clearance achieved by June 30, 2017. This schedule may result in an increase in total project costs of approximately 25%. On February 20, 2017, a portion of the new elevated roadway was opened, which accommodates one lane of traffic in each direction. In connection therewith, the existing toll plaza was taken out of service, and was replaced with a cashless toll collection operation.

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).

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 consisting of two spans, with a total of six twelve foot wide travel lanes, twelve foot wide outer shoulders, and five foot wide inner shoulders, that will improve safety, alleviate congestion, and accommodate future traffic growth. Pursuant to the Project Agreement, the private developer will perform certain operation and maintenance work, and the Port Authority will retain control over the toll collection system, including its operation and maintenance. On November 8, 2013, the private developer obtained certain financing for the construction of the Replacement Bridge through the issuance by the New Jersey Economic Development Authority of $460,915,000 in tax exempt private activity bonds, and a Transportation Infrastructure Finance and Innovation Act ("TIFIA") direct loan in the amount of $473,673,740 (excluding capitalized interest) from the United States Department of Transportation, acting by and through the Federal Highway Administration. Construction activities commenced in December 2013. According to the private developer's monthly construction progress report for April 2017, substantial completion of the Replacement Bridge is presently expected to occur in the first quarter of 2019, and project completion, including the demolition of the existing bridge, is presently expected to occur in the third quarter of 2019. However, because this preliminary schedule includes assumptions that have not yet been vetted or settled, and because the private developer has responsibility to mitigate schedule impacts, Port Authority staff presently expects substantial completion of the Replacement Bridge to occur in the first quarter of 2018, and project completion, including the demolition of the existing bridge, to occur in the fourth quarter of 2018. On June 9, 2017 the existing Goethals Bridge was permanently taken out of service and on June 10, 2017 the first span of the Replacement Bridge opened to traffic.

Pursuant to the Project Agreement, the Port Authority will make milestone payments to the private developer in the aggregate amount of $150,000,000 upon satisfactory achievement of certain milestones during the construction of the Replacement Bridge. Upon the substantial completion of the Replacement Bridge, the Port Authority is required to make a payment to the private developer in the amount of $1,019,867,421, subject to certain adjustments. In lieu of a cash payment at that time, the developer will extend a loan in that principal amount to the Port Authority, to be repaid in monthly payments of principal and interest (the "DFA Payments") over the term of the Project Agreement, which has a scheduled expiration date on the thirty-fifth anniversary of the substantial completion date of the Replacement Bridge. The DFA Payments are subject to certain deductions for non-compliance by the private developer with the terms of the Project Agreement. The DFA Payments are a special obligation of the Port Authority, payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes, or from net revenues (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. For purposes of the Project Agreement, "net revenues" are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution. Payment of the DFA Payments is subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund statutes. The Port Authority's payment of the DFA Payments is not secured by or payable from the General Reserve Fund. Additionally, the Port Authority's special obligation with respect to the DFA Payments does not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority. The Port Authority is also required to pay the private developer a monthly capital maintenance payment and a monthly operational maintenance payment, which are also subject to certain deductions for non-compliance by the private 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, which opened at the same time as the Goethals Bridge, 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), providing access to Long Island via the Verrazano-Narrows Bridge. The bridge accommodates four lanes of vehicular traffic.

Port Authority Bus Terminal

The Port Authority Bus Terminal (the "Bus Terminal"), which occupies approximately one and one-half city blocks between West 40th and West 42nd Streets and between Eighth and Ninth Avenues in midtown Manhattan, one block west of Times Square, began operations in December 1950. The Bus Terminal has two passenger mixing and distribution levels and three automobile parking levels, and serves both commuter and long-haul intercity 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. 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.

On July 25, 2014, the Board of Commissioners authorized the implementation of a "Quality of Commute" improvement program to provide for short-term improvements at the Bus Terminal, consisting of projects to improve on-time performance and customer service with a total program cost of $90 million. The Port Authority also conducted a Midtown Manhattan bus master planning study from 2013 to 2015 to assess options for replacing the Bus Terminal to meet the growing demand for terminal gates and bus parking facilities. The study also evaluated funding options, including the sale of unused Port Authority development rights at the Bus Terminal and on the roadways that connect to the Lincoln Tunnel. The study produced a number of original concepts, which were subsequently screened through several rounds of analyses and vetting against the master plan objectives to select the top five design concepts that best fulfilled the objectives of the effort. In addition, a Working Group of selected Commissioners was established, with a mandate to examine a broad range of approaches for the replacement of the Bus Terminal and to identify the most promising alternative for consideration by the full Board of Commissioners. At its October 22, 2015 meeting, the Board of Commissioners, based in part on the Working Group's recommendations, directed the Executive Director to conduct an international design competition (the "Design and Deliverability Competition") soliciting conceptual designs for a new bus terminal. In addition, the Board of Commissioners directed that a request for proposal be issued for performance of a

Trans-Hudson Commuting Capacity Study. On March 24, 2016, in light of the Working Group's recommendation, the Board of Commissioners committed, in establishing the Port Authority's 2017-2026 Capital Plan, which encompasses both revenues and expenditures, to allocate funds for the construction of a new Port Authority Bus Terminal, to be located on the West Side of Manhattan, in an amount sufficient to accommodate the anticipated future capacity needs of the new Port Authority Bus Terminal, which will be informed by the results of the Design and Deliverability Competition and Trans-Hudson Commuting Capacity Study, with the understanding that no bus terminal will be built in New Jersey. An international panel of experts was created to evaluate, compare and analyze the concepts submitted by fifteen entrants into the Design and Deliverability Competition. That group was narrowed to five entrants, which submitted illustrative ideas on design and deliverability for the new terminal. On September 22, 2016, the findings and recommendations of the Trans-Hudson Commuting Capacity Study were presented to the Board, and on October 20, 2016, the panel presented its findings with respect to the Design and Deliverability Competition in a report to the Board. It is presently expected that the Board of Commissioners will continue its evaluation of the reports as planning is advanced.

On February 16, 2017, the Board of Commissioners authorized (1) the first phase of a comprehensive planning effort for the advancement and further definition of capital projects related to the development of a replacement for the Port Authority Bus Terminal, located on the West Side of Manhattan, including planning for support facilities, such as bus parking and storage facilities; and (2) planning for potential intermediate bus staging and storage facilities and other initiatives for the efficient operation of the interstate bus network, including the existing Port Authority Bus Terminal facility, at a total estimated aggregate cost for (1) and (2) of $70 million.

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 (currently referred to as the "Port Authority Trans-Hudson System" or "PATH"). 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 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 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 the Hudson Tubes railroad and equipment, 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 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. 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 are described at "*World Trade and Economic Development*" in this Section II.

PATH provides mass transit services through a rail rapid transit system with an operating fleet of approximately 350 air-conditioned passenger cars, all of which were replaced between 2005 and 2012. PATH is undertaking a replacement and upgrade of its signals system to allow for automatic train control, including implementation of a Positive Train Control System. PATH has also commenced initiatives to allow for 10-car train operations on the Newark to World Trade Center service line, from the current eight-car trains, and the replacement of the Harrison Station to accommodate such operations. The ongoing PATH safety program includes installation of improved tunnel and station ventilation systems, emergency access/egress stairways and additional standpipe systems.

The Port Authority is also continuing the modernization of PATH's trackage, signal system, power system, stations and other facilities of the former Hudson Tubes. Developments at the Journal Square terminal area in Jersey City completed by the Port Authority include rehabilitation and extension of platforms to accommodate 10-car trains, a new area for the distribution of passengers on and off PATH and to and from buses, a consolidated bus station, a multi-level parking area for more than 600 automobiles and an 11-story PATH administration building (known as the "Journal Square Transportation Center").

The PATH fare schedule was revised effective on September 18, 2011, with the last scheduled increases taking effect on October 1, 2014. The current PATH base fare for a single trip is $2.75. Fares are discounted for seniors and multi-trip tickets. PATH SmartLink unlimited passes are currently available as a 1-day unlimited pass for $8.25; a 7-day unlimited pass for $29.00; and a 30-day unlimited pass for $89.00.

It is anticipated that PATH will continue to generate annual operating deficits in future years. The annual operating deficit, representing the difference between operating revenues and the sum of direct and allocated operating expenditures, depreciation and amortization, but not including debt service, financial income, grants and contributions in aid of construction, increased to $414,768,000 in 2016 from $410,451,000 in 2015. The increase in the operating deficit in 2016 from 2015 was primarily due to an increase in operating expenses for maintenance, operational support and insurance premiums, including operating expenditures related to the World Trade Center Transportation Hub which opened to the public in March 2016. 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.

Moynihan Station Transportation 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 I of the redevelopment of the James A. Farley United States Post Office Building into a new rail transportation facility serving the New York and New Jersey Region. Construction began in September 2012, and the following elements of Phase I are scheduled for completion in 2017: 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, new subway stairs, and structural support and an enclosure for a new platform ventilation system under the Farley Building. Phase II will involve the construction of a new train hall to be located in the Farley Building, along with public circulation space, waiting areas, space for Amtrak operations, certain non-public support spaces, and retail space immediately surrounding the train hall and waiting areas. The Port Authority has entered into an agreement with MSDC to provide certain consulting and management services in connection with the Phase I redevelopment. In November 2016, the agreement was amended to include Phase II work.

On March 24, 2016, the Board of Commissioners authorized the Executive Director to arrange for a study of proposals for the Port Authority to participate further in the redevelopment of the Farley Building into an intermodal transportation center, through a commitment of up to $150 million to the project, with such arrangement to provide one or more of the following: (1) enhanced airport access for passengers and others using JFK Airport and Newark Airport; (2) enhanced services for PATH commuters; and/or (3) for other purposes consistent with existing legislation and agreements with the holders of the Port Authority's obligations. Following an examination of proposals, on September 22, 2016, the Board of Commissioners authorized the Executive Director, on behalf of the Port Authority, to provide, at the request of the State of New York, a one-time financial contribution of $150 million to the State of New York, acting through New York State Urban Development Corporation d/b/a Empire State Development and/or its subsidiary MSDC, to advance the Moynihan Station Transportation Program, a project to redevelop the James A. Farley United States Post Office Building and its Western Annex into a new transportation facility serving the New York and New Jersey region, to be known as Moynihan Station. On February 16, 2017, the Board of Commissioners certified the Moynihan Station Transportation Program as an additional facility of the Port Authority in an aggregate amount not to exceed $150 million, and authorized the issuance of Consolidated Bonds for purposes which include capital expenditures in connection with the Moynihan Station Transportation Program.

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 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.

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 2016, JFK Airport, LaGuardia Airport and Newark Airport handled approximately 129 million passengers, an increase of approximately 5.1% from 2015. In 2016, Stewart International Airport ("Stewart Airport") handled approximately 275,421 passengers, a decrease of approximately 2.2% from 2015.

Airlines operating at JFK Airport, LaGuardia Airport and Newark 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 Airport expires in 2018. The flight fee arrangements for JFK Airport and LaGuardia Airport expire in 2023.

Beginning in 1992, the Federal Aviation Administration ("FAA") has granted applications submitted by the Port Authority in connection with the imposition and use of passenger facility charges established under federal law ("PFCs") at LaGuardia Airport, JFK Airport and Newark Airport, and, as of May 17, 2010, at Stewart Airport, to be collected by the airlines on behalf of the Port Authority, and to be expended by the Port Authority for certain authorized projects of the Port Authority. Pursuant to federal law the collection and expenditure of the PFCs requires prior approval of the FAA and is restricted to PFC eligible projects. Most recently, on December 23, 2016, the FAA approved Port Authority applications to impose and to use PFCs at JFK Airport, Newark Airport, LaGuardia Airport and Stewart Airport, at the current rate of $4.50 per enplaned passenger to fund new projects. Future applications would be submitted by the Port Authority to the FAA for authority to continue PFC collection at the airports for eligible airport-related capital construction and planning projects.

From time to time, certain members of Congress have considered the repeal of the provisions of the Federal Airport and Airway Improvement Act of 1982 that exempt the Port Authority from prohibitions on certain uses of airport revenues. In connection therewith, the Port Authority has generally pointed out that Congress and the United States Department of Transportation have repeatedly looked at the financial practices of the small number of airports that may legally use airport revenues for non-airport governmental purposes and found that they had good reasons for doing so. In the Port Authority's case, those reasons are functions of several New York and New Jersey statutes and bond covenants requiring pooling of surplus Port Authority revenues to facilitate the financing and effectuation of its facilities, including the airports.

Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters

The Port Authority operates JFK 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. Under the lease agreement, annual rentals, which are payable in equal monthly installments, shall be equal to the greater of the minimum annual rental as described below or 8% of the Port Authority's gross revenues from JFK Airport and LaGuardia Airport for such year. Gross revenues include all revenues arising out of JFK 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 JFK 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.

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 JFK Airport, which will continue to be facilities of the Port Authority. In October 2014, the Governor of the State of New York launched a design competition to transform and modernize LaGuardia Airport and JFK Airport, and established an Airport Advisory Panel with expertise in business, planning and the local community to advise him and the Port Authority on the top airport redesigns (see "*LaGuardia Airport*" and "*John F. Kennedy International Airport*" in this Section II).

Federal Aviation Administration Congestion Management

In an effort to deal with ongoing over scheduling and flight delays during peak hours of operation at JFK Airport, LaGuardia Airport and Newark Airport, the FAA has published a series of rulemaking, in 2006 at LaGuardia Airport, and in 2008 at JFK Airport and Newark Airport, to establish operational caps at each airport which restrict the number of scheduled operations per hour (arrivals and departures) during peak hours. The FAA has extended the caps on scheduled operations at the airports several times through subsequent rulemaking. Most recently, the FAA issued a Notice of Extension to Order, on May 24, 2016 with respect to JFK Airport, and on May 25, 2016 with respect to LaGuardia Airport, in each case maintaining the current cap on operations per hour, for certain hours, at each of the airports and extending the dates of the current orders until October 27, 2018.

On April 6, 2016, the FAA published a "Change of Newark Liberty International Airport (EWR) Designation" that changed the designation of Newark Airport from a Level 3 slot controlled airport to a Level 2 schedule facilitated airport under the International Air Transport Association Worldwide Scheduling Guidelines. The change to a Level 2 schedule facilitated airport was effective as of October 30, 2016 starting with the Winter 2016 scheduling season. Level 2 schedule facilitated airports do not have slot controls but instead are subject to coordinated flight scheduling managed by the FAA. Under the Level 2 designation at Newark Airport, the FAA requests and reviews airline schedules for the 6 a.m. to 10:59 p.m. period and either approves the request or works with carriers to achieve schedule adjustments as needed to avoid exceeding the airport's capacity. 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 680 acres in area. Opened under New York City operation in December 1939, it has been leased since June 1, 1947, together with JFK Airport, to the Port Authority by the City of New York. LaGuardia Airport has two 7,000-foot runways, and currently four terminals in operation: Terminal A (an air shuttle passenger terminal with six contact gate positions), Terminal B (a passenger terminal with thirty-five contact gate positions, which is currently being redeveloped as described below), Terminal C (a unit airline passenger terminal with twenty-one contact gate positions) and Terminal D (a unit airline passenger terminal with ten contact gate positions). LaGuardia Airport also currently has three hangars in operation (Hangars 1, 3 and 5), and a patron parking structure.

The Airport Advisory Panel created by the Governor of the State of New York in the third quarter of 2014 (see "*Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters*" in this Section II) has made preliminary recommendations for potential future improvements at LaGuardia Airport, including an overarching vision to unify the current disparate central area terminals into a single, unified, architecturally consistent airport.

On March 24, 2016, the Board of Commissioners authorized a program for the redevelopment of certain components of LaGuardia Airport in order to remedy the functional inefficiencies of LaGuardia Airport's Terminal B and related facilities and position LaGuardia Airport to meet the needs of the 21st Century (the "LGA Redevelopment Program"), consisting of a number of elements described below. A LaGuardia Airport Capital Infrastructure Renewal Program consisting of several projects, some of which have been previously authorized by the Board of Commissioners, and most of which have been completed or are nearly complete, was implemented to service immediate and long-term infrastructure needs at LaGuardia Airport, including airfield improvements, roadways, a new East End substation and East End Garage. The LGA Redevelopment Program also includes the Terminal B redevelopment project ("Terminal B Redevelopment Project"), consisting of the design, finance, construction, operation and maintenance of a new Terminal B ("New Terminal B") and related facilities at LaGuardia Airport under a public-private partnership with LaGuardia Gateway Partners LLC ("LGP"), a private consortium. In addition, LGP will design and construct certain supporting infrastructure on behalf of the Port Authority, including the West Garage, as well as design, construct, operate and maintain a new Central Hall located between the New Terminal B and a future redeveloped Terminal C, as further described below. Based on prior Board of Commissioners authorizations since 2004 in the aggregate amount of $1.01 billion and the March 24, 2016 authorizations, the Port Authority's investment toward the LGA Redevelopment Program will be approximately $3.5 billion, which together with private sector funding from LGP of approximately $1.8 billion for the design and construction of the New Terminal B, will lead to a total of approximately $5.3 billion in connection with the LGA Redevelopment Program. On June 1, 2016, the Port Authority and LGP executed a lease for the operation and maintenance of the existing Terminal B, and for the design, construction, finance, operation and maintenance of the New Terminal B facilities, for a term commencing on June 1, 2016 through December 30, 2050, and a lease for the Central Hall, for a limited term of seven years from substantial completion of the Central Hall.

On July 21, 2016, the Board of Commissioners authorized the Port Authority to make certain capital expenditures for airport infrastructure and contribute to certain other capital investments in an aggregate amount not to exceed $600 million, in connection with the design and construction by Delta Air Lines, Inc. ("Delta") of a new 37-gate Terminal C & D (the "New Terminal") at a projected aggregate cost of approximately $4 billion (such design and construction, the "Redevelopment of Terminals C and D Project"), subject to the Board of Commissioners' further approval of the terms and conditions of a long-term lease agreement, incorporating the terms and conditions of the development of the Redevelopment of Terminals C and D Project, as well as other related agreements. The New Terminal is expected to connect with the Central Hall and the New Terminal B, be located closer to the Grand Central Parkway than Delta's existing terminals to increase airside space, and be consistent with the Airport Advisory Panel's recommendations for LaGuardia Airport. On January 5, 2017, the Board of Commissioners authorized the Port Authority to enter into an amended and restated lease agreement for the Redevelopment of Terminals C and D Project, subject to finalization of the lease agreement on terms and provisions substantially consistent with Board of Commissioners' approval. The lease agreement will be for a term expiring on December 30, 2050 and will govern the design, construction and financing by the lessee of the New Terminal and related facilities, as well as certain off-premises facilities (such as an expanded parking garage, improved roadways and a new electrical substation), and the operation and maintenance of the New Terminal and the existing terminals C and D at LaGuardia Airport until demolition of such existing facilities. It is presently anticipated that the lease will be executed during 2017, following reauthorization by the Board of Commissioners, and project completion is currently estimated to occur in 2026.

On February 16, 2017, the Board of Commissioners authorized preliminary planning work to determine the constructability, and operational and financial feasibility of an AirTrain system at LaGuardia Airport, at a total estimated cost of $20 million. In addition, the Board of Commissioners authorized the Port Authority to submit an application to the FAA to collect and expend up to $20 million in PFCs to recover expenditures associated with such planning work.

John F. Kennedy International Airport

Opened on July 1, 1948, JFK Airport is located in the southeastern section of Queens County, New York City, on Jamaica Bay. JFK 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 active cargo buildings, and a cogeneration facility integrating an installation for the generation of electrical energy with the airport's central heating, refrigeration plant and thermal distribution system, are also located on the airport. The four major runways now in use range in length from approximately 8,400 feet to 14,600 feet. On December 17, 2003, an automated light rail system ("JFK AirTrain") linking the terminals in the Central Terminal Area with each other and with existing transit lines in Jamaica, Queens and Howard Beach, Queens, respectively, to provide exclusive airport access for passengers and others using the airport, became operational. A significant portion of the costs of the JFK AirTrain project have been provided through the application of PFCs. On September 28, 2016, the Port Authority and a developer, Flight Center LLC, entered into a lease agreement for the development and operation of a full-service hotel containing approximately 500 guest rooms at the site of the TWA Flight Center at JFK Airport.

On January 4, 2017, the Airport Advisory Panel (see "*Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters*" in this Section II) issued a report entitled "A Vision Plan for John F. Kennedy International Airport" (the "JFK Vision Plan"), which included recommendations to modernize JFK Airport for the 21st century. On February 16, 2017, the Board of Commissioners authorized a Port Authority planning effort to develop a master plan, and additional conceptual planning work to support future airport development at JFK Airport, at an estimated total cost of $50 million. The master planning work would focus on a comprehensive, airport-wide framework for transforming JFK Airport into a unified, world-class airport, following upon recommendations included in the JFK Vision Plan, addressing challenges that include: the creation of an interconnected terminal layout; a redesign of the on-airport traffic pattern; centralization of the parking lots; expansion of taxiways; the addition of world-class amenities; and the use of state-of-the-art security technology. The Port Authority's master planning effort would address these challenges, while also informing specific development areas through feasibility and conceptual planning studies, including studies of the airport terminals, cargo facilities, airport roadways, parking, JFK AirTrain, airfield capacity, supporting utility infrastructure, and aeronautical improvements. Near-term development opportunities at JFK Airport would be guided by the Port Authority's master plan and supporting conceptual studies on tangentially related development areas, such as roadway design, parking, utilities and aeronautical improvements. The Board of Commissioners also authorized the Port Authority to submit an application to the FAA to collect and expend up to $50 million in PFCs to recover expenditures associated with such planning effort.

Newark Liberty International Airport

Newark 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 Airport consists of three passenger terminals and three runways, ranging in length from approximately 6,800 feet to 11,000 feet. Additionally, six hangars, ten air cargo buildings (including an express package handling and sorting facility), a flight kitchen facility, and a 590-room hotel, are located at 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.

The Port Authority and the City of Newark entered into agreements dated as of January 1, 2002 pertaining to Newark 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. These agreements currently provide for the Port Authority to pay a combined base rental equal to 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. 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.

The Port Authority and the City of Elizabeth have also entered into service/operating agreements directly relating to the portion of the airport located in the City of Elizabeth. On May 30, 2001, the Port Authority entered into an agreement amending such service/operating agreements to provide for annual payments to the City of Elizabeth to be increased from $1,000,000 to $3,000,000 beginning January 1, 2001 and continuing through 2031. Additionally, on May 23, 2001, the Port Authority entered into a lease and easement agreement with the City of Elizabeth with respect to certain additional property required for airport operations, for a term expiring on May 1, 2051, subject to a renewal option for an additional 50 years, providing for the City of Elizabeth to receive an initial payment in 2001 of $3,410,000, annual rentals of approximately $480,000, and, for the first 10 years of the lease, at least $800,000 annually in parking tax revenues.

On March 24, 2016, the Board of Commissioners authorized a program for the redevelopment of Terminal A at Newark Airport ("Terminal A Redevelopment Program"), at an estimated total program cost of $2.3 billion, with a current authorized expenditure of up to $196.3 million to implement certain critical path elements of the Terminal A Redevelopment Program. Funding for other elements of the Terminal A Redevelopment Program is subject to future authorization by the Board of Commissioners. The Terminal A Redevelopment Program includes a new approximately 1-million-square-foot, modern terminal building with 33 aircraft gates and a 3,000-space parking garage complex with convenient connections to the terminal and AirTrain at Newark Airport. The Port Authority is currently conducting a request for proposals process for a developer to design and build the new Terminal A.

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 827 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, 2020.

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-three hangars. 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, N.J., 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 Airport, located in the Towns of Newburgh and New Windsor, N.Y., consists of approximately 2,466 acres of land with one 11,818-foot runway, one 6,000-foot runway, a terminal with 8 passenger gates, 14 hangars, and a 192-acre industrial park located on the northwest side of the airport. Legislation passed by the State of New York in 1967 authorized the Port Authority to establish one additional air terminal in New York and one additional air terminal in New Jersey outside of the Port District, with the site of each such terminal to be approved by the governor of the state in which the air terminal is located. In May 2007, New Jersey enacted a statute identical in scope to the New York legislation (the New York and the New Jersey legislation, collectively, the "1967/2007 Airport Legislation"). On October 12, 2007, the Governor of the State of New York approved Stewart Airport as the additional air terminal in New York outside the Port District. On October 31, 2007, the Port Authority became the lessee of the airport under a lease with the State of New York, acting by and through the New York State Department of Transportation, for a term expiring on April 1, 2099. A private airport operator retained by the Port Authority is responsible for day-to-day airport operations and maintenance, subject to direct Port Authority oversight and control, under an agreement expiring on April 30, 2019.

Atlantic City International Airport

Atlantic City International Airport ("Atlantic City Airport") 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, N.J. 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 Atlantic City Airport. 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. Atlantic City Airport 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. Atlantic City Airport 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.

On March 18, 2013, pursuant to the 1967/2007 Airport Legislation, the Governor of the State of New Jersey approved Atlantic City Airport as the additional air terminal in New Jersey outside the Port District. On March 20, 2013, the Board of Commissioners authorized the Port Authority, subject to certification of Atlantic City Airport as an additional facility of the Port Authority (see "*Additional Facilities, Capital Improvements and Certain Programs—Certification in Connection with Additional Facilities*" in this Section II), to enter into an agreement with SJTA to operate and maintain Atlantic City Airport, with an option to purchase SJTA's interests in Atlantic City Airport.

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 Atlantic City Airport, which will be provided at the direction and under the supervision of SJTA until Atlantic City Airport is certified as an additional facility of the Port Authority (see "*Additional Facilities, Capital Improvements and Certain Programs—Certification in Connection with Additional Facilities*" in this Section II). 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 Atlantic City Airport. 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.

Atlantic City Airport 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 Atlantic City Airport 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. The World Trade Center, located on the lower west side of Manhattan, is comprised of approximately 16 acres, bounded generally by Church Street on the east, Liberty and Cedar Streets on the south, West Street on the west and Vesey and Barclay Streets on the north. The original World Trade Center, which consisted of five office towers, a United States Customs House building, a hotel, and a retail concourse and transportation hub below the Austin J. Tobin Plaza, 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 will consist of five office towers, approximately 456,000 square feet of retail space, a World Trade Center Transportation Hub, a memorial and interpretive museum, a Greek Orthodox Church, cultural facilities and certain related infrastructure. The Port Authority owns fee title to the World Trade Center site and net leases portions of the site to the various stakeholders with interests therein.

At the time of the destruction of the original World Trade Center, separate bankruptcy-remote single purpose entities formed by Silverstein Properties, Inc. ("Silverstein Properties") held net leases for four of the destroyed office towers and a bankruptcy-remote single purpose entity formed by an affiliate of Westfield America, Inc. ("Westfield") held a net lease for the retail concourse. In November 2006, the Port Authority acquired back from Silverstein Properties the rights with respect to One World Trade Center and Tower 5. On June 13, 2011, Port Authority and The Durst Organization (through entities formed by such parties) entered into various agreements to create a joint venture relating 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. The other office net lessees (the

"Silverstein net lessees"), indirectly owned by Silverstein Properties, are responsible for developing three office towers (Tower 2, Tower 3 and Tower 4) on the eastern portion of the World Trade Center site, comprising, in the aggregate, approximately 6.2 million square feet of office space.

One World Trade Center contains approximately 3.0 million square feet of commercial office space and an indoor observation deck. As of June 1, 2017, the Port Authority has leased (i) approximately 2.04 million square feet of office space at One World Trade Center, representing approximately 68% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100th through 102nd floors of One World Trade Center for an observation deck.

A December 2010 World Trade Center Amended and Restated Master Development Agreement ("MDA"), among the Port Authority, PATH, and the office and retail net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction at the World Trade Center site, including the allocation of construction responsibilities and costs among 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, and they are also required to 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 to achieve reasonable certainty of timely project completion.

Also in December 2010, the Port Authority, as tenant, entered into an amended space lease with the Tower 4 Silverstein net lessee, as landlord, for approximately 600,000 square feet of office space with an initial term of 30 years and four 5 year renewal options. In November 2014, such space lease was further amended to provide for the surrender by the Port Authority of two floors to the Tower 4 Silverstein net lessee. Tower 4 was substantially completed in October 2013. In February 2015, the Port Authority's executive offices returned to the World Trade Center site, at Tower 4. As of June 1, 2017, 2.06 million square feet of space in Tower 4 has been leased, representing approximately 92% of the leasable office space.

Additionally, in December 2010, the Port Authority entered into certain agreements with the Tower 4 Silverstein net lessee, providing for the Port Authority's participation in the financing for Tower 4. In October 2011, to address certain concerns raised by certain beneficial holders of Consolidated Bonds, the Board of Commissioners supplemented prior authorizations with respect to the structure for the Port Authority's participation in the Tower 4 financing. 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 (the "Tower 4 Liberty Bonds"), with the Port Authority's payment of debt service on the Tower 4 Liberty Bonds (net of fixed rent paid or payable under the City of New York's Tower 4 space lease described below) to be made solely from the sources of payment described below. Additionally, the Tower 4 Silverstein net lessee has the right to defer its payments of net rent payable under the Tower 4 net lease and the application of the free rent periods available to the Port Authority under the Port Authority's Tower 4 space lease, 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 Silverstein net lessee has exercised its right to defer certain Tower 4 net lease rent payments to the Port Authority effective November 2016.

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 Tower 4 Silverstein net lessee, the Port Authority and a third party banking institution entered into an account control agreement pursuant to which the revenues derived from the operation of Tower 4 (excluding the fixed rents paid or payable under the City of New York's Tower 4 space lease, which have been assigned by the Tower 4 Silverstein net lessee 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 Tower 4 Silverstein net lessee granted a first priority leasehold mortgage on the net lease for Tower 4 to the Port Authority; assigned all Tower 4 space leases and rents (other than the City of New York's Tower 4 space lease and the fixed rents paid or payable thereunder); and assigned Tower 4 developmental and operational contracts to the Port Authority.

As noted above, the Tower 3 Silverstein net lessee is required to construct the Tower 3 podium, with the construction of the office tower to follow. The Tower 3 podium was substantially completed to the extent required under the MDA in December 2013. Following its execution of a lease with GroupM for 516,000 square feet in Tower 3 in late 2013, the Tower 3 Silverstein net lessee commenced construction of Tower 3 above the podium in 2014. To assist the Tower 3 Silverstein net lessee in the construction of Tower 3 following satisfaction of certain triggers, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (as subsequently amended in 2014, the "Tower 3 Support Agreement") providing for the investment of $210 million of Port Authority operating funds for the construction of the tower and a backstop of $390 million for certain obligations described below. 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 Support Agreement for a total reimbursement of $400 million. Under the Tower 3 Support Agreement, the Tower 3 Silverstein net lessee 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. Pursuant to the Tower 3 Support Agreement, the Tower 3 Silverstein net lessee, the Port Authority and a third party banking institution entered into an account control agreement pursuant to which the revenues derived from the operation of Tower 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 Support Agreement. In addition, to provide additional security for repayment to the Port Authority under the Tower 3 Support Agreement, the Tower 3 Silverstein net lessee assigned to the Port Authority various contracts in connection with the development and construction of Tower 3, together with all licenses, permits, approvals, easements and other rights of the Tower 3 Silverstein net lessee, granted a first priority pledge of all of the ownership interests in the Tower 3 Silverstein net lessee to the Port Authority and granted a subordinated mortgage on the leasehold interest created under the Tower 3 net lease.

In order to maintain the World Trade Center site's redevelopment progress and continue to balance private sector development with public sector support, on June 25, 2014, the Board of Commissioners authorized certain amendments to the Tower 3 Support Agreement and other agreements related to Towers 2, 3 and 4. Under the amendment to the Tower 3 Support Agreement, (i) the Port Authority would provide the $210 million for the construction of Tower 3 as a landlord capital improvement, and (ii) the $390 million of backstop funding would be provided for (x) construction overruns and certain leasing cost overruns through landlord capital improvements, (y) operating expense deficits and certain leasing cost overruns through the Tower 3 Silverstein net lessee's right to defer payments of rent to the Port Authority under the net lease with respect to Tower 3, and (z) senior debt service shortfalls, by the Port Authority as a special limited co obligor on the senior debt issued for Tower 3, subject in each case to the overall backstop limit of $390 million. As a special limited co obligor with respect to the senior debt issued for Tower 3, the Port Authority would, subject to the overall backstop limit, and only in the event that the Tower 3 Silverstein net lessee did not have sufficient funds remaining to make such payment, pay debt service on the senior debt issued for Tower 3 from "net revenues" (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due. Under the amendment to the Tower 3 Support Agreement, "net revenues" would be defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after (i) payment or provision for payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution. The Port Authority's payments of debt service on the senior debt issued for Tower 3 would not be payable from the General Reserve Fund, and the payment thereof would be subject in all respects to payment of debt service on Consolidated Bonds, as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes. The Port Authority's obligation with respect to the payment of such debt service would not create any lien on, pledge of, or security interest in, any revenues, reserve funds or other property of the Port Authority.

Pursuant to agreements between the Port Authority and the Silverstein net lessees, the Silverstein net lessees shall apply their remaining insurance proceeds to the construction, leasing and development of Towers 3 and 4 and the payment of rent under the net leases. Additionally, the Liberty Bonds allocated to the Silverstein net lessees would be fully allocated in connection with the construction of Towers 3 and 4 with no Port Authority support contemplated for Tower 2.

Through a series of transactions between the Port Authority and Westfield, the Port Authority has been involved in the planning for the restoration of the retail components of the World Trade Center and the construction of such retail components. A Westfield entity net leases such retail components from the Port Authority for a nominal annual amount. As a result of such transactions, the Port Authority presently expects, subject to the completion of construction of the premises covered by the retail net lease, to receive from Westfield payments totaling up to $1.4 billion. In the event that retail space is built above grade in the Tower 2 podium, Westfield would have the option to pay an additional amount to be determined at such time to add such space to its net leased retail premises. The Port Authority continues to be responsible for the construction of the retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for its construction.

The World Trade Center Transportation Hub

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 authorized the World Trade Center Transportation Hub project, and construction of the World Trade Center Transportation Hub commenced on September 6, 2005. On October 18, 2012, the Board of Commissioners reauthorized 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, and ratified an agreement with the FTA to increase federal funding from $1.921 billion to a maximum of $2.872 billion for the project. On March 3, 2016, the World Trade Center Transportation Hub Oculus and underground pedestrian connections to certain mass transit lines opened to the public and on August 16, 2016, the retail portions opened to the public.

World Trade Center Infrastructure Projects

In addition to the World Trade Center Transportation Hub, the Port Authority continues to advance planning and design for various infrastructure projects toward full buildout of the World Trade Center site, including streets and utilities, a central chiller plant, and electrical infrastructure that will support the operations of the World Trade Center site. A vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities is operational to support the commercial development throughout the World Trade Center site at a cost of approximately $670 million. The World Trade Center's Liberty Park was opened to the public on June 29, 2016. Liberty Park is an approximately 1-acre elevated green space, located atop the vehicular security center, providing seating and views of the World Trade Center site. Liberty Park provides a pedestrian route from Greenwich Street connecting with the Brookfield Place South Bridge at West Street.

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 (which was destroyed in the attacks of September 11, 2001) 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 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, was responsible for construction of certain below grade infrastructure required for the Church to construct its building at the 130 Liberty Street location. On October 18, 2012, the Port Authority and the Church entered into a project development agreement for the design and construction of the below grade infrastructure required for the Church to construct its building at the 130 Liberty Street location; construction by the Church of its building commenced in August 2015.

The Memorial at the World Trade Center Site

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 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 World Trade Center Memorial Plaza opened for public access on September 11, 2011. The Museum opened to the public on May 21, 2014.

Newark Legal and Communications Center

The Newark Legal and Communications Center Urban Renewal Corporation ("NLCCURC") was formed in 1988 by the Port Authority to effectuate 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 (the "Newark Legal and Communications Center").

On December 21, 2001, the NLCCURC entered into a net lease with respect to the Newark Legal and Communications Center with Matrix One Riverfront Plaza LLC ("Matrix"). The net lease is for a term of 50 years, with four 10-year renewal options and one 8-year 11-month 28-day renewal option. During the term of the net lease, the net lessee will pay to the NLCCURC, in addition to a $36 million payment made upon the commencement of the net lease, (i) base rent, the amount of which is graduated upward in 5-year bands over the term of the net lease, starting at approximately $1.58 million annually, and (ii) the amount, if any, by which 10% of the net operating income, as defined in the net lease, for such year exceeds the base rent payable in such year. On December 4, 2013, after determining that the Newark Legal and Communications Center was no longer required for the purposes for which it was acquired, the Board of Directors of the NLCCURC authorized the President of the NLCCURC to enter into an agreement providing for the phased transfer of the NLCCURC's interests in the Newark Legal and Communications Center to Matrix Affiliate, LLC ("MAL"), an affiliate of Matrix, in exchange for a total aggregate payment of approximately $42 million, subject to certain adjustments.

The Commissioners of the Port Authority serve as the Directors of the NLCCURC, and Patrick J. Foye is its President.

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 Airport. The marine terminal includes wharves, approximately 23,600 lineal feet of deep water ship berths, eleven 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 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 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 developed the 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 is approximately 9,000 feet long and 800 feet wide. There are 39 container cranes serving fully equipped container-ship berths consisting of 16,934 lineal feet of wharf situated on Elizabeth Channel and Newark Bay with a mean low water depth of 35 to 50 feet, which provide modern, efficient facilities for steamship lines and export-import shippers. Within the terminal are 4 cargo distribution buildings with approximately 1.2 million square feet of space, and approximately 15 ancillary and miscellaneous service structures. The terminal is served by CSX Transportation Inc. and Norfolk Southern Railway Company which offer ship-to-rail transfer at the 70-acre ExpressRail terminal.

A foreign trade zone (Foreign Trade Zone 49) has been established by the United States Department of Commerce and presently includes, in addition to other sites and sub-zones in New Jersey, all of the Port Newark/Elizabeth-Port Authority Marine Terminal complex, the Port Authority Industrial Park at Elizabeth and the Port Jersey-Port Authority Marine Terminal.

Greenville Yard-Port Authority Marine Terminal

The Greenville Yard-Port Authority Marine Terminal is located in Jersey City, N.J., adjacent to the Port Jersey-Port Authority Marine Terminal. The facility currently occupies approximately 32 acres of land and pier area, in addition to riparian land. Approximately 5 acres of this facility is occupied by a single private tenant using this facility for the storage of barges and dredging equipment. The remaining 27 acres, along with certain riparian rights, are leased by New York New Jersey Rail, LLC (see "*Railroad Freight—New York New Jersey Rail, LLC*" in this Section II) from the Consolidated Rail Corporation for cross harbor rail freight operations. On September 17, 2014, the Board of Commissioners authorized a program to provide for the redevelopment of the Greenville Yard-Port Authority Marine Terminal into a modern, multi-modal freight rail terminal, at a total estimated cost of $356 million, with approximately $320 million of such costs to be provided by the Port Authority and approximately $36 million of such costs to be provided by the Consolidated Rail Corporation and Global Terminal and Container Services, LLC ("Global").

Port Jersey-Port Authority Marine Terminal

The Port Jersey-Port Authority Marine Terminal is 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., and supports broad based marine terminal uses including container terminal, dry dock, cruise terminal, and warehouse operations.

On June 23, 2010, the Port Authority acquired approximately 100 acres of property from Global, which was contiguous to the original facility and has been incorporated into the expanded facility, and entered into a 37-year lease with Global which, among other things, provides up to $150,000,000 to Global for certain terminal capital improvements, and up to $7,500,000 to Global for the permitting, mitigation and development of a 4.5 acres wetlands area within the leased property.

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former Military Ocean Terminal at Bayonne from the Bayonne Local Redevelopment Authority. 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.

Brooklyn-Port Authority Marine Terminal

The Brooklyn-Port Authority Marine Terminal 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 122 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 Brooklyn Cruise Terminal is located at Pier 12, and Pier 11 is subleased to a beverage distributor.

The Port Authority entered into an agreement with the City of New York and the State of New York on December 18, 1979, for construction and operation of a container terminal (the "Red Hook Container Terminal") comprised of a portion of the existing Brooklyn-Port Authority Marine Terminal and approximately 10 acres of land adjacent to the facility. The City of New York and the State of New York paid for the initial construction costs of the Red Hook Container Terminal. The Port Authority is responsible for operating it under a 50-year agreement with the City of New York and the State of New York that expires in 2036. The Red Hook Container Terminal was later expanded 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. The construction of a berth extension and the performance of certain terminal improvements at the Red Hook Container Terminal has been allocated against moneys made available through the Regional Economic Development Program (see Note H (Regional Facilities and Programs) in Appendix I hereto). A private terminal operator now manages a portion of the container terminal pursuant to an operating agreement expiring September 30, 2018, subject to certain termination rights of each party effective on October 1, 2015. This agreement covers the 66 acres of the Red Hook Container Terminal as well as 30 acres at Port Newark which supports a container-on-barge service between the two locations.

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.

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 "*Railroad Freight—New York and New Jersey Railroad Corporation*" in this Section II) 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.

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, N.J., 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, 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. On November 30, 2000, the Board of Commissioners authorized an increase in the Port Authority's commitment with respect to this facility, bringing the Port Authority's total commitment to $128,000,000 for this facility.

Queens West Waterfront Development Facility

In October 1992, the Port Authority, the Empire State Development Corporation ("ESDC"), the City of New York, and 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 authorized an increase 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 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 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 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 "*Air Terminals—Certain Information With Respect to the Lease Relating to the New York City Airports and Other Related Matters*" in this Section II). 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.

Railroad Freight

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 "*Marine Terminals—Howland Hook Marine Terminal*" in this Section II.) 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, N.J., which is now a part of the Greenville Yard-Port Authority Marine Terminal and which functions as an interchange facility for freight to and from the National Railroad System.

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, N.J.; 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.

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. In March 1981, the Board of Commissioners 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 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.

Bathgate Industrial Park

On February 22, 1982, the Port Authority, the City of New York and the New York City Public Development Corporation ("PDC") (now known as the "New York City Economic Development Corporation" ("NYCEDC")), entered into an agreement for the development of the project on land owned by PDC in the Bronx, N.Y. A portion of the Port Authority's capital costs with respect to this facility have been reimbursed by PDC. The agreement extends until October 19, 2020, with an option for 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 are leased to various tenants involved in light manufacturing, distribution and institutional use under leases expiring generally in or before 2020. An office and support center has been constructed on a one-block portion of an additional four-block site.

On March 24, 2016, the Board of Commissioners authorized certain agreements between the Port Authority and the City of New York, NYCEDC and a buyer, National Resources ("NRE"), as necessary or appropriate to effectuate the sale and assignment of the Port Authority's lease of the Bathgate Industrial Park with NYCEDC to NRE, including an agreement for consent to assignment with NYCEDC. Pursuant to the transaction, NRE would pay the Port Authority an estimated $16.5 million to purchase the leasehold, subject to certain closing adjustments.

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 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.

Teleport

The Teleport, originally designed and operated as a regional satellite communications center, is located in a portion of New York City's Staten Island Industrial Park and was leased to the Port Authority by the City of New York in June 1984 for a term ending in May 2024. The Teleport has evolved over the years from a primarily exclusive data center environment to that of a mixed-use industrial park, consisting of data centers and support operations, commercial office space, and educational facilities. The Teleport's fiber optic network was specifically designed for office space at the Teleport, and includes a link to the World Trade Center site.

On February 18, 2016, the Board of Commissioners authorized the amendment of the Port Authority's lease with the City of New York to provide for the surrender of an approximately nine acre portion of the 100 acre leasehold, for the purpose of a sale to a developer, and an agreement with NYCEDC to divide the $3.6 million proceeds of the sale evenly between the Port Authority and NYCEDC. The lease amendment and sale is contingent upon, and will take place after, a successful Uniform Land Use Review Procedure ("ULURP") and certain other contingencies, but must take place by year-end 2017, unless otherwise extended by the Port Authority and NYCEDC.

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, and was developed pursuant to an agreement between the Port Authority, Essex County and the City of Newark. The plant processes municipal solid waste and produces thermal and electrical energy. In 2016, the plant accepted approximately 959,954 tons of municipal solid waste, approximately 40% of which was generated by Essex County.

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, and the Port Authority and Essex County entered into an agreement providing for the disposal at the plant of municipal solid waste originating in Essex County, which was subsequently amended, and currently expires January 31, 2022.

In July 2012, the Port Authority entered into a twenty-year waste disposal contract, which is anticipated to expire in 2032, with the City of New York for the disposal at the plant of up to 500,000 tons per year of municipal solid waste originating in New York City. Also in July 2012, the Port Authority and the private full service vendor entered into certain supplemental agreements under which the private full service vendor assumed the Port Authority's obligations under the waste disposal contract with the City of New York, and restructured certain financial obligations of the Port Authority and the private full service vendor pertaining to the plant which eliminated the Port Authority's future capital and operating expense liability at the plant, and revised the terms governing the revenue and rent paid to the Port Authority. 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.

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, N.J., 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.

Pre-development Site Acquisition Program

On October 11, 1984, the Board of Commissioners 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.

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.

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 such regional development facilities. See Note H (Regional Facilities and Programs) in Appendix I hereto. As of December 31, 2016, approximately $2.1 billion has been expended for such regional development facilities out of a total authorized amount of approximately $2.2 billion. In the Port Authority's 2017-2026 Capital Plan (see "*2017-2026 Capital Plan*" in this Section II), the Port Authority affirmed a renewed focus of investment in the Port Authority's core transportation assets, and redeployed certain other unallocated regional development funds to projects that align with the Port Authority's core mission.

The Gateway Program

On September 15, 2015, the Governors of the States of New York and New Jersey sent a letter to the President of the United States describing the critical need for a new Hudson River rail tunnel to replace the existing rail tunnel and to accommodate population growth and continued economic expansion in the region. The letter indicated that "[i]f the federal government will provide grants to pay for half of the cost of the project, the Port Authority, New York and New Jersey will take responsibility for developing a funding plan for the other half" (the "Local Share"), "[c]onvening all relevant agencies, and utilizing the proposed federal low-interest loan, local funding sources, and other funding strategies necessary to complement the federal grant commitment."

On November 12, 2015, the Governors of the States of New York and New Jersey and Senators Schumer and Booker announced that they had reached an agreement on funding commitments secured from the U.S. Department of Transportation ("USDOT") and Amtrak to cover no less than 50% of the project costs using grants and other federal funding and on a governance structure for a new trans-Hudson River tunnel, the Gateway Tunnel Project.

On December 10, 2015, the Board of Commissioners authorized the Executive Director, after consultation with USDOT and Amtrak, to report to the Board of Commissioners as soon as possible additional steps, including any further study necessary to establish a development corporation, or similar entity, to oversee construction and execution of the project, cooperate with Amtrak and USDOT on a financing plan including utilization of low interest loans under federal programs, and to facilitate the expedition of environmental and other necessary approvals.

On March 24, 2016, the Board of Commissioners authorized the Executive Director to enter into a Memorandum of Understanding with USDOT, Amtrak and New Jersey Transit Corporation to set forth a framework for the parties' activities, prior to the commencement of operations under a development corporation (which was subsequently established in November 2016 as a non-profit corporation in the State of New Jersey called the "Gateway Program Development Corporation" or "GPDC"), to advance the first phase of the Gateway Program, the elements of which include the Gateway Tunnel Project, the construction of concrete casing on the West Side of Manhattan leading to New York Pennsylvania Station to preserve the tunnel right-of-way and the replacement of the Sawtooth and Portal Bridges in New Jersey. The Board of Commissioners also authorized the Executive Director to enter into an agreement with Amtrak to reimburse Amtrak up to $35 million of preliminary engineering and planning costs incurred by Amtrak for design, development and construction of the Gateway Tunnel Project to advance environmental review and permitting for that project, as an element of the Gateway Program. The development of such information will assist the Port Authority to understand and evaluate the scope and elements of the Gateway Tunnel Project as part of the Gateway Program. The development of a funding plan for the Local Share is underway, with no determination at this time as to the financial responsibilities among the relevant parties and no determination as to the timing and amounts related to the utilization of the proposed federal low-interest loan, local funding sources, and other funding strategies.

On October 20, 2016, in support of a portion of the funding of the Portal North Bridge project component of the Gateway Program, the Board of Commissioners authorized the Executive Director of the Port Authority to enter into an agreement with GPDC or other similar entity (the "Funding Agreement"), subsequent to its incorporation, that would provide for payment by the Port Authority to GPDC of amounts equal to the scheduled annual debt service, when due without acceleration, and any fees, costs, or expenses associated with any low-interest federal Railroad Rehabilitation and Improvement Financing ("RRIF") or Transportation Infrastructure Finance and Innovation Act ("TIFIA") loan or loans to be obtained by the GPDC (the "Federal Loan"), provided that each of the following conditions are met: (i) if the principal of the Federal Loan does not exceed $284 million, the Port Authority shall pay amounts equal to the scheduled annual debt service, and if the principal of the Federal Loan exceeds $284 million, the amount of the Port Authority's contribution in partial support of the scheduled annual debt service shall not exceed the amount determined to be equal to the debt service on a Federal Loan with a principal of $284 million; (ii) the total amount paid by the Port Authority in support of any associated fees, costs or expenses, not including interest but including any credit risk premium, shall not exceed $18 million; (iii) the proceeds of the Federal Loan are used for no purpose other than the Portal North Bridge project; (iv) the Port Authority shall not be the borrower, guarantor, or co-applicant with respect to the Federal Loan; (v) the Port Authority shall not be responsible for any other payment, liability, or obligation with respect to the Project, including any possible cost overruns or project funding gaps; (vi) the terms of the Federal Loan are reasonable and appropriate for the benefit of the GPDC; and (vii) the organizational documents of the GPDC shall be acceptable to the General Counsel of the Port Authority in his sole discretion. The execution of the Funding Agreement is subject to a determination by the Port Authority that such payments are authorized by the Compact of April 30, 1921 and the statutes governing Port Authority activities.

The 2017-2026 Capital Plan includes Port Authority support of debt service payments on up to an aggregate amount of $2.7 billion of GPDC low-cost borrowing for Phase 1 of the Gateway Program, subject to facility certification (see "*2017-2026 Capital Plan*" in this Section II), inclusive of the Board of Commissioners' October 20, 2016 authorization to support GPDC's debt service payments on $284 million in borrowing for the Portal North Bridge and $18 million in issuance costs associated with such borrowing, discussed above. Pursuant to the 2017-2026 Capital Plan, the Port Authority's support is capped at the stated principal amount, and it will not be the primary obligor, nor will the Port Authority be liable for any construction completion, cost overrun or project funding risk in connection with the Gateway Program.

Port Authority participation in the Gateway Program (including the support provided for in the 2017-2026 Capital Plan) is subject to approval by the Board of Commissioners, consistent with statutory, contractual and other commitments of the Port Authority, including agreements between the Port Authority and the holders of its obligations, and the 2017-2026 Capital Plan will be monitored and reassessed on a regular basis to determine capacity for the projects listed therein (see "*Additional Facilities, Capital Improvements and Certain Programs—Certification in Connection with Additional Facilities*" and "*2017-2026 Capital Plan*" in this Section II).

Additional Facilities, Capital Improvements and Certain Programs

The Port Authority is now engaged in providing various capital improvements to certain of its existing facilities and has undertaken studies for other such improvements and for other new construction and acquisitions, which are expected to require the issuance of obligations or the provision of other capital funds by the Port Authority from time to time. These include, but are not limited to, improvements and construction outlined herein, and in some cases are in fulfillment of contractual commitments assumed by the Port Authority in leases and other agreements or are undertaken pursuant to existing legislation at the request of the two States. The estimated costs of improvements to Port Authority facilities have been revised from time to time to reflect cost increases attributable to, among other factors, lengthy strikes and other unforeseen construction delays, extraordinary inflationary increases in the cost of labor and materials, unanticipated claims by contractors, changes in project specifications and resolution of environmental matters and associated proceedings which arise during the course of construction, including those related to channel improvements and dredging. No attempt is made to enumerate all such improvements or projects under study by the Port Authority at the present time.

Certification in Connection with Additional Facilities

Agreements between the Port Authority and holders of currently outstanding Consolidated Bonds impose certain requirements on the Port Authority relative to the financing of any additional facility for the first time by Consolidated Bonds or other bonds sharing in the pledge of the General Reserve Fund. Before the Port Authority can issue any such obligations for purposes in connection with such an additional facility, it must first certify its opinion that such issuance will not, during a specified period, materially impair the sound credit standing of the Port Authority or the investment status of Consolidated Bonds or the ability of the Port Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds. Unless and until, having first made such certification, the Port Authority does in fact issue Consolidated Bonds or other bonds secured by the General Reserve Fund for purposes in connection with such an additional facility, neither the General Reserve Fund nor the Consolidated Bond Reserve Fund may be applied for purposes in connection with such additional facility.

Certain Additional Projects Under Study

The Port Authority presently has under study a number of additional projects or facilities. As stated above, no attempt is made to enumerate all projects under study by the Port Authority at the present time. The Port Authority is presently participating in evaluating certain projects or facilities under study with appropriate government officials and agencies in both States. In order for the Port Authority to undertake certain additional projects or facilities under study, in addition to authorization by the Board of Commissioners, 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.

The Fund for Regional Development Buy-Out Obligation

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 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 and ending in 2021 (see also Note D (Outstanding Obligations and Financing)-subsection E (Fund for Regional Development Buy-Out Obligation) in Appendix I hereto). 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.

Channel Improvement Projects

Under a program authorized in 1996 by the Board of Commissioners, the Port Authority and the States of New York and New Jersey are engaged in a comprehensive dredging and disposal plan extending through the year 2025 for the Port of New York and New Jersey. The Port Authority has committed approximately $125 million through December 2016 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 have been completed, although the final cost of some of such projects are subject to certification by the United States Army Corps of Engineers, 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 $976 million. As of December 31, 2016, the Port Authority has provided approximately $960 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. The Port Authority also participates with federal, state and local agencies in the review of environmental matters and associated proceedings. 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, renamed the Office of Environmental and Energy Programs in 2009, 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.

Information on Capital Investment in Certain Port Authority Facilities

	Facilities, net Dec. 31, 2016	Capital Investment[(a)]	Depreciation	Dispositions	Facilities, net March 31, 2017
			(In thousands)		
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	$ 993,480	$ 14,792	$ 9,609	$ -	$ 998,663
Holland Tunnel	406,973	5,006	4,252	-	407,727
Lincoln Tunnel	1,255,679	89,175	14,209	-	1,330,645
Bayonne Bridge	1,168,505	59,842	6,115	-	1,222,232
Goethals Bridge	1,166,196	46,787	7,653	-	1,205,330
Outerbridge Crossing	88,575	158	1,091	-	87,642
Port Authority Bus Terminal	491,034	7,381	6,081	-	492,334
Subtotal - Tunnels, Bridges &Terminals	5,570,442	223,141	49,010	-	5,744,573
PATH	2,492,053	53,195	31,450	-	2,513,798
WTC Transportation Hub	3,535,074	23,405	17,954	-	3,540,525
Journal Square Transportation Center	74,824	-	1,618	-	73,206
Subtotal - PATH	6,101,951	76,600	51,022	-	6,127,529
Ferry Transportation	101,730	23	1,322	-	100,431
Access to the Region's Core (ARC)	68,158	-	2,529	-	65,629
Total Interstate Transportation Network	11,842,281	299,764	103,883	-	12,038,162
AVIATION[(b)]					
LaGuardia	1,741,091	110,152	20,575	-	1,830,668
JFK International	3,637,109	16,062	48,366	-	3,604,805
Newark Liberty International	2,345,304	27,651	37,954	-	2,335,001
Teterboro	227,647	273	3,705	-	224,215
Stewart International	163,457	936	2,279	-	162,114
Total Aviation	8,114,608	155,074	112,879	-	8,156,803
PORT DEPARTMENT					
Port Newark	823,252	4,926	7,983	-	820,195
Elizabeth Port Authority Marine Terminal	1,024,793	(937)	8,700	-	1,015,156
Brooklyn Port Authority Marine Terminal	62,203	115	428		61,890
Howland Hook Marine Terminal	490,119	741	4,160	-	486,700
Greenville Yard / NYNJ Rail LLC	61,798	5,660	117	-	67,341
Port Jersey-Port Authority Marine Terminal	392,888	2,729	1,722	-	393,895
Total Port Commerce	2,855,053	13,234	23,110	-	2,845,177
DEVELOPMENT					
Essex County Resource Recovery Facility	5,808	-	1	-	5,807
Industrial Park at Elizabeth	5,816	-	69	-	5,747
Bathgate Industrial Park	2,900	-	334	-	2,566
Teleport	11,142	241	473	-	10,910
Queens West Waterfront Development	85,406	-	151	-	85,255
Hoboken South Waterfront Development	66,244	-	643	-	65,601
Total Development	177,316	241	1,671	-	175,886
WORLD TRADE CENTER					
WTC Site[(c)]	3,751,219	40,143	17,564	-	3,773,798
One World Trade Center	3,386,611	31,723	22,853	-	3,395,481
WTC Towers 2, 3 & 4[(d)]	2,908,836	1,059	10,428	-	2,899,467
WTC Retail LLC	1,657,767	17,969	8,826	-	1,666,910
Total World Trade Center	11,704,433	90,894	59,671	-	11,735,656
FACILITIES, net	$ 34,693,691	$ 559,207	$ 301,214	$ -	$ 34,951,684
REGIONAL PROGRAMS	$ 216,109	$ 115	$ 11,039	$ -	$ 205,185

(a) Capital investment includes contributed capital amounts and write-offs related to capital construction.
(b) Facility capital investment amounts include projects funded with Passenger Facility Charges.
(c) Capital investment includes site infrastructure primarily related to the WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.
(d) Includes WTC net lessee contributed capital amounts related to the construction of WTC Tower 2, 3 and 4.

Significant Capital Projects*
(as of March 31, 2017)
(Dollars in Millions)

Facility	Project Name	Date Authorization/ Reauthorization	Forecasted Completion Date	March-17 Total Expended	Estimated Final Cost**
AVIATION					
JFK	Redevelopment of Terminal 4	08/10	08/20	$ 199.4	$ 231.0
JFK	Rehabilitation of Runway 4L-22R	06/14	07/17	327.5	464.3
JFK	Rehabilitation of Taxiway Q and QG	02/16	04/19	2.4	55.0
JFK	Replacement of 5KV Feeders	02/13	12/17	20.6	47.5
JFK	Building 156 (Control Tower) Roofing and HVAC Replacement	10/14	07/20	3.7	49.4
JFK	Rehabilitation of Runway 4R-22L	10/15	12/18	10.0	125.6
JFK	Airport Redevelopment Planning	02/17	12/30	-	50.0
JFK/EWR/ TEB	AOA Light Circuit Replacements	11/16	12/21	4.1	140.2
JFK/LGA/ EWR/SWF	Replacement of Parking Access and Revenue Control Systems	11/15	08/20	0.4	65.2
LGA	Rehabilitation of Runway 13-31 and Associated Taxiways ***	03/15	06/17	39.3	42.8
LGA	Runways 13 & 22 Deck Safety Overrun and Associated EMAS for Runways 13 & 22	04/13	11/21	75.3	142.3
LGA	Flood Mitigation and Storm Resiliency	02/15	09/19	13.9	45.5
LGA	Capital Infrastructure Renewal Projects	03/16	12/17	406.1	486.5
LGA	Terminal B Redevelopment	03/16	07/22	406.6	2,881.0
LGA	Redevelopment of Terminals C and D	07/16	06/26	-	600.0
LGA	Implementation of Air Train System Planning	02/17	06/23	-	20.0
EWR	Infrastructure Renewal – Electrical Distribution	04/14	12/18	18.5	66.0
EWR	AirTrain Replacement Planning	04/15	12/19	10.1	40.0
EWR	Terminal A Redevelopment Program	03/16	12/22	27.6	2,300.0
SWF	Rehabilitation of Runways 9-27 and 16-34	04/13	06/17	77.0	104.0
INTERSTATE TRANSPORTATION NETWORK					
HT	Rehabilitation of Electrical and Mechanical Vent System	07/15	05/19	180.0	232.0
HT	Replacement of Piers 9/204	12/16	11/21	25.6	94.6
LT	Access Infrastructure Improvements	03/11	10/21	882.4	1,800.0
BB/GB/GWB HT/LT/OBX	Replacement of Toll Collection System	06/16	12/20	26.7	170.1
GWB	Suspender Ropes Replacement, Main Cables/Cable Strands Rehabilitation	03/14	12/25	28.5	1030.0
GWB	Replacement of the Palisades Interstate Parkway Helix Ramp	02/13	02/20	15.5	77.5
GWB	Rehabilitation of Center Ave and Lemoine Ave Bridge	01/16	05/23	4.0	90.9
GB	Goethals Bridge Modernization	04/13	****	358.0	****
GB	Interchange Ramps Project	07/13	01/24	3.6	130.0
BB	Bayonne Bridge Navigational Clearance Program	04/13	*****	1,086.2	*****
PABT	Replacement Planning and Development	02/17	12/19	1.4	70.0

---

* See footnote (*) on next page.
** Estimated Final Costs based on Board Authorization.
*** Project substantially completed.
**** The Port Authority's portion of capital costs for the Goethals Bridge Modernization Program, excluding a payment by the Port Authority to the private developer of the project for approximately $1 billion (subject to certain adjustments). For forecasted completion date and description of cost, see "*Interstate Transportation Network—Goethals Bridge*" in this Section II.
***** For forecasted completion date and estimated final cost for the Bayonne Bridge Navigational Clearance Program, see "*Interstate Transportation Network—Bayonne Bridge*" in this Section II.

Facility	Project Name	Current Authorization/ Reauthorization	Forecasted Completion Date	March-17 Total Expended	Estimated Final Cost**
PATH	Signal System Replacement Program	10/09	12/21	496.7	580.0
PATH	Replacement of Substation #7	02/09	10/21	8.2	47.6
PATH	Replacement and Upgrade of the Christopher St. Substation	03/12	10/17	51.5	71.0
PATH	Replacement and Upgrade of Harrison Station	03/12	04/21	110.1	256.2
PATH	Replacement of Exchange Place Escalators	02/16	09/21	1.1	62.0
PATH	Infrastructure Repairs to Tunnels E and F between Exchange Place and World Trade Center Stations	09/16	11/24	-	400.0
PATH	Construction and Installation of Permanent Flood Protection Measures at HCMF and Tracks G and H	11/16	05/20	3.0	59.4
PATH	Flood Mitigation and Storm Resilience Protection for Stations	02/17	11/21	2.9	63.3
PORT COMMERCE					
PN/EPAMT/HH	Consolidated Project To 50'-NY/NJ******	07/01	06/19	759.8	******
PN	ExpressRail/Corbin Intermodal Rail Support - Track Work - Phase 2A	02/13	04/18	57.7	97.0
PN	Port Street Capacity and Corbin Street Ramps Improvements	10/16	03/23	19.5	132.6
PN	Berth 3 Wharf Reconstruction	07/15	12/17	38.2	47.9
HH	Roadway Access Improvements - East Bound Ramp	08/12	12/23	3.3	54.3
GPAMT	Development of the New York New Jersey Rail Float System	09/14	03/20	51.8	133.0
GPAMT	ExpressRail Port Jersey	09/14	03/20	25.6	149.0

Explanation of Facility Abbreviations:

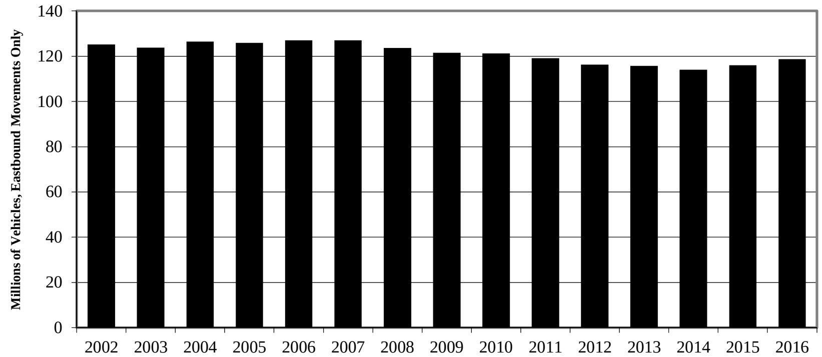
BB	Bayonne Bridge
EPAMT	Elizabeth — Port Authority Marine Terminal
EWR	Newark Liberty International Airport
GB	Goethals Bridge
GPAMT	Greenville Yard — Port Authority Marine Terminal
GWB	George Washington Bridge
HH	Howland Hook
HT	Holland Tunnel
JFK	John F. Kennedy International Airport
LGA	LaGuardia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

** Estimated Final Cost based on Board Authorization.

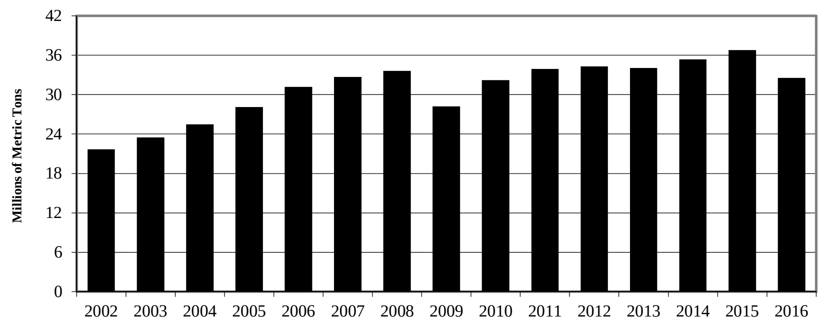
******* March-17 Total Expended reflects costs for projects that have been completed but not settled. Settlement of these projects are subject to certification by the United States Army Corps of Engineers. Estimated Final Cost for the entire program is expected to remain within the Board of Commissioners authorization of $1.1 billion.

VOLUME OF VEHICULAR TRAFFIC AT ALL PORT AUTHORITY CROSSINGS



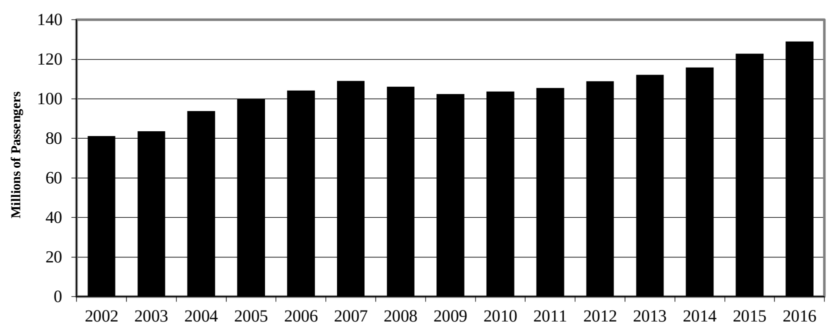
Total vehicular usage at all Port Authority crossings is approximately twice that shown for each year.

OCEANBORNE GENERAL CARGO AT PORT AUTHORITY MARINE TERMINALS

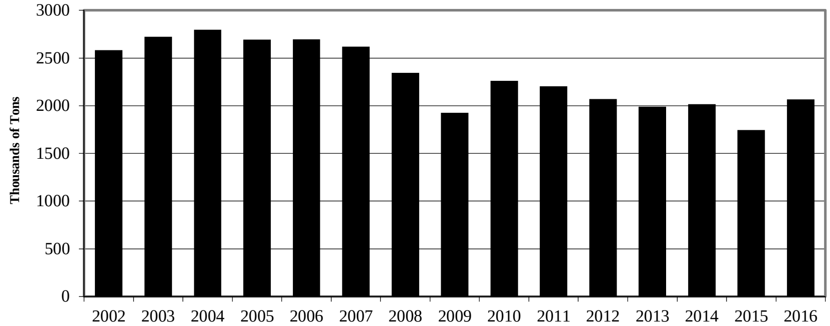


A Metric Ton is equivalent to 2,205 pounds.

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



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 "*Consolidated Bond Resolution*" in this Section III. Each series of Consolidated Bonds is issued pursuant to the Consolidated Bond Resolution. The Consolidated Bond Resolution 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 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 pertaining to the establishment of the General Reserve Fund (see "*Resolution Establishing General Reserve Fund*" in this Section III), the establishment of the issue of Consolidated Bonds (see "*Consolidated Bond Resolution*" in this Section III) and the statutes relating to the General Reserve Fund govern 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 resolutions of the Board of Commissioners of the Port Authority pertaining to the establishment of the General Reserve Fund and the establishment of the issue of Consolidated 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 resolutions 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, 2016 was $2,297,475,500.

Anticipated Payments from the Fund

The Port Authority anticipates that certain payments will be made out of the General Reserve Fund from time to time to fulfill undertakings assumed to or for the benefit of the holders of bonds in support of which the General Reserve Fund has been pledged. As noted at "*Purposes for Which the Fund is Available*," the General Reserve Fund is applicable, if necessary, to fulfill undertakings assumed to or for the benefit of the holders of bonds of the Port Authority legal for investment, including those undertakings incurred by the Port Authority in connection with the existing facilities of the Port Authority. No representation is made as to the future payments to be made from the General Reserve Fund. The General Reserve Fund is not available to pay debt service on Special Project Bonds, Versatile Structure Obligations, Commercial Paper Obligations or Variable Rate Master Notes.

Rate Powers and Covenants

As a result of legislation contained in Chapter 47 of the Laws of New York of 1931 and Chapter 4 of the Laws of New Jersey of 1931; in Chapter 802 of the Laws of New York of 1947 and Chapter 43 of the Laws of New Jersey of 1947; in Chapter 209 of the Laws of New York of 1962 and Chapter 8 of the Laws of New Jersey of 1962; and in Chapter 651 of the Laws of New York of 1978 and Chapter 110 of the Laws of New Jersey of 1978, the two States covenanted with each other and with the holders of any bonds of the Port Authority which may be secured by its General Reserve Fund (including Consolidated Bonds) that the two States will not diminish or impair the power of the Port Authority to establish, levy and collect tolls, rents, fares, fees or other charges in connection with any facility owned or operated by the Port Authority, the revenues of which shall have been pledged in whole or in part as security for such bonds. All present facilities of the Port Authority and the charges therefor are covered by these statutory covenants, so long as such bonds remain outstanding.

Under the 1962 and 1978 statutes, the States also have covenanted that they will not diminish or impair the Port Authority's power to determine the quantity, quality, frequency or nature of the service provided in connection with each such facility.

The Port Authority has covenanted with the holders of Consolidated Bonds to establish charges in connection with facilities the net revenues (as defined in the Consolidated Bond Resolution) of which are pledged as security for such bonds (all present Port Authority facilities) to the end that at least sufficient net revenues may be produced therefrom to provide for the debt service on all Consolidated Bonds, and in the event that such net revenues are insufficient to provide for the debt service on Consolidated Bonds, to make good any deficiency out of the General Reserve Fund or other available revenues, moneys or funds 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.

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:

$62,100,000 Special Project Bonds, Series 4, KIAC Partners Project (John F. Kennedy International Airport cogeneration project);

$532,790,000 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) 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 three separate series known as Series A, Series B and Series C. Port Authority Commercial Paper Obligations are currently issued under the July 23, 2015 amendment and supplement, which authorizes their issuance through December 31, 2020.

Under the July 23, 2015 amendment and supplement, the total aggregate principal amount of all Port Authority Commercial Paper Obligations outstanding at any one time may not exceed $750,000,000, with the total aggregate principal amount of each series that may be outstanding at any one time not to exceed $250,000,000. Commercial Paper Obligations are issued pursuant to the Port Authority Commercial Paper Obligations Resolution.

Proceeds of Commercial Paper Obligations of each series are authorized to be allocated to capital projects in connection with certain facilities of the Port Authority and for purposes of refunding certain obligations of the Port Authority.

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.

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 Section 6 (General Reserve Fund) of "*Consolidated Bond Resolution*" in Section III hereof)).

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 JFK Airport and Newark 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.

---

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

Chapter 43 of the Laws of New Jersey of 1947, as amended by Chapter 214 of the Laws of New Jersey of 1948, by Chapter 245 of the Laws of New Jersey of 1971, by Chapter 207 of the Laws of New Jersey of 1972, by Chapter 365 of the Laws of New Jersey of 1977, by Chapter 157 of the Laws of New Jersey of 1980 and by Chapter 75 of the Laws of New Jersey of 2007 (N.J.S.A. 32:1-35.1 to 35.27f) and by Chapter 75 of the Laws of New Jersey of 2007 (N.J.S.A. 32:1-35.27e to 1-35.27f), and Chapter 802 of the Laws of New York of 1947, as amended by Chapter 785 of the Laws of New York of 1948, by Chapter 717 of the Laws of New York of 1967 (McK. Unconsol. Laws § 6631), by Chapters 474 and 475 of the Laws of New York of 1971, by Chapter 317 of the Laws of New York of 1973, by Chapter 792 of the Laws of New York of 1978 and by Chapter 470 of the Laws of New York of 1980 (McK. Unconsol. Laws §§ 6631-6647), relating to the financing and effectuation of air terminals.

Chapter 44 of the Laws of New Jersey of 1947, as amended by Chapter 212 of the Laws of New Jersey of 1948, by Chapter 365 of the Laws of New Jersey of 1977 and by Chapter 157 of the Laws of New Jersey of 1980 (N.J.S.A. 32:1-35.25 to 35.36), and Chapter 631 of the Laws of New York of 1947, as amended by Chapter 784 of the Laws of New York of 1948, by Chapter 792 of the Laws of New York of 1978 and by Chapter 470 of the Laws of New York of 1980 (McK. Unconsol. Laws §§ 6671-6678), relating to marine terminals. This legislation was further amended by Chapter 9 of the Laws of New Jersey of 1983 (N.J.S.A. 32:1-35.36c to 35.36k) and Chapters 676 and 677 of the Laws of New York of 1984, respectively, relating to the acquisition, development and financing of waterfront development projects.

Chapter 301 of the Laws of New York of 1950, as amended by Chapter 938 of the Laws of New York of 1974 (McK. Unconsol. Laws §§ 7101-7112), Chapter 143 of the Laws of New York of 1953 (McK. Unconsol. Laws §§ 7131-7136) and Chapter 599 of the Laws of New York of 1977 (McK. Unconsol. Laws §§ 7141-7142); and Chapter 204 of the Laws of New Jersey of 1951 (N.J.S.A. 32:1-157 to 168), Chapter 172 of the Laws of New Jersey of 1953 (N.J.S.A. 32:1-169 to 174), and Chapter 363 of the Laws of New Jersey of 1977 (N.J.S.A. 32:1-175, 176), relating to suits against the Port Authority.

Chapter 51 of the Laws of New Jersey of 1955 (N.J.S.A. 32:119.2), and Chapter 810 of the Laws of New York of 1955 (McK. Unconsol. Laws § 6504), relating to the construction of a peripheral automobile parking lot as an improvement to any bridge or tunnel.

Chapter 16 of the Laws of New Jersey of 1956 (N.J.S.A. 32:2-34 to 36), and Chapter 444 of the Laws of New York of 1956 (McK. Unconsol. Laws §§ 6751-6754), authorizing the Port Authority to contribute to the cost of certain extensions to the New Jersey Turnpike.

Chapter 8 of the Laws of New Jersey of 1962, as amended by Chapter 208 of the Laws of New Jersey of 1972 and by Chapter 25 of the Laws of New Jersey of 1974 (N.J.S.A. 32:1-35.50 to 35.68), and Chapter 209 of the Laws of New York of 1962, as amended by Chapter 1003 of the Laws of New York of 1972, by Chapter 318 of the Laws of New York of 1973 and by Chapter 993 of the Laws of New York of 1974 (McK. Unconsol. Laws §§ 6601-6618), relating to the World Trade Center, the Hudson Tubes and the Hudson Tubes extensions, and the use of Port Authority revenues.

Chapter 110 of the Laws of New Jersey of 1978 (N.J.S.A. 32:1-35.72 to 35.93) and Chapter 651 of the Laws of New York of 1978 (McK. Unconsol. Laws §§ 7171-7192), relating to the effectuation of industrial development projects and facilities and the use of Port Authority revenues, and Public Law No. 96-163, 96th Congress, First Session (93 Stat. 1242), consenting thereto.

Chapter 33 of the Laws of New Jersey of 1979, as amended by Chapter 407 of the Laws of New Jersey of 1981 (N.J.S.A. 32:2-23.27 to 23.42) and Chapter 12 of the Laws of New York of 1979, as amended by Chapter 314 of the Laws of New York of 1981 (McK. Unconsol. Laws §§ 7201-7217), relating to the acquisition, development, financing and transfer of buses and ancillary bus facilities.

Certain Other Relevant Federal Statutes

Act of March 23, 1906 (commonly known as the Bridge Act of 1906), Pub. L. No. 65, 34 Stat. 84 (1906), *as amended by* the Federal-Aid Highway Act of 1987, Pub. L. No. 100-17 § 135, 101 Stat. 132, 174 (1987) (codified in pertinent part at 33 U.S.C. § 508), relating to the establishment of tolls for passage or transit over bridges constructed under the authority of the Bridge Act of 1906.

Act of Oct. 17, 1978, Pub. L. No. 95-473, 92 Stat. 1337, 1360 (1978*), as amended by and restated in* the ICC Termination Act of 1995, Pub. L. No. 104-88 § 102(a), 109 Stat. 807 (1995) (codified in pertinent part at 49 U.S.C. § 10501(c)), relating to the exclusion, with certain limited exceptions, for mass transportation provided by local government authorities from the jurisdiction of the Surface Transportation Board.

Airport and Airway Improvement Act of 1982, Pub. L. No. 97-248, 96 Stat. 324 (1982), *as amended by and restated in* the Federal Aviation Reauthorization Act of 1996, Pub. L. No. 104-264, 110 Stat. 3213 (1996) (codified in pertinent part at 49 U.S.C. § 47133(b)), relating to the ability of certain airport owners and operators to use the revenues generated by an airport that is the subject of federal assistance for general debt obligations or other facilities of the owner or operator of such airport.

Air Transportation Safety and System Stabilization Act, Pub. L. No. 107-42 § 408, 115 Stat. 230 (2001), *as amended by* the Aviation and Transportation Security Act, Pub. L. No. 107-71 § 201(b), 115 Stat. 597 (2001), relating to the limitation on liability for claims arising from the terrorist attacks of September 11, 2001.

Aviation and Transportation Security Act, Pub. L. No. 107-71 § 101(a), 115 Stat. 597 (2001), *as amended by* the Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135 (2002), relating to the creation of the Transportation Security Administration.

Pub. L. No. 107-230, 116 Stat. 1469 (2002), providing in pertinent part for a temporary waiver from certain transportation conformity requirements and metropolitan transportation planning requirements under the Clean Air Act of 1990 for certain areas in New York where the planning offices and resources have been destroyed by acts of terrorism.

National Construction Safety Team Act, Pub. L. No. 107-231, 116 Stat. 1471 (2002) (codified in pertinent part at 15 U.S.C. § 7311), relating to the establishment of teams to investigate certain building disasters.

Maritime Transportation Security Act of 2002, Pub. L. No. 107-295, 116 Stat. 2064 (2002), relating to security of port facilities.

Intelligence Authorization Act for Fiscal Year 2003, Pub. L. No. 107-306, 116 Stat. 2408, relating to the establishment of the National Commission on Terrorist Attacks Upon the United States.

National Historic Preservation Act of 1966, as amended, 16 U.S.C.A. § 470 *et seq.*

Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), 42 U.S.C. § 9601 *et seq.*

National Environmental Policy Act of 1969 Pub. L. No. 91-190, § 102, 42 U.S.C. § 4332 (1994).

Terrorism Risk Insurance Program Reauthorization Act of 2015, Pub. L. No. 114-1 (2015).

Resolutions

Resolution of March 9, 1931, as amended May 5, 1932, as further amended by the Resolution of October 9, 1952, establishing issue of Consolidated Bonds, and Resolution of September 22, 1932, relating to the General Reserve Fund.

Basic Resolution adopted March 18, 1935, as amended March 25, 1935, September 16, 1943, March 6, 1947, and October 23, 1947, establishing issue of General and Refunding Bonds.

Resolution of November 13, 1947, and Resolution of October 9, 1952, relating to the administration of the General Reserve Fund.

Resolution of June 18, 1948, establishing issue of Air Terminal Bonds.

Resolution of November 23, 1948, establishing issue of Marine Terminal Bonds.

Resolution of October 9, 1952, establishing issue of Consolidated Bonds.

Resolution of November 13, 1958, relating to the effect of the application of Consolidated Bonds, Twelfth Series, to the acquisition of the Erie Basin-Port Authority Marine Terminal.

Resolution of June 14, 1962, relating to the certification of the Hudson Tubes as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds or Consolidated Notes for purposes of capital expenditures in connection with that facility.

Resolution of September 9, 1965, relating to the certification of the World Trade Center as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of March 8, 1979, relating to the certification of the Port Authority Bus Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility; and resolution of May 13, 1982, relating to the certification of the extension of the Port Authority Bus Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of April 29, 1981, relating to the certification of the Oak Point Rail Freight Link as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of October 28, 1981, relating to the certification of the Bathgate Industrial Development Project as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of September 9, 1982, as amended and supplemented by Resolutions of June 9, 1983, October 13, 1983, July 11, 1985, November 14, 1985, January 7, 1988, October 11, 1990, November 9, 1995, June 29, 2000, May 26, 2005, June 22, 2010 and July 23, 2015 with respect to the establishment and authorization of issuance of Port Authority Commercial Paper Obligations.

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 8, 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 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.

Resolution of November 21, 2002, relating to the certification of the Regional Rail Freight Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the New York Transportation, Economic Development and Infrastructure Renewal Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Regional Transportation Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of November 21, 2002, relating to the certification of the Hudson-Raritan Estuary Resources Program as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility; and resolution of April 23, 2014, relating to the certification of the Hudson-Raritan Estuary Resources Program II as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of November 18, 2004, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Forty-eighth Series and Consolidated Bonds, One Hundred Forty-ninth Series, and authorizing the sale thereof.

Resolution of February 23, 2006, relating to the certification of the Meadowlands Passenger Rail Facility as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolution of July 26, 2007, relating to the certification of Stewart International Airport as an additional facility of the Port Authority and authorizing the issuance of Consolidated Bonds for purposes of capital expenditures in connection with that facility.

Resolutions of July 26, 2007, May 22, 2008, July 28, 2011, March 29, 2012, June 28, 2012, August 1, 2012, and September 20, 2012 relating to the By-Laws of the Port Authority.

Resolutions of November 15, 2007, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Fiftieth Series through Consolidated Bonds, One Hundred Sixty-first Series and authorizing the sale thereof (as amended pursuant to the resolution of January 22, 2009, solely with respect to the sale of Consolidated Bonds, One Hundred Fifty-fourth Series through Consolidated Bonds, One Hundred Sixty-first Series).

Resolution of January 4, 2008, relating to a change in the tolls schedule for the Port Authority's vehicular crossings, and providing for periodic adjustments calculated in accordance with annual increases in the Consumer Price Index.

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 (as amended pursuant to the resolution of February 16, 2017 with respect to the discontinuance of the Port Authority Carpool Plan at the Bayonne Bridge).

Resolution of August 19, 2011, relating to changes in the fare schedule for the Port Authority Trans-Hudson System.

Resolutions of August 1, 2012, in pertinent part establishing and authorizing the issuance of Consolidated Bonds, One Hundred Seventy-fourth Series through Consolidated Bonds, One Hundred Ninety-first Series and authorizing the sale thereof (as amended pursuant to the resolution of October 16, 2013, solely with respect to the sale of Consolidated Bonds, One Hundred Seventy-eighth Series through Consolidated Bonds, One Hundred Ninety-first Series).

Resolution of October 22, 2014, relating to freedom of information and public access to Port Authority records and certain procedures with respect thereto.

Resolution of December 10, 2014, relating to the approval and adoption of the Port Authority's Budget for 2015 with respect to capital and operating expenses.

Resolution of February 19, 2015, endorsing the recommendations of the Bi-State Special Panel on the Future of the Port Authority.

Resolution of March 19, 2015, establishing a Whistleblower Protection Policy for Port Authority employees.

Resolution of March 19, 2015, relating to the designation of the Port Authority's offices at 4 World Trade Center, 150 Greenwich Street, New York, New York 10007 as the location for service of process in the State of New York.

Resolutions of July 23, 2015, establishing and authorizing the issuance of Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series and authorizing the sale thereof.

Resolutions of July 23, 2015, establishing and authorizing the issuance of Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE and authorizing the sale thereof.

Resolution of July 23, 2015, recognizing the continued issuance, within the scope of existing authorizations, of Versatile Structure Obligations, Variable Rate Master Notes, Equipment Notes, and Commercial Paper Obligations.

Resolution of December 8, 2016, relating to the approval and adoption of the Port Authority's Budget for 2017 with respect to capital and operating expenses.

Resolution of February 16, 2017, relating to the adoption of the 2017-2026 Capital Plan for the Port Authority.

Resolution of February 16, 2017, relating to further measures to improve Port Authority governance-oaths, conflicts of interest, and affirmative cooperation with investigations.

Resolution of February 16, 2017, relating to the certification of the Moynihan Station 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.

SCHEDULES OF OUTSTANDING DEBT

The following schedule of Consolidated Bonds (as of December 31, 2016)* 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, 2016)* (in thousands)	TOTAL ALL ISSUES		
	Total Principal Amount-$20,972,400		
Year	Total	Interest	Amortization
2017	$1,329,685	$988,780	$340,905
2018	1,356,336	979,261	377,075
2019	1,360,462	962,247	398,215
2020	1,377,951	941,421	436,530
2021	1,381,002	920,272	460,730
2022	1,376,303	898,493	477,810
2023	1,365,483	877,043	488,440
2024	1,388,353	856,093	532,260
2025	1,366,524	827,084	539,440
2026	1,364,211	801,366	562,845
2027	1,366,235	774,775	591,460
2028	1,348,855	749,150	599,705
2029	1,359,837	723,187	636,650
2030	1,369,071	685,971	683,100
2031	1,379,495	654,775	724,720
2032	1,416,898	619,463	797,435
2033	1,359,960	582,665	777,295
2034	1,291,646	547,961	743,685
2035	1,308,021	512,311	795,710
2036	1,208,017	473,067	734,950
2037	1,097,807	437,172	660,635
2038	965,069	407,569	557,500
2039	989,606	379,921	609,685
2040	879,028	351,118	527,910
2041	830,914	324,319	506,595
2042	825,409	300,379	525,030
2043	800,462	274,862	525,600
2044	571,182	248,777	322,405
2045	758,641	226,671	531,970
2046	469,818	208,228	261,590
2047	461,324	196,619	264,705
2048	457,741	183,306	274,435
2049	447,856	169,831	278,025
2050	437,969	156,179	281,790
2051	428,077	142,342	285,735
2052	220,650	130,775	89,875
2053	418,374	124,164	294,210
2054	409,418	110,653	298,765
2055	400,458	96,918	303,540
2056	376,271	83,116	293,155
2057	343,141	69,876	273,265
2058	280,055	58,215	221,840
2059	271,123	48,238	222,885
2060	262,195	38,210	223,985
2061	253,264	28,129	225,135
2062	244,332	17,992	226,340
2063	37,625	10,025	27,600
2064	37,609	8,684	28,925
2065	37,589	7,279	30,310
2066-2094	249,246	149,246	100,000
TOTAL	**$41,336,598**	**$20,364,198**	**$20,972,400**

* This schedule has been revised to include Consolidated Bonds delivered subsequent to December 31, 2016 and may be further revised from time to time in 2017. "Total All Issues" also includes $100,000,000 Consolidated Bonds, Ninety-third Series with interest included in each of the years 2017 through 2065, and with principal and interest included on a cumulative basis during the period 2066 through 2094. Not included are: (i) Special Project Bonds; (ii) Commercial Paper Obligations; (iii) Variable Rate Master Notes; (iv) Equipment Notes; and (v) $450,000,000 Consolidated Bonds, One Hundred Forty-seventh Series, which were refunded in part on May 9, 2017 with the proceeds of Consolidated Bonds, Two Hundred Third Series, and in part on June 8, 2017 with a portion of the proceeds of Consolidated Bonds, Two Hundred Second Series and the proceeds of Consolidated Bonds, Two Hundred Fourth Series.

Principal Amounts of Certain Port Authority Obligations Outstanding (as of June 12, 2017)*

Consolidated Bonds:	Par Value
Eighty-fifth Series, 5.2%-5.375%, Serial/Term, due 2017-2028	$ 71,200,000
Ninety-third Series, 6.125%, Term, due 2094	100,000,000
One Hundred Forty-eighth Series, 5%, Serial/Term, due 2017-2037 **	405,465,000
One Hundred Forty-ninth Series, 4%-5%, Serial/Term, due 2017-2037	400,000,000
One Hundred Fiftieth Series, 4.75%-6.4%, Serial/Term, due 2017-2027 (A)	220,000,000
One Hundred Fifty-first Series, 5.25%, 6% & 5.75% Term, due 2023, 2028 & 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, 4%-5%, Serial/Term, due 2017-2029	71,885,000
One Hundred Fifty-fifth Series, 3%-3.5%, Serial, due 2017-2019	12,000,000
One Hundred Fifty-sixth Series, 4%-5%, Serial/Term, due 2025-2039	100,000,000
One Hundred Fifty-seventh Series, 5.309%, Term, due 2019 (A)	150,000,000
One Hundred Fifty-eighth Series, 5.859%, Term, due 2024 (A)	250,000,000
One Hundred Fifty-ninth Series, 6.04%, Term, due 2029 (A)	350,000,000
One Hundred Sixtieth Series, 4%-5%, Serial/Term, due 2030-2039	300,000,000
One Hundred Sixty-first Series, 4.25%-5%, Serial/Term, due 2030-2039	300,000,000
One Hundred Sixty-second Series, 2.90%-3.3%, Serial, due 2017-2020	18,000,000
One Hundred Sixty-third Series, 2.375%-5%, Serial/Term, due 2017-2040	400,000,000
One Hundred Sixty-fourth Series, 5.647%, Term, due 2040 (A)	425,000,000
One Hundred Sixty-fifth Series, 5.647%, Term, due 2040 (A)	425,000,000
One Hundred Sixty-sixth Series, 5%-5.25%, Serial/Term, due 2030-2041	300,000,000
One Hundred Sixty-seventh Series, 5%-5.5%, Serial, due 2017-2028 (*)	158,650,000
One Hundred Sixty-eighth Series, 4.926%, Term, due 2051 (A)	1,000,000,000
One Hundred Sixty-ninth Series, 4.5%-5%, Serial/Term, due 2017-2041 (*)	309,665,000
One Hundred Seventieth Series, 5%-5.25%, Term, due 2041 & 2043 (B)	672,480,000
One Hundred Seventy-first Series, 4%-5%, Serial/Term, due 2030-2042	400,000,000
One Hundred Seventy-second Series, 3%-5%, Serial/Term, due 2017-2037 (*)	312,555,000
One Hundred Seventy-third Series, 3%-5%, Serial, due 2018-2032	300,000,000
One Hundred Seventy-fourth Series, 4.458%, Term, due 2062 (A)	2,000,000,000
One Hundred Seventy-fifth Series, 3%-5%, Serial/Term, due 2017-2042	406,130,000
One Hundred Seventy-sixth Series, 1.05%-2.5%, Serial, due 2017-2022 (A)	102,000,000
One Hundred Seventy-seventh Series, 3%-5%, Serial/Term, due 2017-2043 (*)	318,475,000
One Hundred Seventy-eighth Series, 5%, Serial/Term, due 2017-2043 (*)	437,600,000
One Hundred Seventy-ninth Series, 4%-5%, Serial/Term, due 2017-2043	838,675,000
One Hundred Eightieth Series, 4%-5%, Serial, due 2018-2021	55,370,000
One Hundred Eighty-first Series, 4.96%, Term, due 2046 (A)	500,000,000
One Hundred Eighty-second Series, 5.31%, Term, due 2046 (A)	500,000,000
One Hundred Eighty-third Series, 3%-5%, Serial/Term, due 2025-2044	400,000,000
One Hundred Eighty-fourth Series, 3%-5%, Serial/Term, due 2017-2039	346,420,000
One Hundred Eighty-fifth Series, 4%-5%, Serial, due 2017-2034 (*)	447,960,000
One Hundred Eighty-sixth Series, 5%, Serial/Term, due 2017-2044 (*)	360,885,000
One Hundred Eighty-seventh Series, 2.529%-4.426%, Serial/Term, due 2020-2034 (A)	250,000,000
One Hundred Eighty-eighth Series, 5%, Serial, due 2018-2035 (*)	96,975,000
One Hundred Eighty-ninth Series, 3%-5%, Serial/Term, due 2018-2045	463,585,000
One Hundred Ninetieth Series, 5%, Serial, due 2026-2038	160,000,000
One Hundred Ninety-first Series, 4.823%, Term, due 2045 (A)	250,000,000
One Hundred Ninety-second Series, 4.81%, Term, due 2065 (A)	500,000,000
One Hundred Ninety-third Series, 4%-5%, Serial, due 2017-2035 (*)	295,145,000
One Hundred Ninety-fourth Series, 4%-5.25%, Serial/Term, due 2017-2055	1,190,155,000
One Hundred Ninety-fifth Series, 1.45%-5%, Serial/Term, due 2017-2036 (*)	303,530,000
One Hundred Ninety-sixth Series, 2.125%-2.625%, Serial/Term, due 2027-2034 (*)	200,000,000
One Hundred Ninety-seventh Series, 4%-5%, Serial/Term, due 2017-2041 (*)	237,930,000
One Hundred Ninety-eighth Series, 5%-5.25%, Serial/Term, due 2027-2056	350,000,000
One Hundred Ninety-ninth Series, 1.58%-3.05%, Serial, due 2022-2031 (*)	236,405,000
Two Hundredth Series, 5%-5.25%, Serial/Term, due 2027-2057	250,000,000
Two Hundred First Series, 4.229%, Term, due 2057 (A)	300,000,000
Two Hundred Second Series, 2%-5%, Serial, due 2017-2037 (*)	254,730,000
Two Hundred Third Series, 3%, Term, due 2032 (*)	50,000,000
Two Hundred Fourth Series, 1.91%-5%, Serial, due 2023-2028 (*)	138,105,000
Total	$ 20,941,975,000

(A) Subject to federal taxation.
(B) The entire series was acquired by the New York Liberty Development Corporation in connection with its issuance of the New York Liberty Development Corporation Liberty Revenue Bonds, Series 1WTC-2011 (Secured by Port Authority Consolidated Bonds).

Equipment Notes	$ —
Versatile Structure Obligations	$ —
Commercial Paper Obligations	$ 404,690,000
Variable Rate Master Notes	$ 77,900,000

Footnotes appear on following page

Footnotes from previous page

* The obligations noted with an "(*)", as well as certain of the Equipment Notes, Commercial Paper Obligations and Variable Rate Master Notes, on original issuance were subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.
** The Port Authority anticipates applying a portion of the proceeds of Consolidated Bonds, One Hundred Ninety-fourth Series towards the redemption of Consolidated Bonds, One Hundred Forty-eighth Series on August 15, 2017.

APPENDIX I

Consolidated Financial Statements as of and for the Years Ended December 31, 2016 and December 31, 2015 and Related Schedules

[Page Intentionally Left Blank]

Comptroller's Department

Financial Statements & Appended Notes

for the Year Ended December 31, 2016

THE PORT AUTHORITY OF NY & NJ

THE PORT AUTHORITY OF NEW YORK & NEW JERSEY
FINANCIAL STATEMENTS AND APPENDED NOTES
FOR THE YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

PAGE

THIS PAGE INTENTIONALLY
LEFT BLANK

CERTIFICATE WITH RESPECT TO
2016 CONSOLIDATED FINANCIAL STATEMENTS

We, the undersigned officers of The Port Authority of New York and New Jersey, hereby certify, in connection with the release of the consolidated financial statements of The Port Authority of New York and New Jersey (the "Authority") and its component units for the years ended December 31, 2016 and December 31, 2015 (the "Financial Statements") that (a) to the best of our knowledge and belief, the financial and other information, including the summary of significant accounting policies described in the Financial Statements are accurate in all material respects and reported in a manner designed to present fairly the Authority's net position, changes in net position, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and (b) on the basis that the cost of internal controls should not outweigh their benefits, the Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the Financial Statements in conformity with accounting principles generally accepted in the United States of America.

Dated: New York, New York
March 1, 2017

Pat Foye

Patrick J. Foye
Executive Director

Elizabeth M. McCarthy
Chief Financial Officer

Daniel G. McCarron

Daniel G. McCarron
Comptroller

THIS PAGE INTENTIONALLY
LEFT BLANK

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

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Port Authority of New York and New Jersey (the Port Authority), which comprise the consolidated statements of net position as of December 31, 2016 and 2015, and the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

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, 2016 and 2015, and the changes in its net position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note A.3.o to the consolidated financial statements, as of January 1, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis and the schedules listed under the heading Required Supplementary Information within the table of contents, be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the GASB 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.

Supplementary and Other Information

Our audits for the years ended December 31, 2016 and 2015 were conducted for the purpose of forming an opinion on the Port Authority's consolidated financial statements. The supplementary information included in Schedules D-1, D-2, D-3, E and F, as listed in the table of contents, related to the years ended December 31, 2016 and 2015 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. This information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements for the years ended December 31, 2016 and 2015, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1, D-2, D-3, E and F related to the years ended December 31, 2016 and 2015 is fairly stated, in all material respects, in relation to the 2016 and 2015 consolidated financial statements, respectively, as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of the Port Authority as of and for the years ended December 31, 2014, 2013, and 2012 (not presented herein), and have issued our report thereon dated March 13, 2015, March 6, 2014, and February 25, 2013, respectively, which contained an unmodified opinion on the respective consolidated financial statements. The supplementary information included in Schedules D-1 and D-2, as listed in the table of contents, for the years ended December 31, 2014, 2013, and 2012, and the supplementary information included in Schedule D-3, as listed in the table of contents, for the year ended December 31, 2014, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014, 2013, and 2012 consolidated financial statements, as applicable. This information has been subjected to the auditing procedures applied in the audits of the 2014, 2013, and 2012 consolidated financial statements, as applicable, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those consolidated financial statements or to those consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in Schedules D-1 and D-2 related to the years ended December 31, 2014, 2013, and 2012, and the supplementary information included in Schedule D-3 related to the year ended December 31, 2014, is fairly stated, in all material respects, in relation to the 2014, 2013, and 2012 consolidated financial statements, as applicable, as a whole.

The Port Authority's consolidated financial statements for the years ended December 31, 2007 through 2011 (not presented herein) were audited by other auditors whose reports thereon expressed unmodified opinions on those respective consolidated financial statements. The reports of the other auditors on these consolidated financial statements stated that the supplementary information included in Schedules D-1 and D-2 for fiscal years 2007 through 2011, was subjected to the auditing procedures applied in the audit of the respective consolidated financial statements and, in their opinion, was fairly stated in all material respects in relation to the respective consolidated financial statements as a whole.

The supplementary information included in Schedule D-3 for fiscal years 2007 through 2013 and Schedule G, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Financial Statements Prepared in Accordance with Port Authority Bond Resolutions

We have audited the accompanying Schedules A, B and C of the Port Authority, which comprise financial statements that present the assets and liabilities as of December 31, 2016, and the revenues and reserves for the year then ended, of the Port Authority prepared in accordance with the requirements of the Port Authority's bond resolutions.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Port Authority's bond resolutions; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Port Authority as of December 31, 2016, and its revenues and reserves for the year then ended in accordance with the requirements of the Port Authority's bond resolutions.

Report on Summarized Comparative Information

We have previously audited Schedules A, B and C prepared in accordance with the requirements of the Port Authority's bond resolutions as of and for the year ended December 31, 2015, and we expressed an unmodified audit opinion on them in our report dated March 7, 2016. In our opinion, the summarized comparative information presented on Schedules A, B, and C herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited Schedules A, B and C as of and for the year ended December 31, 2015 from which it has been derived.

Emphasis of Matters

Basis of Accounting

We draw attention to Note A.4 of the consolidated financial statements, which describes the basis of accounting used in Schedules A, B and C. Schedules A, B and C are prepared by the Port Authority based on the requirements present in its bond resolutions, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report on Schedules A, B, and C is intended solely for the information and use of the Port Authority and those who are a party to the Port Authority's bond resolutions, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

New York, New York
March 1, 2017

THIS PAGE INTENTIONALLY
LEFT BLANK

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2016 and 2015

Introduction

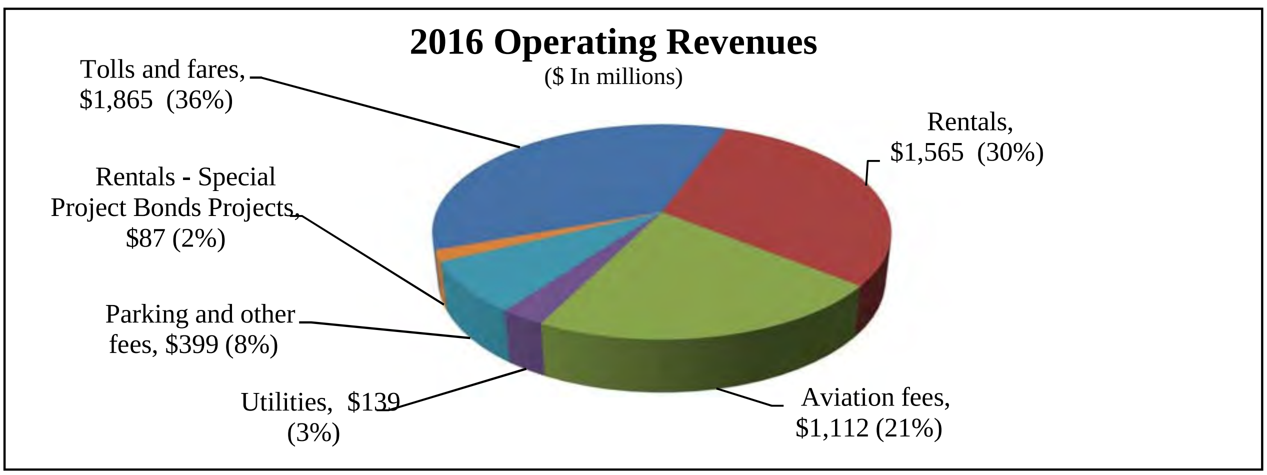
The following discussion and analysis of the financial activities of The Port Authority of New York and New Jersey (the Port Authority) and its component units described herein (See *Note A.1.d – Nature of the Organization and Summary of Significant Accounting Policies*) is intended to provide an introduction to and understanding of the consolidated financial statements of the Port Authority for the year ended December 31, 2016, with selected comparative information for the years ended December 31, 2015 and December 31, 2014. 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 the Management's Discussion and Analysis section of this report.

2016 Financial Results

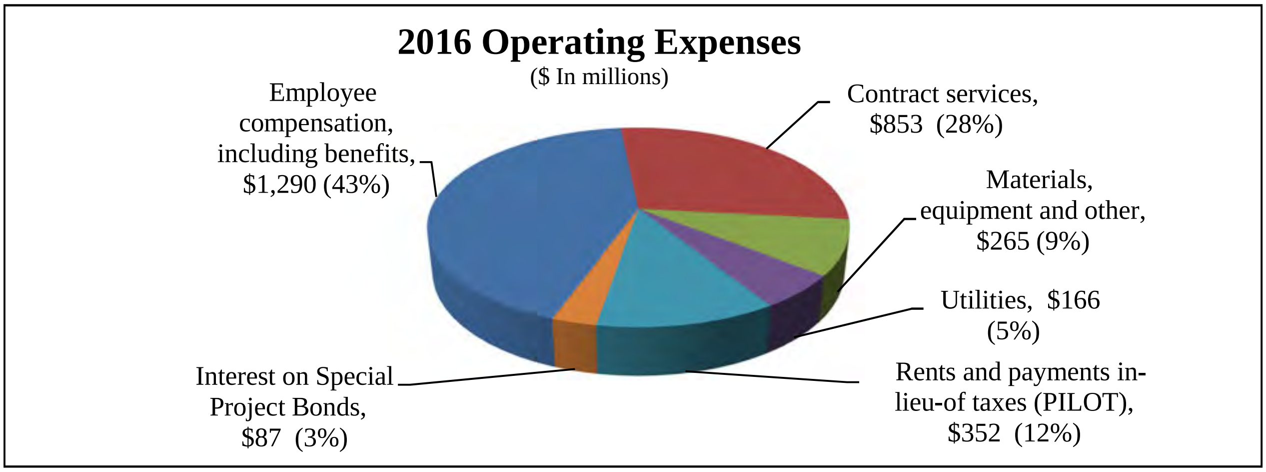
The Port Authority's increase in net position for the year ended December 31, 2016 totaled $1.0 billion, comprised of $916 million in income from operations and $130 million in income from non-operating activities.

Description	**2016**
	(In thousands)
Gross operating revenues	$ 5,167,364
Operating expenses	(3,013,087)
Depreciation and amortization	(1,238,512)
Income from operations	915,765
Non-operating expenses, net	(809,747)
Capital contributions and Passenger Facility Charges (PFCs)	939,313
Income from non-operating activities	129,566
Increase in net position	**$ 1,045,331**

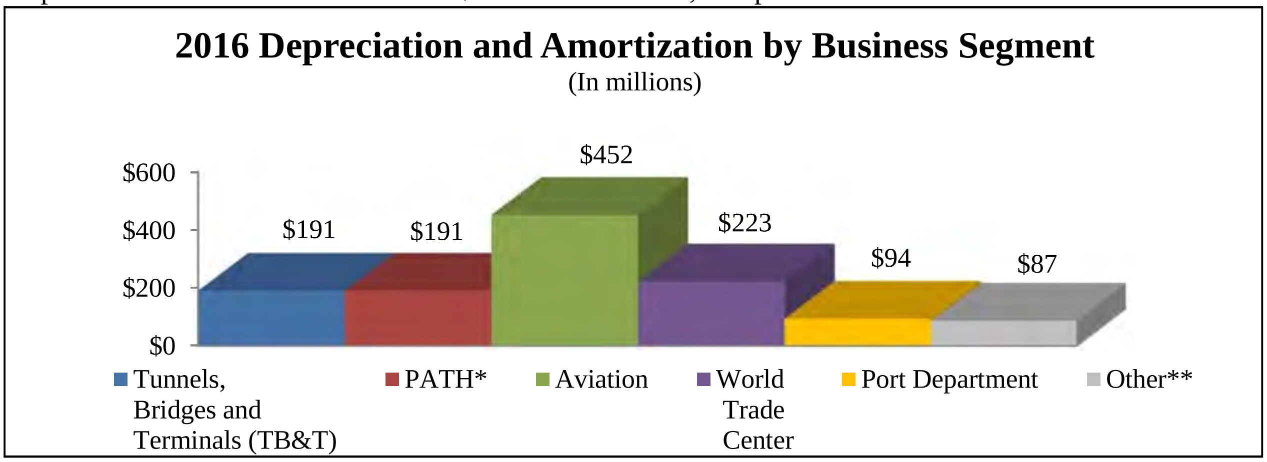
Gross operating revenues totaled $5.2 billion in 2016, comprised of:



Operating expenses totaled $3.0 billion in 2016, comprised of:

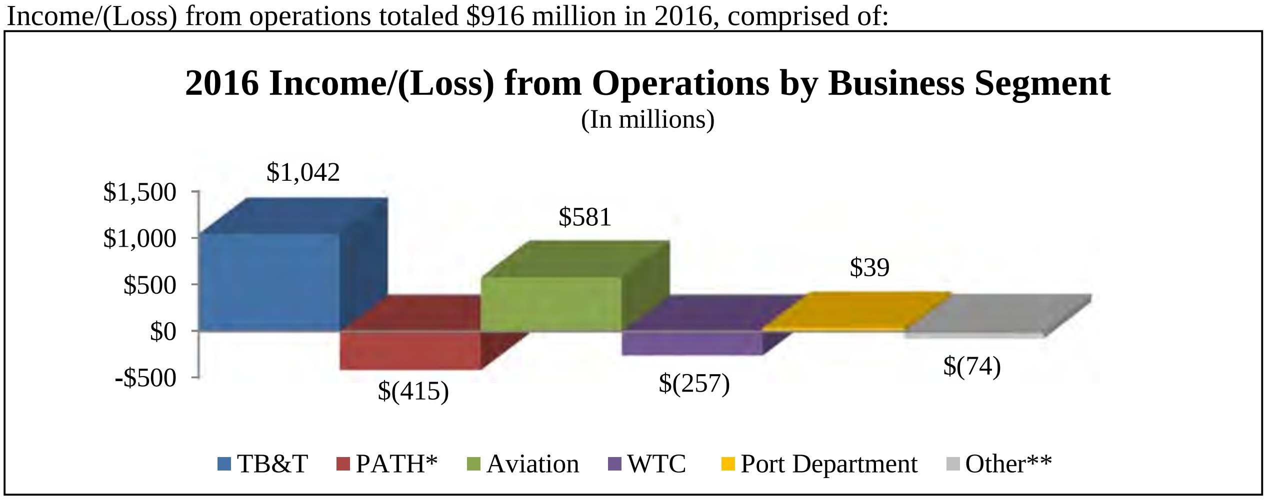


Depreciation and amortization totaled $1.2 billion in 2016, comprised of:



*Port Authority Trans Hudson Corporation (PATH) includes World Trade Center (WTC) Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation.

Income/(Loss) from operations totaled $916 million in 2016, comprised of:



*PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation.

Income/(Loss) from non-operating activities totaled $130 million in 2016, comprised of:

	2016
	(In millions)
Contributions in aid of construction, PFCs and pass-through grant program payments	$ 929
Grants, in connection with operating activities	64
Financial income, including decreases in fair value of investments	31
Interest expense in connection with bonds and other asset financings, net*	(894)
Income/(Loss) from non-operating activities	**$ 130**

*Includes $41.5 million reimbursement related to Tower 4 Liberty Bonds debt service payments.

Financial Statement Comparison for the Years Ended December 31, 2016, December 31, 2015 and December 31, 2014

Management's discussion and analysis is intended to serve as an introduction to the Port Authority's consolidated financial statements, including the notes to the consolidated financial statements, required supplementary information, financial schedules pursuant to Port Authority bond resolutions, and statistical and other supplemental information. The consolidated financial statements comprise the following: the Consolidated Statements of Net Position, the Consolidated Statements of Revenues, Expenses and Changes in Net Position, the Consolidated Statements of Cash Flows, and the Notes to the Consolidated Financial Statements.

Consolidated Statements of Net Position

The Consolidated Statements of Net Position present the financial position of the Port Authority at the end of the fiscal year and include all of the Port Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as applicable. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. A summarized comparison of the Port Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position follows:

	2016	2015	2014*
		(In thousands)	
ASSETS			
Current assets	**$ 2,683,308**	$ 3,779,062	$ 2,845,980
Noncurrent assets:			
Facilities, net	**34,693,691**	32,666,774	30,773,475
Other noncurrent assets	**7,884,673**	7,902,406	7,974,599
Total assets	**45,261,672**	44,348,242	41,594,054
DEFERRED OUTFLOWS OF RESOURCES			
Loss on debt refundings	**79,046**	97,337	108,447
Pension related amounts	**555,794**	155,259	-
Total deferred outflows of resources	**634,840**	252,596	108,447
LIABILITIES			
Current liabilities	**3,392,909**	3,546,341	3,036,635
Noncurrent liabilities:			
Bonds and other asset financing obligations	**21,533,071**	21,533,822	19,920,820
Other noncurrent liabilities	**4,288,389**	3,962,030	3,963,585
Total liabilities	**29,214,369**	29,042,193	26,921,040
DEFERRED INFLOWS OF RESOURCES			
Gain on debt refundings	**30,407**	21,527	6,921
Pension related amounts	**76,842**	7,555	-
Total deferred inflows of resources	**107,249**	29,082	6,921
NET POSITION			
Net investment in capital assets	**12,701,144**	11,810,573	10,402,894
Restricted	**567,443**	456,429	470,857
Unrestricted	**3,306,307**	3,262,561	3,900,789
Net position, December 31	**$ 16,574,894**	$ 15,529,563	$ 14,774,540

*Amounts have not been restated for the cumulative effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements in 2015 totaling $24.7 million.

2016 vs. 2015

Port Authority assets totaled $45.3 billion at December 31, 2016, an increase of $913 million from December 31, 2015. This overall increase was primarily a result of:

- Facilities, net, including contributed capital, increased $2.0 billion resulting from the continued capital investment in Port Authority facilities as outlined in the Port Authority's capital plan, less annual depreciation (see *Schedule F - Information on Capital Investment in Port Authority Facilities* for additional information on capital investment by business segment).

- Cash balances, including restricted amounts, of $738 million decreased $610 million from December 31, 2015 primarily due to the drawdown of consolidated bond proceeds received in 2015 to, refund certain outstanding consolidated bond debt obligations in 2016 to achieve savings on future debt service payments and to fund additional capital construction at Port Authority facilities. For additional information related to cash balances see Consolidated Statements of Cash Flows.

- Current and noncurrent investments, including restricted amounts, of $4.8 billion decreased $435 million primarily due to the maturity of certain investments comprised of consolidated bond proceeds received in 2015 and invested on an interim basis until they were utilized to refund certain outstanding consolidated bond debt obligations in 2016, to achieve savings on future debt service payments.

Port Authority deferred outflows of resources totaled $634.8 million at December 31, 2016, an increase of $382.2 million from December 31, 2015. This year-to-year increase was primarily due to an increase in certain actuarially determined pension costs related to the Port Authority's proportionate share of the New York State and Local Retirement System (NYSLRS) Net Pension Liability (NPL), including the impact of changes to certain actuarial assumptions and the difference between expected and actual earnings on plan investments. 2016 deferred outflows of resources will be amortized as additional pension expense on a straight-line basis over a closed period (see *Note I- Pension Plans* for additional information related to pensions).

Port Authority liabilities totaled $29.2 billion at December 31, 2016, an increase of $172 million from December 31, 2015. This increase was primarily due to:

- Accrued pension and other post-employment employee benefits increased $304 million primarily due to a $379 million increase in the Port Authority's proportionate share of the NPL of the NYSLRS, including the impact of changes to certain actuarial assumptions and the difference between expected and actual earnings on plan investments. Offsetting these increases was a $77 million decrease in the Other Postemployment Benefits (OPEB) obligation, primarily due to advanced funding of $100 million to The Port Authority of New York and New Jersey Retiree Health Benefits Trust for purposes of paying future OPEB payments. For additional information related to pension obligations and OPEB, see *Note I – Pension Plans* and *Note J – Other Postemployment Employee Benefits (OPEB)*.

- Unearned income related to the Port Authority's transfer of its interests in the WTC Retail Joint Venture increased $69 million primarily due to the receipt of additional funding in connection with the ongoing development of the retail components of the WTC retail premises. These amounts are being recognized as rental income over the term of the WTC retail net lease agreement.

- Bonds and other asset financing obligations, including Tower 4 Liberty Bonds, decreased $247 million primarily due to the refunding of certain outstanding consolidated bonds series in January 2016 and October 2016, respectively, with refunding bond proceeds received in October 2015. Offsetting these amounts was an increase in the Goethals Bridge Replacement Developer Financing Arrangement (DFA) obligation due to the completion of additional capital construction of the replacement bridge.

Port Authority deferred inflows of resources totaled $107.2 million at December 31, 2016, an increase of $78.2 million from December 31, 2015. This year-to-year increase was primarily due to a decrease in the Port Authority' proportionate share of pension amounts of the New York State and Local Police and Fire Retirement System. 2016 deferred inflows of resources will be amortized as a reduction to pension expense on a straight-line basis over a closed period (see *Note I- Pension Plans* for additional information related to pensions).

2015 vs. 2014

Port Authority assets totaled $44.3 billion at December 31, 2015, an increase of $2.8 billion from December 31, 2014. This increase was primarily due to:

- Facilities, net, including contributed capital amounts, increased $1.9 billion resulting from the continued capital investment in Port Authority facilities, less annual depreciation.

- Cash balances, including restricted amounts decreased $498 million during 2015 primarily due to $2.5 billion in cash used for capital construction, $1.3 billion related to debt service on outstanding debt obligations and the reallocation of approximately $400 million in cash equivalents to higher yielding United States (U.S.) securities. Offsetting these amounts was a $1.8 billion increase in cash from operations, $1.5 billion net increase in cash related to consolidated bond proceeds issued for purposes of funding capital construction or refunding existing debt obligations and $545 million related to the receipt of capital contributions and Passenger Facility Charges. For additional information see Consolidated Statements of Cash Flows.

- Current and noncurrent investments increased $1.5 billion primarily due to a $1.1 billion increase in securities purchased with consolidated bond proceeds that are being invested on an interim basis until they are needed for their intended purpose of funding capital construction or refunding outstanding debt obligations and the reallocation of approximately $400 million of cash equivalents to higher yielding U.S. securities.

Port Authority liabilities totaled $29 billion at December 31, 2015, an increase of $2.1 billion from December 31, 2014. This increase was primarily due to:

- Bonds and other asset financing obligations, including discounts and premiums related to bond issuances, increased $2.2 billion primarily due to the issuance of consolidated bonds in connection with expected capital construction funding requirements or for purposes of refunding certain outstanding consolidated bonds.

- Accounts payable decreased $218 million primarily due to the decrease in construction accruals relating to capital projects at the Lincoln Tunnel and George Washington Bridge.

- Accrued pension and other postemployment employee benefits increased $40 million primarily due to the recognition of the Port Authority's proportionate share of the net pension liability of the New York State and Local Employees Retirement System and the New York State and Local Police and Fire Retirement System, along with the net pension liability related to the PATH Exempt Employees Supplemental Pension Plan recognized in accordance with GASB Statement No. 68 – *Accounting and Reporting for Pensions*, which became effective in 2015. Offsetting these increases was an $83 million net decrease in OPEB obligations, primarily due to advanced fundings made to The Port Authority of New York and New Jersey Retiree Health Benefits Trust. For additional information related to pension obligations and OPEB, *see Note I – Pension Plans* and *Note J – Other Postemployment Employee Benefits*.

Consolidated Statements of Revenues, Expenses and Changes in Net Position

Change in net position is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. Following is a summary of the Consolidated Statements of Revenues, Expenses and Changes in Net Position:

	2016	2015*	2014**
		(In thousands)	
Gross operating revenues	**$ 5,167,364**	$ 4,826,582	$4,481,812
Operating expenses	**(3,013,087)**	(2,900,652)	(2,923,254)
Depreciation and amortization	**(1,238,512)**	(1,189,048)	(996,633)
Net revenue related to Superstorm Sandy	**-**	123	53,530
Income from operations	**915,765**	737,005	615,455
Non-operating expenses, net	**(809,747)**	(792,214)	(502,681)
Capital contributions and PFCs	**939,313**	835,002	933,439
Increase in net position	**1,045,331**	779,793	1,046,213
Net position, January 1	**15,529,563**	14,749,770	13,728,327
Net position, December 31	**$16,574,894**	$15,529,563	$14,774,540

*Janaury 1, 2015 net position has been restated to reflect the cumulative effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements totaling $24.7 million.
**Amounts have not been restated for the cumulative effect of implementing GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and other related pronouncements in 2015 totaling $24.7 million.

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

Operating Revenues

A summary of gross operating revenues follows:

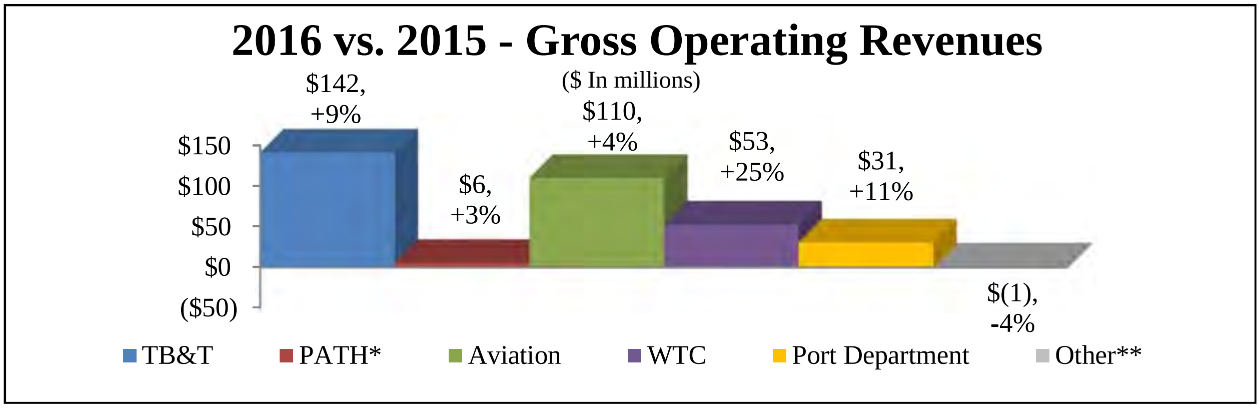
	2016	2015	2014
		(In thousands)	
Gross operating revenues:			
Tolls and fares	**$ 1,865,481**	$ 1,718,770	$ 1,553,625
Rentals	**1,564,527**	1,446,980	1,300,818
Aviation fees	**1,112,436**	1,063,902	1,058,416
Parking and other	**399,178**	359,631	321,760
Utilities	**138,987**	144,580	149,052
Rentals - Special Project Bonds Projects	**86,755**	92,719	98,141
Total	**$ 5,167,364**	$ 4,826,582	$ 4,481,812

2016 vs. 2015

Gross operating revenues of $5.2 billion increased $341 million or 7.1% from 2015. Tolls revenue at the Port Authority's six (6) vehicular crossings increased $142 million or 9.2% from 2015, due to the final scheduled toll increase that became effective in December 2015 and an overall increase in vehicular traffic of 2.4%. PATH fares increased $5 million or 2.8% due to a 2.6% increase in passenger activity. Rental revenue increased $118 million or 8.1% primarily due to increases in fixed and percentage rentals at One World Trade Center (WTC) as a result of increased occupancy, and Aviation facilities, primarily due to scheduled rent increases in certain terminal lease agreements and increased percentage rentals at John F.

Kennedy International Airport (JFK). Partially offsetting these increases was a decrease in certain fixed and percentage rentals at LaGuardia Airport (LGA) due to the execution of a lease agreement with LaGuardia Gateway Partners for the operation of the existing Terminal B pursuant to the public private partnership that is redeveloping the terminal. Formulaically determined Aviation fees, which provide for the recovery of certain Port Authority capital investments and operating expenses at its three major airports, increased $49 million or 4.6% primarily due to the recovery of increased policing and security related expenditures and aeronautical related capital investment.

The following chart depicts the 2016 change in total gross operating revenues by business segment when compared to 2015:

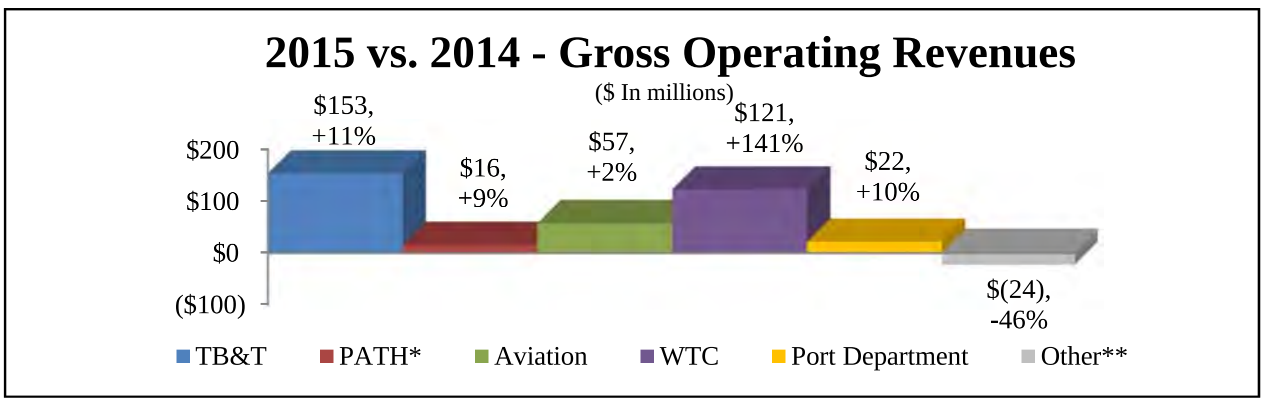


* PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

2015 vs. 2014

Gross operating revenues of $4.8 billion increased $345 million or 7.7% from 2014. Toll revenue at the Port Authority's six (6) vehicular crossings increased $149 million, primarily due to scheduled increases in tolling rates that became effective in December 2014 and December 2015, respectively, and an overall increase in vehicular traffic of 1.7%. PATH fares increased $16 million, primarily due to scheduled increases in PATH fares that became effective in October 2014 and a 3.9% increase in ridership levels. Rental income increased $146 million primarily due to increases in fixed and percentage rentals related to One WTC, One WTC Observation Deck, which opened to the public in 2015, and Aviation facilities.

The following chart depicts the 2015 change in total gross operating revenues by business segment when compared to 2014:



*PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

Operating Expenses

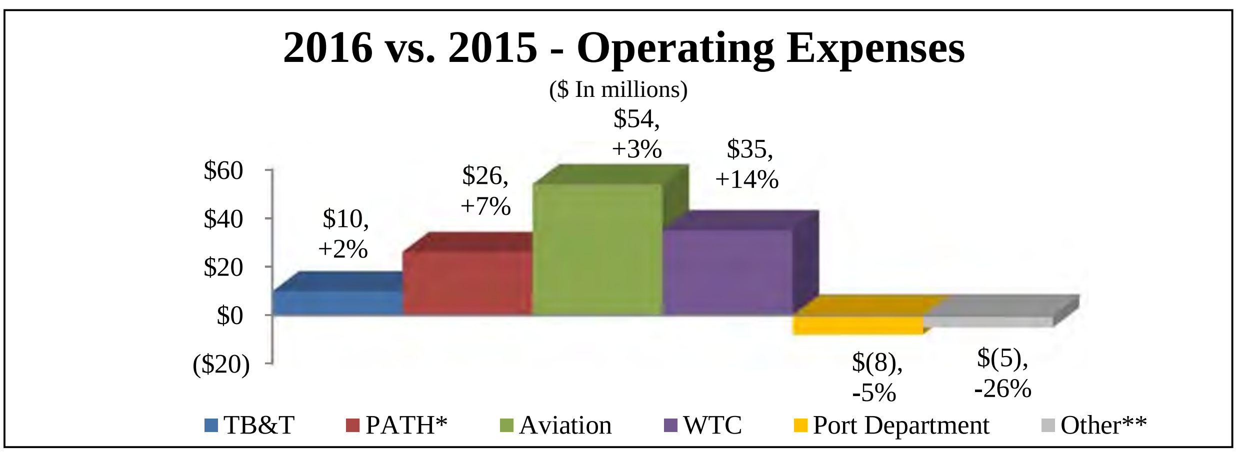
A summary of operating expenses follows:

	2016	2015	2014
		(In thousands)	
Operating expenses:			
Employee compensation, including benefits	**$ 1,290,334**	$ 1,178,967	$ 1,187,877
Contract services	**852,926**	833,903	797,516
Rents and payments in-lieu-of taxes (PILOT)	**352,293**	356,162	362,627
Materials, equipment and other	**264,977**	252,071	277,174
Utilities	**165,802**	186,830	199,919
Interest on Special Project Bonds	**86,755**	92,719	98,141
Total	**$ 3,013,087**	$ 2,900,652	$ 2,923,254

2016 vs. 2015

Operating expenses of $3.0 billion increased $112 million or 3.9% from 2015. Employee compensation of $1.3 billion increased $111 million from 2015 primarily due to increases in actuarially determined costs related to OPEB and pension benefits provided to employees as well as increases in employee compensation due to, heightened security at Aviation facilities, the WTC site and the training of additional police officers. In addition, payments to third-parties for maintenance, security, operational support, payments in-lieu-of-taxes (PILOT) to the City of New York, and insurance increased approximately $39 million due to the continued transitioning of the WTC to a fully operational facility, including the WTC Transportation Hub which opened to the public in March 2016. Partially offsetting these increases were decreases totaling approximately $18 million in material purchases, employee wages, and contractor payments related to snow and ice removal activities, primarily at Aviation facilities, as well as a $20 million decrease in electricity consumption and supply charges at Port Authority facilities due to milder weather conditions.

The following chart depicts the 2016 change in total operating expenses by business segment when compared to 2015:



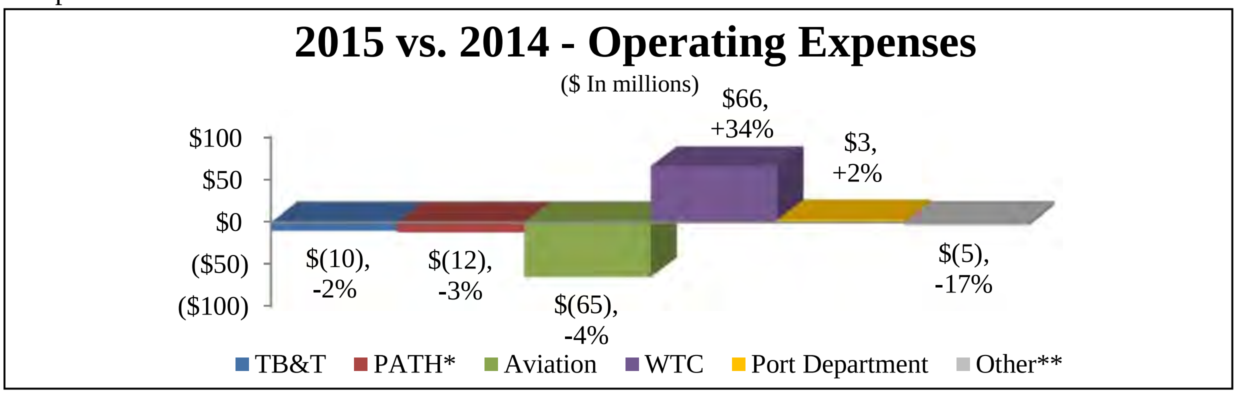
* PATH includes WTC Transportation Hub.

**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation.

2015 vs. 2014

Operating expenses totaled $2.9 billion in 2015, a decrease of $23 million or 1% from 2014. Operating expenses at Aviation, Tunnels, Bridges and Terminals (TB&T), Development Facilities and PATH decreased approximately $89 million from 2014, primarily due to lower self-insured public liability and workers compensation loss reserves, lower overtime related to policing activities due to the addition of new police officers, lower employee compensation and third party contractor payments related to snow removal activities due to less severe winter weather conditions throughout 2015, and lower corporate overhead related to rent for vacated corporate offices. Offsetting these decreases was a $66 million increase in WTC operating expenses, including PILOT to the City of New York, primarily related to the continued transitioning of the World Trade Center to a fully operational facility.

The following chart depicts the 2015 change in total operating expenses by business segment when compared to 2014:



* PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation.

Depreciation and Amortization

A summary of depreciation and amortization follows:

	2016	2015	2014
		(In thousands)	
Depreciation and amortization:			
Depreciation of facilities	**$1,173,747**	$1,124,383	$ 932,149
Amortization of costs for regional programs	**64,765**	64,665	64,484
Total	**$1,238,512**	$1,189,048	$ 996,633

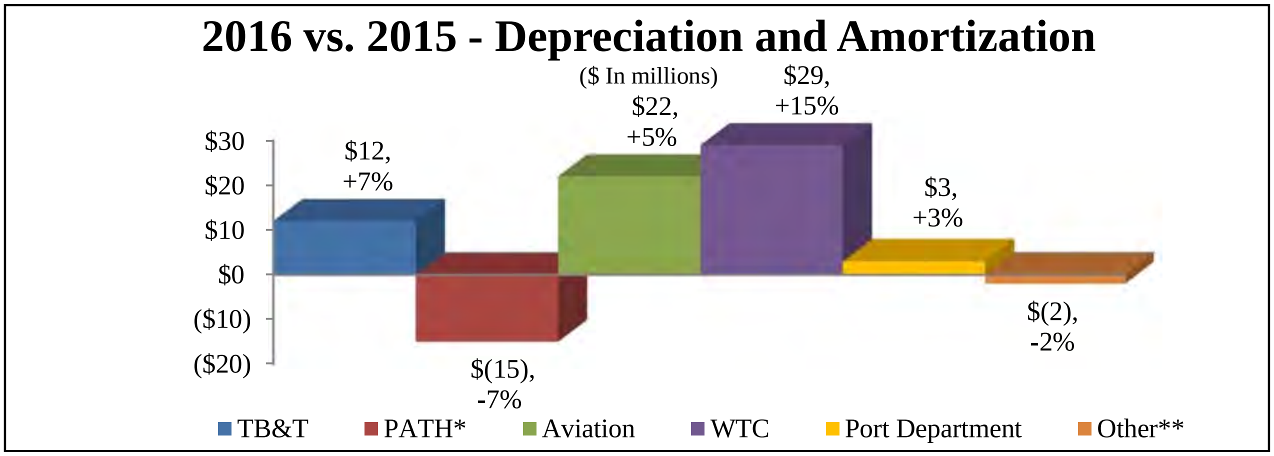
2016 vs. 2015

Depreciation and amortization of $1.2 billion increased $49 million or 4.2% from 2015. This increase is primarily due to the placement of $2.9 billion of additional capital infrastructure into service during 2016. These capital infrastructure assets, primarily located at the WTC site, TB&T, and Aviation facilities are now being depreciated over their estimated useful life. In addition, the Port Authority accelerated depreciation of approximately $10 million for certain LGA Terminal B capital infrastructure assets which are expected to be taken out of service in 2021 due to the ongoing redevelopment of the terminal.

Additional information related to capital investment in Port Authority facilities can be found in appended *Note B – Facilities, net* to the 2016 consolidated financial statements, *Schedule D-3 – Selected Statistical*

Financial Data by Business Segment and *Schedule F – Information on Capital Investment in Port Authority Facilities* located in the Statistical and Other Supplemental Information section of this report.

The following chart depicts the 2016 change in total depreciation by business segment when compared to 2015:

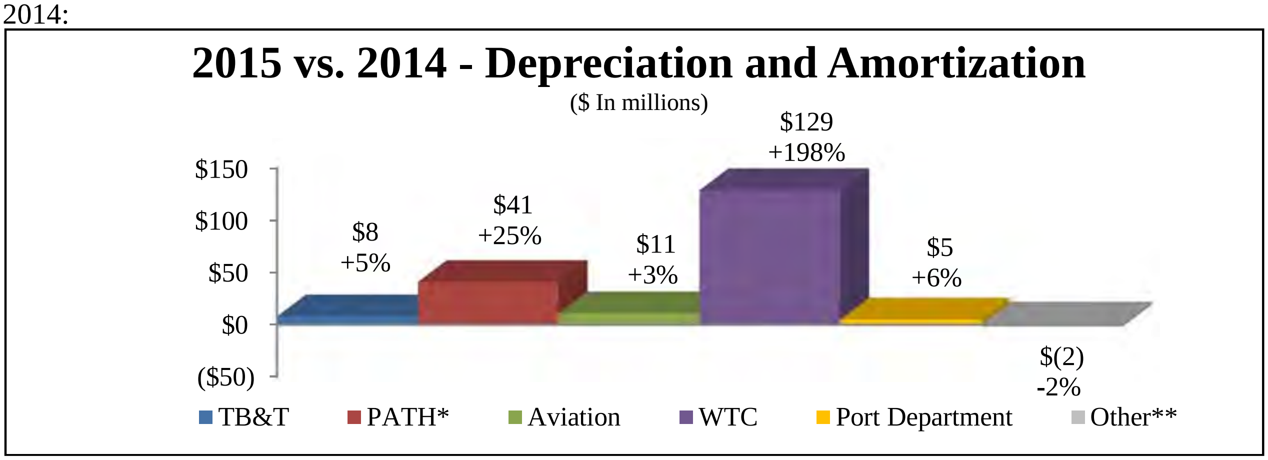


* PATH includes WTC Transportation Hub.
** Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation.

2015 vs. 2014

Depreciation and amortization of $1.2 billion increased $192 million primarily due to the completion of $3.4 billion in 2015 and $6.9 billion in 2014, of capital investments that are ready for their intended use. These completed capital projects, primarily located at the WTC site, are being depreciated over their estimated useful life on a straight-line basis.

The following chart depicts the 2015 change in total depreciation by business segment when compared to 2014:



* PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core and Ferry Transportation.

Net revenues related to Superstorm Sandy

2016 vs. 2015

Net revenues related to Superstorm Sandy decreased from 2015 due to the timing of insurance recoveries from participating insurance carriers. The Port Authority is engaged in discussions with participating insurers to settle the remaining WTC related insurance claims resulting from the events of Superstorm Sandy. As of December 31, 2016, the Port Authority has received approximately $563 million in insurance recoveries related to Superstorm Sandy.

2015 vs. 2014

Net revenues related to Superstorm Sandy decreased $53 million in 2015 due to a decrease in insurance recoveries from participating insurance carriers related to the events of Superstorm Sandy.

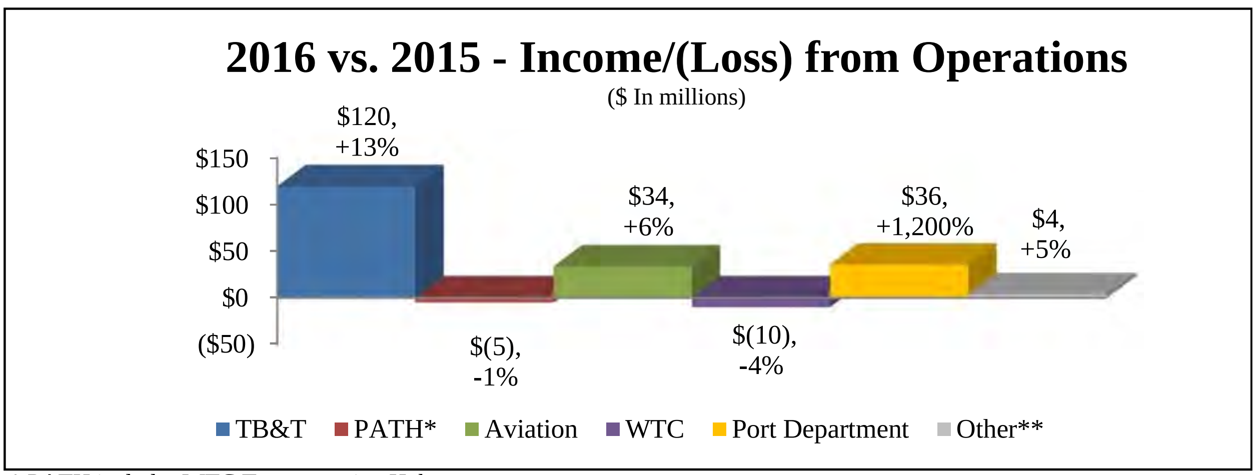
Income from Operations

Income from operations represents the difference between gross operating revenues, and the sum of operating expenses, depreciation and amortization and net revenues related to Superstorm Sandy.

2016 vs. 2015

Income from operations of $916 million increased $179 million from 2015 primarily due to increases in tolls at the Port Authority's six (6) vehicular crossings and fixed and activity-based rentals at the WTC and Aviation facilities.

The following chart depicts 2016 change in income from operations by business segment when compared to 2015:



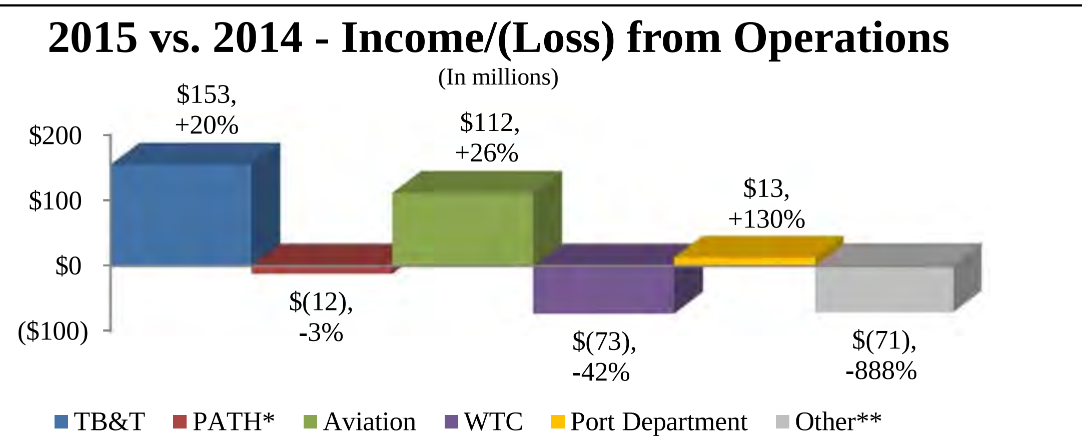
* PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation and Net revenues related to Superstorm Sandy.

2015 vs. 2014

Income from operations of $737 million increased $122 million in 2015 primarily due to increases in tolls at the Port Authority's six (6) vehicular crossings, PATH fares and fixed and activity-based rentals at the

WTC and Aviation facilities. Offsetting these amounts were increases in depreciation expense, primarily related to completed WTC capital assets and lower insurance recoveries related to Superstorm Sandy.

The following chart depicts 2015 change in income from operations by business segment when compared to 2014:



* PATH includes WTC Transportation Hub.
**Other includes Regional Facilities and Programs, Development Facilities, Access to the Regions Core, Ferry Transportation and Net revenues related to Superstorm Sandy.

Non-Operating Revenues and Expenses

A summary of non-operating revenues and expenses follows:

	2016	2015	2014
		(In thousands)	
Non-operating revenues and (expenses):			
Financial income	**$ 42,047**	$ 45,268	$ 41,050
Net (decrease) in fair value of investments	**(11,493)**	(14,290)	(2,950)
Interest expense in connection with bonds and other asset financings, net*	**(893,921)**	(872,837)	(660,116)
Net gain on disposition of assets	**-**	-	19,043
Pass-through grant program payments	**(10,695)**	(51,429)	(107,606)
Grants, in connection with operating activities	**64,315**	101,074	207,898
Non-operating expenses, net	**$ (809,747)**	$ (792,214)	$ (502,681)

*Includes reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments.

2016 vs. 2015

- Financial income, comprised of interest income and changes in the fair value of investments of $31 million remained flat when compared to 2015. Financial income related to the Port Authority's $4.8 billion investment portfolio, comprised primarily of U.S. securities, decreased $3 million. Offsetting this decrease was a $3 million increase in market valuation adjustments associated with the fluctuation of interest rates and the resulting impact these fluctuations had on the fair value of the Port Authority's investment portfolio.

- Interest expense in connection with bonds and other asset financings of $894 million increased $21 million from 2015 primarily related to certain consolidated bond series that were issued in October

2015 for purposes of refunding certain outstanding consolidated debt obligations in 2016 and 2017 respectively. As the outstanding debt to be refunded was not defeased for financial reporting purposes in 2015, interest accrued on both the refunding bonds issued in 2015 for such purposes and the outstanding debt obligations to be refunded were recognized until such bonds were refunded.

- Pass-through grant program payments to sub-grantees of $11 million decreased $41 million in 2016 primarily due to decreased federal funding associated with baggage screening projects at Aviation facilities and Port security projects sponsored by the Port Authority.

  Pass-through grant program payments are offset in their entirety by either *Contributions in aid of construction* or *Grants, in connection with operating activities*.

- Grants, in connection with operating activities of $64 million decreased $37 million in 2016 primarily due to a $26 million decrease in grants related to Superstorm Sandy recovery efforts and a $26 million decrease in security related programs from the Transportation Security Administration (TSA) for baggage screening at LGA, JFK, and Newark Liberty International Airport (EWR) and Urban Area Security Initiative (UASI). Offsetting these amounts was a $9.5 million increase in Airport Improvement Program (AIP) primarily related to certain studies and operating activities at Port Authority Aviation facilities.

2015 vs. 2014

- Financial income, comprised of interest income and changes in the fair value of investments, decreased $7.1 million, primarily due to a $11.3 million decrease in market valuation adjustments associated with the fluctuation of interest rates and their impact on the fair value of the Port Authority's investment portfolio. Offsetting this decrease was a $4.2 million increase in financial income related to the Port Authority's $5 billion investment portfolio, which is primarily comprised of U.S. securities.

- Operating interest expense in connection with bonds and other asset financings increased $213 million in 2015 primarily due to lower interest being allocated to capital projects still under construction, primarily at the WTC site.

- Grants, in connection with operating activities decreased $107 million in 2015 primarily due to a $113 million decrease in U.S. DHS funding for port security related projects and a $19 million decrease in grants related to Superstorm Sandy recovery efforts.

- Pass-through grant program payments to sub-grantees decreased $56 million in 2015 primarily due to decreased funding associated with baggage screening projects at aviation facilities and port security related projects sponsored by the Port Authority.

  Pass-through grant program payments are offset in their entirety by either *Contributions in aid of construction* or *Grants, in connection with operating activities*.

Capital Contributions and Passenger Facility Charges

A summary of Capital Contributions and Passenger Facility Charges follows:

	2016	2015	2014
		(In thousands)	
Contributions in aid of construction	**$ 674,950**	$ 586,295	$ 700,267
PFCs	**264,363**	248,707	233,172
Total	**$ 939,313**	$ 835,002	$ 933,439

2016 vs. 2015

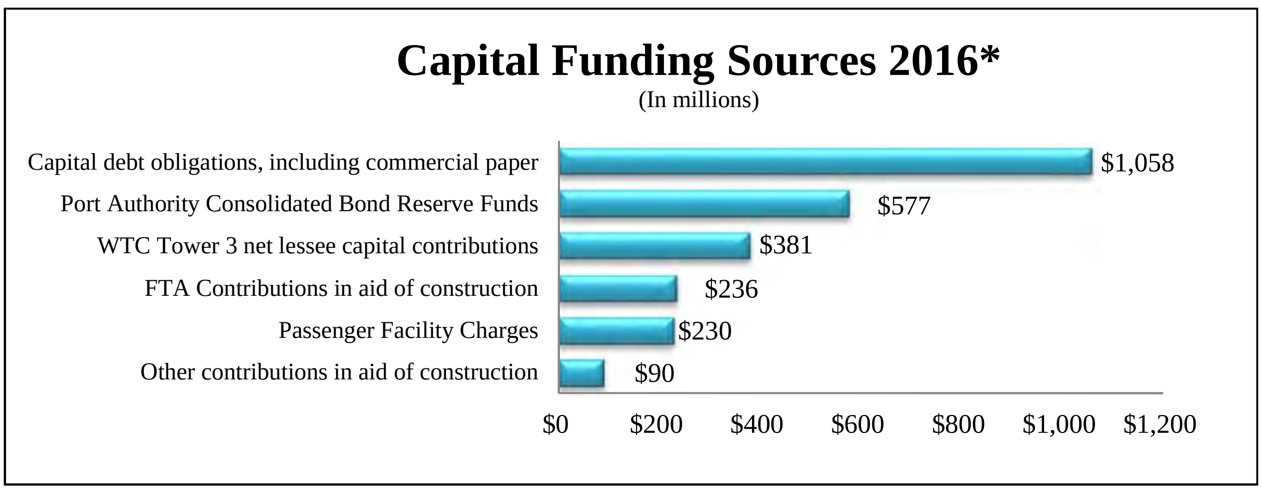
Contributions in aid of construction and PFCs of $939 million increased $104 million from 2015 primarily due to increases in contributed capital amounts due from the Three WTC net lessee related to the continued construction of WTC Tower 3, the Metropolitan Transportation Authority (MTA) for the redevelopment of certain areas of the WTC site and the Federal Highway Administration (FHWA) related to the Cross Harbor Freight Movement Program at Greenville Yard. Offsetting these increases were decreases in AIP funding primarily related to the rehabilitation of certain runways at the Port Authority's three major airports that were substantially completed in 2015.

2015 vs. 2014

Contributions in aid of construction and PFCs of $835 million decreased $98 million, primarily due to a decrease of $80 million in New York State capital contributions related to the construction of WTC Tower 3 applied in 2014 and a $71 million decrease in Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub. Offsetting these decreases was a $79 million increase in net lessee capital contributions related to the construction of WTC Tower 3 and an $18 million increase in Federal Emergency Management Agency (FEMA) contributions related to Superstorm Sandy permanent repair capital projects at PATH.

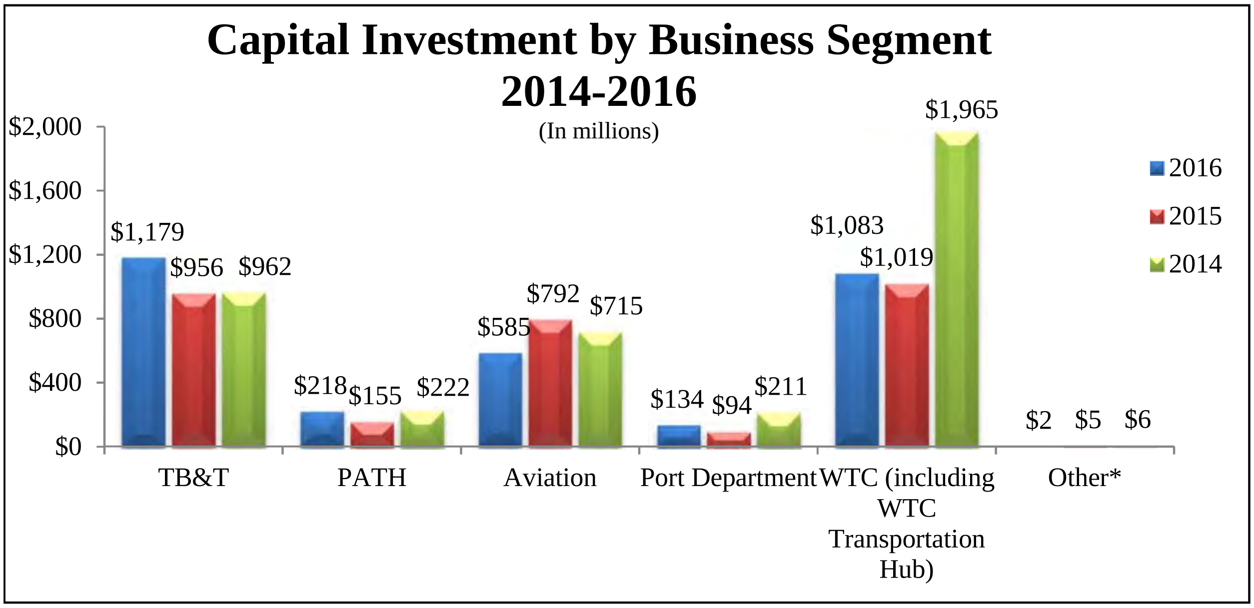
Capital Construction Activities

Port Authority capital investment including contributed capital and accrued amounts relating to capital construction totaled $3.2 billion in 2016, $3.0 billion in 2015 and $4.1 billion in 2014.



*Capital funding sources exclude approximately $629 million related to accrued amounts in connection with capital construction activities, including the Goethals Bridge Replacement Program.

The following chart depicts capital investment for the last three years summarized by business segment:



*Other includes Regional Facilities and Programs, Development Facilities and Ferry Transportation.

Additional information related to capital investment in Port Authority facilities can be found in appended *Note B – Facilities, net* to the 2016 consolidated financial statements, and *Schedule D-3 – Selected Statistical Financial Data by Business Segment* and *Schedule F – Information on Capital Investment in Port Authority Facilities* located in the Statistical and Other Supplemental Information section of this report.

Capital Financing and Debt Management

As of December 31, 2016, bonds and other asset financing obligations of the Port Authority totaled approximately $24.0 billion, including $1.2 billion associated with the Tower 4 Liberty Bonds for which the Port Authority is a co-borrower/obligor.

During 2016, the Port Authority issued $1.4 billion of consolidated bonds and received $139 million in bond premiums at the time of issuance. Of this amount, $394 million was allocated to fund capital construction and $1.1 billion was allocated for purposes of refunding outstanding consolidated bonds to achieve savings on future debt service payments and the pay down of commercial paper. In addition, the Port Authority issued commercial paper obligations totaling $1.8 billion. Of this amount, $1.7 billion was allocated for the purpose of refunding existing commercial paper obligations and $61 million was issued to fund capital construction project expenditures.

On October 9, 2015, the Port Authority issued Consolidated Bonds, One Hundred Ninety-fourth (194^{th}) Series for purposes of funding $216 million of capital project expenditures at certain Port Authority facilities, to refund $68.5 million of certain Consolidated Bonds, One Hundred Forty-eighth (148^{th}) Series in October 2015 and to refund $335.9 million of Consolidated Bonds, One Hundred Forty-second (142^{nd}) Series obligations in January 2016. In addition, $743.4 million of Consolidated Bonds, One Hundred Ninety-fourth (194^{th}) Series bond proceeds were deposited in Port Authority controlled custodial accounts and invested in U.S. securities on an interim basis until needed for purposes of refunding Consolidated Bonds, One Hundred Forty-fourth (144^{th}) Series and Consolidated Bonds, One Hundred Forty-eighth (148^{th}) Series in October 1, 2016 and August 15, 2017, respectively. The maturity dates of the investments coincide with refunding dates of the respective consolidated bond series to be refunded. The invested bond proceeds, along with $5.2 million of fixed income earned on these investments provide for the complete refunding of Consolidated Bonds, One Hundred Forty-fourth (144th) Series and One Hundred Forty-eighth (148th) Series. Because the invested bond proceeds are deposited in Port Authority controlled custodial accounts that are not irrevocable, the outstanding debt obligations to be refunded in August 2017 have not been substantively defeased for financial reporting purposes.

Consolidated Bond	Period	Total Debt Service owed as of 12/31/2015	Principal paid in 2016	Interest paid in 2016	Total Debt Service owed as of 12/31/2016
One Hundred Forty-fourth Series	10/9/15 to 10/1/16	$314,621,344	$300,000,000	$14,621,344	$ -
One Hundred Forty-eighth Series*	10/9/15 to 8/15/17	434,038,000	-	19,729,000	414,309,000
Total		$748,659,344	$300,000,000	$34,350,344	$414,309,000

*Total Debt Service owed as of 12/31/2015 excludes $15.1 million of principal paid in 2016 from Net Operating Revenues.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in 2016 remained the same when compared to 2015. During 2016, Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook stable.

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

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price. Additional information on Port Authority debt obligations can be found in *Note D - Outstanding Obligations and Financing* of this report.

Other Activities

- Toll schedules for the Port Authority's six (6) vehicular crossings were authorized and revised effective September 18, 2011. The last scheduled toll increase for automobiles paying with cash increased from $14.00 to $15.00 in December 2015; the cash toll for truck classes 2-6 increased from $19.00 per axle to $21.00 per axle in December 2015; the cash toll for buses carrying 10 or more people increased from $23.00 to $24.00 in December 2015. Discounts are available for vehicles using the E-ZPass® electronic toll collection system and certain designated user programs.

- The PATH base fare schedule was authorized and revised effective September 18, 2011. The last scheduled PATH base fare for a single trip increased from $2.50 per trip to $2.75 per trip on October 1, 2014. The cost of the multi-trip tickets and SmartLink passes were also increased at that time in a consistent manner with the base fare increase.

- On March 24, 2016, the Board authorized a Memorandum of Understanding with the United States Department of Transportation (USDOT), Amtrak and New Jersey Transit Corporation to set forth a framework for the parties' activities, prior to the commencement of operations under a development corporation to advance the first phase of the Gateway Program – whose elements include the Gateway Tunnel Project, the construction of concrete casing on the West side of Manhattan leading to New York Pennsylvania Station to preserve the tunnel right-of-way and the replacement of the Sawtooth and Portal Bridges in New Jersey. The Board also authorized the Port Authority to enter into an agreement with Amtrak to reimburse Amtrak up to $35 million of preliminary engineering and planning costs incurred by Amtrak for design, development and construction of the Gateway Tunnel Project to advance environmental review and permitting for that project, as an element of the Gateway Program. The development of such information will assist the Port Authority to understand and evaluate the scope and elements of the Gateway Tunnel Project as part of the Gateway Program.

On October 20, 2016, in support of a portion of the funding of the Portal North Bridge project component of the Gateway Program, the Board authorized the Port Authority to enter into an agreement with Gateway Program Development Corporation (GPDC) that would provide for payment by the Port Authority to GPDC of amounts equal to the scheduled annual debt service, when due without acceleration, and any fees, costs, or expenses on $284 million of low-interest federal Railroad Rehabilitation and Improvement Financing (RRIF) or Transportation Infrastructure Finance and Innovation Act (TIFIA) loan or loans to be obtained by the GPDC.

Port Authority's participation in the Gateway Program, is subject to approval by the Board of Commissioners, consistent with statutory, contractual and other commitments of the Port Authority, including agreements between the Port Authority and the holders of its obligations.

- On December 8, 2016, the Board of Commissioners approved a 2017 budget that provides for capital and operating expenditures during calendar year 2017 totaling $7.4 billion. To obtain a copy of the 2017 budget, please refer to the following link:
  http://corpinfo.panynj.gov/documents/2017-Budget-Book/

- On February 16, 2017, the Board of Commissioners approved a ten-year capital plan covering 2017-2026, totaling $32.2 billion. To obtain a copy of the capital plan, please refer to the following link:
  http://corpinfo.panynj.gov/documents/Capital-Plan-2017-2026/

Consolidated Statements of Net Position

	December 31, 2016	December 31, 2015
	(In thousands)	
ASSETS		
Current assets:		
Cash	**$ 390,809**	$ 1,171,781
Restricted cash	**342,262**	171,286
Investments	**1,231,303**	1,766,989
Restricted investments - PFC	**72,275**	-
Current receivables, net	**460,145**	468,707
Other current assets	**116,955**	127,193
Restricted receivables and other assets	**69,559**	73,106
Total current assets	**2,683,308**	3,779,062
Noncurrent assets:		
Restricted cash	**4,964**	4,631
Investments	**3,245,288**	3,252,429
Restricted investments - PAICE	**220,462**	184,633
Other amounts receivable, net	**62,089**	52,474
Other noncurrent assets	**1,510,086**	1,439,303
Restricted noncurrent assets - PAICE	**1,932**	4,649
Amounts receivable - Special Project Bonds	**1,376,882**	1,435,940
Amounts receivable - Tower 4 Liberty Bonds	**1,246,861**	1,247,473
Unamortized costs for regional programs	**216,109**	280,874
Facilities, net	**34,693,691**	32,666,774
Total noncurrent assets	**42,578,364**	40,569,180
Total assets	**45,261,672**	44,348,242
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refundings	**79,046**	97,337
Pension related amounts	**555,794**	155,259
Total deferred outflows of resources	**634,840**	252,596
LIABILITIES		
Current liabilities:		
Accounts payable	**1,072,412**	1,071,047
Accrued interest and other current liabilities	**539,966**	542,700
Restricted other liabilities - PAICE	**12,492**	9,446
Accrued payroll and other employee benefits	**527,897**	436,576
Current portion bonds and other asset financing obligations	**1,240,142**	1,486,572
Total current liabilities	**3,392,909**	3,546,341
Noncurrent liabilities:		
Accrued pension and other postemployment employee benefits	**533,835**	229,892
Other noncurrent liabilities	**307,642**	293,645
Unearned income related to WTC Retail joint venture	**773,998**	704,697
Restricted other noncurrent liabilities - PAICE	**49,171**	50,383
Amounts payable - Special Project Bonds	**1,376,882**	1,435,940
Amounts payable - Tower 4 Liberty Bonds	**1,246,861**	1,247,473
Bonds and other asset financing obligations	**21,533,071**	21,533,822
Total noncurrent liabilities	**25,821,460**	25,495,852
Total liabilities	**29,214,369**	29,042,193
DEFERRED INFLOWS OF RESOURCES		
Gain on debt refundings	**30,407**	21,527
Pension related amounts	**76,842**	7,555
Total deferred inflows of resources	**107,249**	29,082
NET POSITION	**$ 16,574,894**	$ 15,529,563
Net position is comprised of:		
Net investment in capital assets	**$ 12,746,144**	$ 11,810,573
Restricted:		
Passenger Facility Charges	**204,053**	168,801
Port Authority Insurance Captive Entity, LLC	**263,390**	187,628
Minority Interest in Tower 1 Joint Venture	**100,000**	100,000
Unrestricted	**3,261,307**	3,262,561
NET POSITION	**$ 16,574,894**	$ 15,529,563

See Notes to Consolidated Financial Statements

Consolidated Statements of Revenues, Expenses and Changes in Net Position

	Year ended December 31, 2016	2015
	(In thousands)	
Gross operating revenues:		
Tolls and fares	**$ 1,865,481**	$ 1,718,770
Rentals	**1,564,527**	1,446,980
Aviation fees	**1,112,436**	1,063,902
Parking and other	**399,178**	359,631
Utilities	**138,987**	144,580
Rentals - Special Project Bonds Projects	**86,755**	92,719
Total gross operating revenues	**5,167,364**	4,826,582
Operating expenses:		
Employee compensation, including benefits	**1,290,334**	1,178,967
Contract services	**852,926**	833,903
Rents and payments in-lieu-of taxes (PILOT)	**352,293**	356,162
Materials, equipment and other	**264,977**	252,071
Utilities	**165,802**	186,830
Interest on Special Project Bonds	**86,755**	92,719
Total operating expenses before depreciation, amortization and other operating expenses	**3,013,087**	2,900,652
Net (revenues) related to Superstorm Sandy	**-**	(123)
Depreciation of facilities	**1,173,747**	1,124,383
Amortization of costs for regional programs	**64,765**	64,665
Income from operations	**915,765**	737,005
Non-operating revenues and (expenses):		
Financial income	**42,047**	45,268
Net (decrease) in fair value of investments	**(11,493)**	(14,290)
Interest expense in connection with bonds and other asset financing	**(935,442)**	(909,603)
Pass-through grant program payments	**(10,695)**	(51,429)
4 WTC associated payments	**41,521**	36,766
Grants, in connection with operating activities	**64,315**	101,074
Non-operating expenses, net	**(809,747)**	(792,214)
Income / (Loss) before capital contributions and Passenger Facility Charges	**106,018**	(55,209)
Capital contributions and Passenger Facility Charges:		
Contributions in aid of construction	**674,950**	586,295
Passenger Facility Charges	**264,363**	248,707
Total capital contributions and Passenger Facility Charges	**939,313**	835,002
Increase in net position	**1,045,331**	779,793
Net position, January 1	**15,529,563**	14,749,770
Net position, December 31	**$ 16,574,894**	$ 15,529,563

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year ended December 31, 2016	2015
	(In thousands)	
1. Cash flows from operating activities:		
Cash received from operations	**$ 5,070,688**	$ 4,678,760
Cash received related to WTC Retail Joint Venture	**89,819**	53,438
Cash received related to SuperStorm Sandy Insurance	**-**	123
Cash paid to or on behalf of employees	**(1,226,262)**	(1,280,133)
Cash paid to suppliers	**(1,377,503)**	(1,314,202)
Cash paid to municipalities	**(345,623)**	(349,125)
Net cash provided by operating activities	**2,211,119**	1,788,861
Cash flows from noncapital financing activities:		
Principal paid on noncapital financing obligations	**(45,000)**	(66,500)
Payments for Fund for regional development buy-out obligation	**(51,211)**	(51,212)
Interest paid on noncapital financing obligations	**-**	(4)
Grants received in connection with operating activities	**64,892**	108,750
Pass-through grant payments	**(10,695)**	(51,138)
Net cash (used for) noncapital financing activities	**(42,014)**	(60,104)
Cash flows from capital and related financing activities:		
Investment in facilities and construction of capital assets	**(2,332,562)**	(2,453,602)
Proceeds from capital obligations issued for refunding purposes	**2,823,108**	3,709,257
Principal paid through capital obligations refundings	**(3,459,073)**	(2,592,095)
Proceeds from sales of capital obligations allocated for construction	**460,722**	1,329,958
Principal paid on capital obligations	**(268,520)**	(308,885)
Interest paid on capital obligations	**(1,040,223)**	(990,746)
Payments for MOTBY obligation	**(5,000)**	(5,000)
Contributions in aid of construction	**301,723**	298,692
Proceeds from Passenger Facility Charges	**259,513**	245,688
Financial income allocated to capital projects	**2,922**	750
Net cash (used for) capital and related financing activities	**(3,257,390)**	(765,983)
Cash flows from investing activities:		
Purchase of investment securities	**(3,131,539)**	(2,746,903)
Proceeds from maturity and sale of investment securities	**3,555,732**	1,242,899
Interest received on investment securities	**50,271**	39,287
Other interest income	**4,158**	4,150
Net cash provided by/(used for) investing activities	**478,622**	(1,460,567)
Net (decrease) in cash	**(609,663)**	(497,793)
Cash at beginning of year	**1,347,698**	1,845,491
Cash at end of year	**$ 738,035**	$ 1,347,698

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(continued)

	Year ended December 31, 2016	2015
	(In thousands)	
2. Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	**$ 915,765**	$ 737,005
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation of facilities	**1,173,747**	1,124,383
Amortization of costs for regional programs	**64,765**	64,665
Amortization of other assets	**60,460**	47,684
Change in operating assets and operating liabilities:		
Decrease/ (increase) in receivables	**11,163**	(57,303)
(Increase) in other assets	**(132,560)**	(61,813)
Increase/(decrease) in payables	**25,190**	(33,554)
(Decrease) in other liabilities	**(40,728)**	(21,002)
Increase in unearned income related to WTC Retail Joint Venture	**69,301**	59,213
Increase/(decrease) in accrued payroll, pension and other employee benefits	**64,016**	(70,417)
Total adjustments	**1,295,354**	1,051,856
Net cash provided by operating activities	**$ 2,211,119**	$ 1,788,861

3. Capital obligations:

Consolidated bonds and notes, commercial paper, variable rate master notes and Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY).

4. Noncash investing, capital and financing activities:

Noncash activity of $122 million in 2016 and $151 million in 2015 includes amortization of discount and premium on outstanding debt obligations and debt service in connection with Special Project Bonds.

Noncash capital financing did not include any activities that required a change in fair value. In 2016 and 2015, the Silverstein net lessees contributed $381 million and $314 million, respectively, towards construction of WTC Tower 3. In 2016 and 2015, preferred returns due to the Tower 1 Joint Venture, Durst Member and the WTC Retail Joint Venture, Westfield member totaled ($48) million and ($27.5) million, respectively. As of December 31, 2016, the Goethals Bridge Replacement Developer Financing Arrangement totaled $744 million, including accrued amounts of $314 million in 2016 and $221 million in 2015.

Noncash capital asset write-offs totaled $18.8 million in 2016 and $5.5 million in 2015.

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. In accordance with Governmental Accounting Standards Board Statement No. 14, *"The Financial Reporting Entity"*, for financial reporting purposes The Port Authority of New York and New Jersey is a joint venture between the States of New York and New Jersey.

c. The Audit Committee, which consists of four members of the Board of Commissioners other than the Chairman and Vice Chairman of the Port Authority, provides oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and the accounting, auditing and financial reporting processes. The Audit Committee retains independent auditors and reviews their performance and independence. The independent auditors are required to provide written disclosure of, and discuss with the Committee, any significant relationships or issues that would have a bearing on their independence. The Audit Committee meets directly, on a regular basis, with the independent auditors, a law firm retained to address certain Audit Committee matters, and management of the Port Authority. On May 26, 2016, the Audit Committee retained KPMG LLP as independent auditors to perform the independent audit of the Port Authority's consolidated financial statements for the year ending December 31, 2016.

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:

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 (a) the Port Authority's Board of Commissioners serves as the overall governing body of these related entities and (b) there is a financial benefit or burden relationship between the Port Authority and the respective component unit listed above.

2. Basis of Accounting

a. The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, including revenues and expenses, are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

b. The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

3. Significant Accounting Policies

a. Facilities, net are carried at cost. The cost of facilities includes interest incurred during the period that relates to the construction or production of the capital asset. The amount of capitalized interest is calculated by offsetting interest expense incurred with financial income earned on invested debt proceeds, from the date of the borrowing until the project is ready for its intended use. Generally, projects in excess of $100,000 for additions, asset replacements and/or asset improvements that benefit future periods or are expected to prolong the service life of the asset are capitalized (See *Note B – Facilities, Net*). Facilities, net does not include regional programs undertaken at the request of the Governor of the State of New Jersey or the Governor of the State of New York (See *Note H – Regional Facilities and Programs*).

b. Depreciation of facilities is computed using the straight-line method during the estimated useful lives of the related assets (See *Note B – Facilities, Net*). Estimated useful lives are reviewed periodically for each type of asset class. Asset lives used in the calculation of depreciation are generally as follows:

➢ Buildings, bridges, tunnels and other structures	25 to 100 years
➢ Machinery and equipment	5 to 35 years
➢ Runways, roadways and other paving	7 to 40 years
➢ Utility infrastructure	10 to 100 years

Assets at facilities leased by the Port Authority from others are depreciated over the lesser of, the remaining term of the facility lease or the estimated useful life of the asset stated above.

Costs of regional facilities and programs are amortized on a straight-line basis over the period benefited up to a maximum of 15 years (See *Note H – Regional Facilities and Programs*).

Costs related to the purchase of ancillary equipment, including operating and maintenance vehicles and corporate information technology, which provide benefits for periods exceeding one year are reported as a component of *Other noncurrent assets* and amortized over the period benefited, generally 3 to 15 years depending on the type of equipment.

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 and investments are primarily comprised of PFCs, cash restricted for use by the Port Authority Insurance Captive Entity, LLC (PAICE), and insurance proceeds that are restricted to business interruption and redevelopment expenditures.

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, less the outstanding balances related to payables, bonds, notes, or other liabilities that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted consists of net resources that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Port Authority’s policy to use restricted resources first.

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

f. Statutorily mandated reserves held by PAICE are restricted for purposes of insuring certain risk exposures.

g. Inventories are valued using an average cost method, which prices items on the basis of the average cost of all similar goods remaining in stock. Inventory is reported as a component of *Other noncurrent assets* on the Consolidated Statements of Net Position.

h. Operating revenues are derived principally from rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at Port Authority facilities. 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 in connection with operating activities, insurance proceeds and gains resulting from the disposition of assets, if any, are reported as non-operating revenues, and all other expenses, such as interest expense, losses resulting from the disposition of assets, and pass-through grant program payment costs are reported as non-operating expenses.

i. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenues derived from the collection of PFCs, net of the air carriers' handling charges, are recognized as capital contributions when the passenger activity occurs and the fees are due from the air carriers. Capital investment funded by PFCs is reflected as a component of *Facilities, net*.

j. Required capital contributions due the Port Authority from the WTC Tower 2, 3 and 4 net lessees related to the replacement of the net leased premises destroyed on September 11, 2001, which are owned by the Port Authority, are recognized as a component of *Facilities, net* on the Consolidated Statements of Net Position and as *Contributions in aid of construction* on the Consolidated Statements of Revenues, Expenses and Changes in Net Position as the construction occurs. Subsequent to becoming ready for their intended use, World Trade Center Towers 2, 3 and 4 will be depreciated over their estimated useful life. World Trade Center Tower 4 was placed into service in November 2014.

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. The Port Authority may enter into various derivative instruments, including options on United States Treasury securities, repurchase and reverse repurchase (yield maintenance) agreements, United States Treasury and municipal bond futures contracts (See *Note C – Cash and Investments*).

l. In accordance with GASB Statement No. 23, "*Accounting and Financial Reporting for Refundings of Debt Reporting by Proprietary Activities,*" when issuing new debt for refunding purposes, the difference between the reacquisition price and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources 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. Bond premiums received or discounts provided at issuance are deferred and amortized on a straight line basis as a component of net interest expense (Interest expense less financial income) over the term of the bond as this approximates the effective interest of the bond issuance. Unamortized amounts are presented as either a reduction of (discounts) or additions to (premiums) the face value of the bond payable.

n. 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.

o. For presentation purposes, certain amounts in the fiscal year 2015 financial statements have been reclassified to conform to the fiscal year 2016 financial statements herein. These reclassifications have no impact on the overall change in net position or cash flows.

p. In February 2015, GASB issued Statement No. 72, "*Fair Value Measurement and Application.*" The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance and enhancing disclosures about fair value measurements. Adoption of this statement resulted in additional disclosures contained in *Note C- Cash and Investments.*

4. Reconciliation of the Consolidated Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America to Schedules Prepared Pursuant to Port Authority Bond Resolutions

Schedules A, B, C and D-2 which follow the Required Supplementary Information section of this report, have been prepared in accordance with Port Authority bond resolutions which differ in some respects from accounting principles that are generally accepted in the United States of America, as follows:

a. Revenues and expenses of facilities are accounted for in the operating fund. The financial resources received and expended for the construction or acquisition of major facilities or improvements are accounted for in the capital fund. Transactions involving the application of net revenues are accounted for in the reserve funds.

b. Port Authority bond resolutions provide that net operating revenues shall not include an allowance for depreciation on facilities other than depreciation of ancillary equipment. Thus, depreciation is not a significant factor in determining the net revenues and reserves of the Port Authority or their application as provided for in the Port Authority's bond resolutions. Instead, capital expenditures are provided for through deductions from net revenues or reserves in amounts equal to principal payments on debt outstanding or through the application of reserves for the purposes of direct capital investment in facilities. These amounts are credited at par to Facility infrastructure investment in the capital fund on *Schedule B – Assets and Liabilities*.

c. Debt service in connection with operating asset obligations is paid from the same revenues and in the same manner as operating expenses of the Port Authority.

d. Capital costs for regional facilities and programs are included in *Invested in facilities* in accordance with Port Authority bond resolutions.

e. Consolidated bonds and notes are recorded as outstanding at their par value commencing on the date that the Port Authority is contractually obligated to issue and sell such obligations.

f. To reflect the cumulative amount invested by the Port Authority since 1921 in connection with its facilities, the historical cost of capital assets removed from service due to retirement is not deducted from *Invested in facilities*. However, if a capital asset is sold, the proceeds received from the sale are deposited in the capital fund for purposes of funding future capital investment or to retire existing debt obligations and deducted from cumulative *Invested in facilities* at the time of the sale.

g. Contributed capital amounts resulting from non-exchange transactions, including contributions in aid of construction where the Port Authority does not receive a cash reimbursement for prior cash outlays, are included in *Invested in facilities*, and credited to *Facility Infrastructure Investment* in the Capital Fund.

h. Amounts attributable to the collection and investment of PFCs are restricted and can only be used for Federal Aviation Administration (FAA) approved airport-related projects. Revenues derived from the collection and investment of PFCs, net of the air carriers' handling charges, are initially deferred as *Unapplied Passenger Facility Charges* on *Schedule B – Assets and Liabilities* and applied as revenue on *Schedule A – Revenues and Reserves* after the payment for the capital investment occurs. Capital investment funded by PFCs is reflected as a component of *Invested in facilities*.

i. Amounts received in connection with the March 18, 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture to Westfield are recognized as revenue in their entirety when they are received, and are recorded on that basis on *Schedule A – Revenues and Reserves*.

j. The cumulative impact of adopting a new accounting standard, which necessitates the restatement of a prior year's beginning or ending Net position is recognized as either an increase or decrease to the operating fund's Net position.

k. In accordance with Port Authority bond resolutions, operating expenses provide for contingencies related to future operating and maintenance expenses.

A reconciliation of the Consolidated Statements of Net Position to Schedule B and the Consolidated Statements of Revenues, Expenses and Changes in Net Position to Schedule A follows:

Consolidated Statements of Net Position to Schedule B – Assets and Liabilities

		December 31,	
		2016	2015
		(In thousands)	
Net position reported on Consolidated Statements of Net Position		**$16,574,894**	$15,529,563
Add:	Accumulated depreciation of facilities	**15,143,016**	14,011,193
	Accumulated retirements and gains and losses on disposition of assets	**2,462,021**	2,420,096
	Application of WTC Retail Joint Venture Payments	**796,936**	719,067
	Cumulative amortization of costs for regional programs	**1,320,135**	1,255,370
	Cumulative unamortized discount and premium	**816,131**	701,234
	Subtotal	**20,538,239**	19,106,960
Less:	Deferred income - PFCs	**204,053**	168,801
	Income related to WTC Retail Joint Venture	**22,938**	14,370
	Operating and maintenance contingencies	**50,000**	50,000
	Subtotal	**276,991**	233,171
	Total	**$36,836,142**	$34,403,352
Net position reported on Schedule B - Assets and Liabilities (pursuant to Port Authority bond resolutions)		**$36,836,142**	$34,403,352

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

		Year ended December 31, 2016	2015
		(In thousands)	
Increase in Net Position reported on Consolidated Statements of Revenues, Expenses and Changes in Net Position		**$ 1,045,331**	$ 779,793
Add:	Depreciation of facilities	**1,173,747**	1,124,383
	Application of PFCs	**229,921**	273,721
	Amortization of costs for regional programs	**64,765**	64,665
	Amortization of discount and premium	**(24,181)**	(15,363)
	Application of WTC Retail Joint Venture Payments	**77,869**	66,963
	Subtotal	**1,522,121**	1,514,369
Less:	Debt maturities and retirements	**268,520**	259,315
	Repayment of asset financing obligations	**(6,669)**	51,928
	WTC Towers 2,3,4 Net Lessee capital contributions	**381,181**	313,960
	Direct investment in facilities	**1,132,915**	1,949,785
	Operating and maintenance contingencies	**-**	50,000
	Collection of Passenger Facility Charges	**264,363**	248,707
	Income related to WTC Retail Joint Venture	**8,568**	7,751
	PFC interest income/fair value adjustment	**774**	136
	Subtotal	**2,049,652**	2,881,582
	Total	**$ 517,800**	$ (587,420)
Increase/(Decrease) in Reserves reported on Schedule A - Revenues and Reserves (pursuant to Port Authority bond resolutions)		**$ 517,800**	$ (587,420)

Note B - Facilities, net

1. Facilities, net is comprised of the following:

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements / Dispositions	End of Year
			(In thousands)			
2016						
Capital assets not being depreciated:						
Land	$ 1,227,334	$ -	$ 146,451	$ -	$ -	$ 1,373,785
Construction in progress*	8,767,406	3,200,664	(2,998,634)	-	-	8,969,436
Total capital assets not being depreciated	9,994,740	3,200,664	(2,852,183)	-	-	10,343,221
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	16,483,447	-	1,534,157	-	(27,512)	17,990,092
Machinery and equipment	9,386,919	-	410,888	-	(12,997)	9,784,810
Runways, roadways and other paving	5,510,019	-	360,286	-	(1,089)	5,869,216
Utility infrastructure	5,302,842	-	546,852	-	(326)	5,849,368
Total other capital assets being depreciated	36,683,227	-	2,852,183	-	(41,924)	39,493,486
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(4,474,711)	-	-	(402,693)	27,512	(4,849,892)
Machinery and equipment	(4,274,159)	-	-	(340,377)	12,997	(4,601,539)
Runways, roadways and other paving	(3,047,766)	-	-	(223,789)	1,089	(3,270,466)
Utility infrastructure	(2,214,557)	-	-	(206,888)	326	(2,421,119)
Total accumulated depreciation	(14,011,193)	-	-	(1,173,747)	41,924	(15,143,016)
Facilities, net	$ 32,666,774	$ 3,200,664	$ -	$ (1,173,747)	$ -	$ 34,693,691

	Beginning of Year	Additions	Transfers to Completed Construction	Depreciation	Retirements / Dispositions	End of Year
			(In thousands)			
2015						
Capital assets not being depreciated:						
Land	$ 1,197,870	$ -	$ 29,464	$ -	$ -	$ 1,227,334
Construction in progress*	9,166,654	3,017,682	(3,416,930)	-	-	8,767,406
Total capital assets not being depreciated	10,364,524	3,017,682	(3,387,466)	-	-	9,994,740
Depreciable capital assets:						
Buildings, bridges, tunnels, other structures	14,523,072	-	1,970,158	-	(9,783)	16,483,447
Machinery and equipment	9,031,912	-	600,533	-	(245,526)	9,386,919
Runways, roadways and other paving	5,072,469	-	441,402	-	(3,852)	5,510,019
Utility infrastructure	4,954,836	-	375,373	-	(27,367)	5,302,842
Total other capital assets being depreciated	33,582,289	-	3,387,466	-	(286,528)	36,683,227
Accumulated depreciation:						
Buildings, bridges, tunnels, other structures	(4,116,014)	-	-	(368,480)	9,783	(4,474,711)
Machinery and equipment	(4,170,899)	-	-	(348,786)	245,526	(4,274,159)
Runways, roadways and other paving	(2,841,193)	-	-	(210,425)	3,852	(3,047,766)
Utility infrastructure	(2,045,232)	-	-	(196,692)	27,367	(2,214,557)
Total accumulated depreciation	(13,173,338)	-	-	(1,124,383)	286,528	(14,011,193)
Facilities, net	$ 30,773,475	$ 3,017,682	$ -	$ (1,124,383)	$ -	$ 32,666,774

* Construction in progress additions include the impact of capital write-offs totaling $19 million in 2016 and $5 million in 2015.

1. Net interest expense added to the cost of facilities was $173 million in 2016 and $163 million in 2015.

2. Projects that have been suspended pending determination of their continued viability totaled $43.5 million in 2016 and $61.6 million in 2015.

3. The impact on accelerated depreciation for buildings, bridges, tunnels, and other structures was $20.6 million in 2016 and $18.6 million in 2015.

4. Retirements and Dispositions include the carrying value associated with the sale of capital assets.

Note C – Cash and Investments

1. The components of cash and investments are:

CASH		December 31, 2016	2015
		(In thousands)	
Cash on hand		**$ 1,624**	$ 1,127
Cash equivalents		**736,411**	1,346,571
Total cash		**738,035**	1,347,698
Less restricted cash		**347,226**	175,917
Unrestricted cash		**$ 390,809**	$1,171,781

INVESTMENTS, AT FAIR VALUE				December 31, 2016	2015
				(In thousands)	
	Fair Value Hierarchy Levels*	**Port Authority**	**PAICE**	**Total**	Total
United States Treasury notes	**Level 1**	**$3,318,934**	**$ 43,237**	**$3,362,171**	$3,975,409
United States Treasury bonds	**Level 1**	**-**	**-**	**-**	12,878
United States Treasury bills	**Level 1**	**404,002**	**-**	**404,002**	140,022
United States government agency obligations	**Level 2**	**36,286**	**25,237**	**61,523**	41,921
United States Treasury obligations held pursuant to repurchase agreements**	**-**	**677,014**	**-**	**677,014**	891,267
JFK International Air Terminal LLC obligations (JFKIAT)**	**-**	**71,746**	**-**	**71,746**	79,718
Other governmental obligations	**Level 2**	**31,286**	**-**	**31,286**	33,958
Corporate bonds	**Level 2**	**-**	**150,701**	**150,701**	18,315
Accrued interest receivable		**9,598**	**1,287**	**10,885**	10,563
Total investments		**4,548,866**	**220,462**	**4,769,328**	5,204,051
Less current investments***		**1,303,578**	**-**	**1,303,578**	1,766,989
Noncurrent investments		**$3,245,288**	**$220,462**	**$3,465,750**	$3,437,062

* Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.
Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.
Port Authority investments are valued at the closing price or last trade reported on the major market exchange on which the individual securities are traded.
** Investments are valued at unamortized cost.
***Includes PFC restricted investments of $72 million.

2. Port Authority policy provides for funds of the Port Authority to be deposited in banks with offices located in the Port District, provided that the total funds on deposit in any bank do not exceed 50% of the bank's combined capital and permanent surplus. These funds must be fully secured by deposit of collateral having a minimum market value of 110% of actual daily balances in excess of that part of the deposits secured through the Federal Deposit Insurance Corporation (FDIC) and New Jersey Governmental Unit Deposit Protection Act (GUDPA). 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 $660.4 million at December 31, 2016. Of that amount, $2.7 million was secured through the basic FDIC deposit insurance and/or pursuant to the GUDPA. The balance of $657.7 million 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 component units, individual investment transactions are executed with recognized and established securities dealers and commercial banks. Investment securities are maintained, in the Port Authority's name, by a third-party financial institution acting as the Port Authority's agent. Securities transactions are conducted in the open market at competitive prices. Transactions are completed when the Port Authority's securities custodian, in the Port Authority's name, makes or receives payment upon receipt of confirmation that the securities have been transferred at the Federal Reserve Bank of New York or other repository in accordance with the Port Authority's instructions. The notable exception is the execution of Tri-Party Repurchase agreements. These transactions are completed when the Tri-Party custodian posts collateral to the Port Authority's account in exchange for investment funds.

Proceeds received in connection with consolidated bonds and other asset financing obligation issuances may be invested, on an interim basis, in conformance with applicable Federal laws and regulations, in obligations of (or fully guaranteed by) the United States of America (including such securities held pursuant to repurchase agreements) and collateralized time deposit accounts.

Consolidated Bond Reserve Fund and General Reserve Fund amounts may be invested in obligations of (or fully guaranteed by) the United States of America. Additionally, amounts in the Consolidated Bond Reserve Fund and the General Reserve Fund (subject to certain limitations) may be invested in obligations of the State of New York or the State of New Jersey, collateralized time accounts, and Port Authority bonds actually issued and secured by a pledge of the General Reserve Fund.

Operating funds may be invested in various items including (a) direct obligations of the United States of America, obligations of United States government agencies, and sponsored enterprises that have the highest short-term ratings by two nationally recognized firms; (b) investment grade negotiable certificates of deposit and negotiable Bankers' Acceptances with banks having AA or better long-term debt rating, premier status and with issues actively traded in secondary markets; (c) commercial paper having only the highest short-term ratings separately issued by two nationally recognized rating agencies; (d) United States Treasury and municipal bond futures contracts; (e) certain interest rate exchange contracts with banks and investment firms; (f) certain interest rate options contracts that are limited to $50 million of underlying securities with a maturity of no greater than five years with primary dealers in United States Treasury securities; and (g) certain unrated obligations of JFKIAT LLC (comprising approximately 1.5% of total Port Authority investments at December 31, 2016) for certain costs attributable to the construction of Terminal 4 (JFKIAT) completed in 2001. The Board has from time to time authorized other investments of operating funds.

It is the general policy of the Port Authority to limit exposure to declines in fair market values by limiting the weighted average maturity of the investment portfolio to less than two years. Extending the weighted average maturity beyond two years requires explicit written approval of the Chief Financial Officer. Committee on Finance authorization is required to extend the weighted average maturity beyond five years.

The fair value and weighted average maturity of investments held by the Port Authority, excluding PAICE, at December 31, 2016, follows:

Port Authority Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$ 3,318,934	479
United States Treasury bills	404,002	50
United States government agency obligations	36,286	21
United States REPO	677,014	5
JFKIAT obligations	71,746	3,273
Other governmental obligations	31,286	205
Total fair value of investments*	$ 4,539,268	
Investment weighted average maturity		409

*Excludes accrued interest receivable amounts of $9.6 million.

The Port Authority has, from time to time, entered into reverse repurchase (yield maintenance) agreements under which the Port Authority contracted to sell a specified United States Treasury security to a counterparty and simultaneously agreed to purchase it back from that party at a predetermined price and future date. All reverse repurchase agreements sold are matched to repurchase agreements (REPO) bought, thereby minimizing market risk. The credit risk is managed by a daily evaluation of the market value of the underlying securities and periodic cash adjustments, as necessary, in accordance with the terms of the repurchase agreements. There were no investments in reverse repurchase agreements at December 31, 2016 and 2015, respectively.

4. The investment policies of PAICE have been established and approved by the PAICE Board of Directors, which is comprised of Port Authority executive staff. Consistent with the Port Authority Board of Commissioners' authorization with respect to the establishment of PAICE as a wholly owned entity of the Port Authority, PAICE provides the Port Authority Board of Commissioners' Committee on Finance with periodic updates on PAICE's investment activities.

Under PAICE's investment policies, eligible investments include money market demand accounts of commercial banks, not to exceed bank deposit insurance limits, and/or taxable or tax-exempt money market mutual funds that offer daily purchase and redemption while maintaining a constant share price and whose fund assets are primarily United States Treasury notes and bonds and whose assets are at least $500 million. Other investments include: United States Treasury securities and United States government agency obligations, AAA rated tax-exempt general obligation issues of states, and U.S. dollar denominated corporate debt rated AA or above.

The fair value and weighted average maturity of investments held by PAICE at December 31, 2016, follows:

PAICE Investment Type	Fair Value	Weighted Average Maturity
	(In thousands)	(In days)
United States Treasury notes	$ 43,237	1,038
United States government agency obligations	25,237	628
Corporate bonds	150,701	1,096
Total fair value of investments*	$ 219,175	
Investment weighted average maturity		1,031

*Excludes accrued interest receivable amounts of $1.3 million.

Note D - Outstanding Obligations and Financing

Outstanding bonds and other asset financing obligations

		December 31, 2016		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$ 734,670	$20,551,202	$21,285,872
B.	Commercial Paper Obligations	388,315	-	388,315
C.	Variable Rate Master Notes	77,900	-	77,900
D.	Port Authority Equipment Notes	-	-	-
E.	Fund for Regional Development Buy-Out Obligation	37,162	184,231	221,393
F.	MOTBY Obligation	2,095	53,237	55,332
G.	Tower 4 Liberty Bonds	-	1,246,861	1,246,861
H.	Goethals Bridge Replacement Developer Financing Arrangement (DFA)	-	744,401	744,401
		$1,240,142	$22,779,932	$24,020,074

		December 31, 2015		
		Current	Noncurrent	Total
			(In thousands)	
A.	Consolidated Bonds and Notes	$ 946,895	$20,840,924	$21,787,819
B.	Commercial Paper Obligations	425,760	-	425,760
C.	Variable Rate Master Notes	77,900	-	77,900
D.	Port Authority Equipment Notes	-	-	-
E.	Fund for Regional Development Buy-Out Obligation	32,339	221,393	253,732
F.	MOTBY Obligation	3,678	40,705	44,383
G.	Tower 4 Liberty Bonds	-	1,247,473	1,247,473
H.	Goethals Bridge Replacement Developer Financing Arrangement (DFA)	-	430,800	430,800
		$ 1,486,572	$22,781,295	$24,267,867

Note D - Outstanding Obligations and Financing (Continued)

A. Consolidated Bonds and Notes

		Dec. 31, 2015	Issued	Refunded/ Retired	Dec. 31, 2016
		(In thousands)			
Eighty-fifth series	5.2%-5.375% due 2017-2028	$73,200	-	$2,000	$71,200
Ninety-third series	6.125% due 2094	100,000	-	-	100,000
One hundred forty-second series	4%-5% due 2016-2036	335,965	-	335,965	-
One hundred forty-third series*	5% due 2016-2036	500,000	-	500,000	-
One hundred forty-fourth series	4.25%-5% due 2026-2035	300,000	-	300,000	-
One hundred forty-sixth series*	4.25%-5% due 2016-2036	500,000	-	500,000	-
One hundred forty-seventh series*	4.75%-5% due 2017-2037	450,000	-	-	450,000
One hundred forty-eighth series	5% due 2017-2037	420,595	-	15,130	405,465
One hundred forty-ninth series	4%-5% due 2017-2037	400,000	-	-	400,000
One hundred fiftieth series**	4.75%-6.4% due 2017-2027	265,000	-	45,000	220,000
One hundred fifty-first series*	5.25%, 6% & 5.75% due 2023, 2028 & 2035	350,000	-	-	350,000
One hundred fifty-second series*	4.75%-5.75% due 2018-2038	400,000	-	-	400,000
One hundred fifty-third series	4%-5% due 2018-2038	500,000	-	-	500,000
One hundred fifty-fourth series	4%-5% due 2017-2029	76,160	-	4,275	71,885
One hundred fifty-fifth series	3%-3.5% due 2017-2019	18,600	-	6,600	12,000
One hundred fifty-sixth series	4%-5% due 2025-2039	100,000	-	-	100,000
One hundred fifty-seventh series**	5.309% due 2019	150,000	-	-	150,000
One hundred fifty-eighth series**	5.859% due 2024	250,000	-	-	250,000
One hundred fifty-ninth series**	6.04% due 2029	350,000	-	-	350,000
One hundred sixtieth series	4%-5% due 2030-2039	300,000	-	-	300,000
One hundred sixty-first series	4.25%-5% due 2030-2039	300,000	-	-	300,000
One hundred sixty-second series	2.90%-3.3% due 2017-2020	25,000	-	7,000	18,000
One hundred sixty-third series	2.375%-5% due 2017-2040	400,000	-	-	400,000
One hundred sixty-fourth series**	5.647% due 2040	425,000	-	-	425,000
One hundred sixty-fifth series**	5.647% due 2040	425,000	-	-	425,000
One hundred sixty-sixth series	5%-5.25% due 2030-2041	300,000	-	-	300,000
One hundred sixty-seventh series*	5%-5.5% due 2017-2028	173,040	-	14,390	158,650
One hundred sixty-eighth series**	4.926% due 2051	1,000,000	-	-	1,000,000
One hundred sixty-ninth series*	4.5%-5% due 2017-2041	322,950	-	13,285	309,665
One hundred seventieth series (a)	5%, 5.25% due 2041 & 2043	672,480	-	-	672,480
One hundred seventy-first series	4%-5% due 2030-2042	400,000	-	-	400,000
One hundred seventy-second series*	3%-5% due 2017-2037	320,520	-	7,965	312,555
One hundred seventy-third series	3%-5% due 2018-2032	300,000	-	-	300,000
One hundred seventy-fourth series**	4.458% due 2062	2,000,000	-	-	2,000,000
One hundred seventy-fifth series	3%-5% due 2017-2042	411,170	-	5,040	406,130
One hundred seventy-sixth series**	1.05%-2.5% due 2017-2022	119,000	-	17,000	102,000
One hundred seventy-seventh series*	3%-5% due 2017-2043	322,545	-	4,070	318,475
One hundred seventy-eighth series*	5% due 2017-2043	453,385	-	15,785	437,600
One hundred seventy-ninth series	4%-5% due 2017-2043	866,750	-	28,075	838,675
One hundred eightieth series	3%-5% due 2017-2021	78,070	-	15,450	62,620
One hundred eighty-first series**	4.96% due 2046	500,000	-	-	500,000
One hundred eighty-second series**	5.31% due 2046	500,000	-	-	500,000
One hundred eighty-third series	3%-5% due 2025-2044	400,000	-	-	400,000
One hundred eighty-fourth series	3%-5% due 2017-2039	346,705	-	285	346,420
One hundred eighty-fifth series*	4%-5% due 2017-2034	470,835	-	22,875	447,960
One hundred eighty-sixth series*	5% due 2017-2044	381,735	-	20,850	360,885
One hundred eighty-seventh series**	2.529%-4.426% due 2020-2034	250,000	-	-	250,000
One hundred eighty-eighth series*	3%-5% due 2017-2035	116,220	-	9,470	106,750
One hundred eighty-ninth series	3%-5% due 2017-2045	490,000	-	13,015	476,985
One hundred ninetieth series	5% due 2026-2038	160,000	-	-	160,000
One hundred ninety-first series**	4.823% due 2045	250,000	-	-	250,000
One hundred ninety-second series**	4.81% due 2065	500,000	-	-	500,000
One hundred ninety-third series*	4%-5% due 2017-2035	305,440	-	10,295	295,145
One hundred ninety-fourth series (b)	4%-5.25% due 2017-2055	1,194,560	-	4,405	1,190,155
One hundred ninety-fifth series*	1.45%-5% due 2017-2036	-	312,620	9,090	303,530
One hundred ninety-sixth series*	2.125%-2.625% due 2027-2034	-	200,000	-	200,000
One hundred ninety-seventh series*	4%-5% due 2017-2041	-	237,930	-	237,930
One hundred ninety-eighth series	5%-5.25% due 2027-2056	-	350,000	-	350,000
One hundred ninety-ninth series*	1.58%-3.05% due 2022-2031	-	236,405	-	236,405
Consolidated bonds and notes-at par value		$21,019,925	$ 1,336,955	$1,927,315	$20,429,565
Add unamortized premium and (discount)		767,894	139,042	50,629	856,307
Consolidated bonds and notes		$21,787,819	$ 1,475,997	$1,977,944	$21,285,872

(a) The One Hundred Seventieth series was acquired by the New York Liberty Development Corporation in connection with it's issuance of Liberty Revenue Bonds, Series 1WTC 2011 (Secured by Port Authority Consolidated Bonds).
(b) Includes amounts issued for the purpose of refunding Consolidated Bond Series One Hundred Forty-eighth in 2016 and 2017, respectively.
* Obligations noted with an "(*)", 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 an "(**)", are subject to federal taxation.

Note D - Outstanding Obligations and Financing (Continued)

Debt service requirements to maturity for Consolidated Bonds and Notes outstanding at December 31, 2016 are as follows:

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2017[a]	$ 734,670	$ 966,544	$ 1,701,214
2018	361,370	938,739	1,300,109
2019	400,950	922,018	1,322,968
2020	420,725	901,252	1,321,977
2021	444,100	880,907	1,325,007
2022-2026	2,504,160	4,072,816	6,576,976
2027-2031	3,187,050	3,414,407	6,601,457
2032-2036	3,645,125	2,581,011	6,226,136
2037-2041	2,805,965	1,783,591	4,589,556
2042-2046	2,123,800	1,152,508	3,276,308
2047-2051	1,224,190	761,756	1,985,946
2052-2056	1,049,600	504,466	1,554,066
2057-2061	1,114,685	240,935	1,355,620
2062-2066	313,175	50,105	363,280
2067-2094[b]	100,000	143,121	243,121
	$ 20,429,565	$ 19,314,176	$ 39,743,741

[a] Amount includes the expected refunding of Consolidated Bonds, One hundred Forty-eighth Series.
[b] Debt service for the years 2067-2094 reflects principal and interest payments associated with Consolidated Bonds, Ninety-third Series.

Consolidated Bonds & Notes Outstanding as of December 31, 2015

	Dec. 31, 2014	Issued/ Accreted	Refunded/ Retired	Dec. 31, 2015
		(In thousands)		
Cumulative amounts prior to 2015	$19,229,020	$ -	$1,234,095	$17,994,925
2015 Activity:				
One hundred eighty-eight series*	-	125,000	-	125,000
One hundred eighty-nine series	-	490,000	-	490,000
One hundred ninetieth series	-	160,000	-	160,000
One hundred ninety-first series**	-	250,000	-	250,000
One hundred ninety-second series**	-	500,000	-	500,000
One hundred ninety-third series*	-	305,440	-	305,440
One hundred ninety-fourth series	-	1,194,560	-	1,194,560
Consolidated Bonds & Notes- at par value	**19,229,020**	**3,025,000**	**1,234,095**	**21,019,925**
Add: unamortized premium and (discount)	478,918	334,755	45,779	767,894
Total Consolidated Bonds and Notes	**$19,707,938**	**$ 3,359,755**	**$1,279,874**	**$21,787,819**

* Obligations noted with an "(*)", 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 an "(**)", are subject to federal taxation.

Note D - Outstanding Obligations and Financing (Continued)

Consolidated bonds outstanding as of March 1, 2017 totaled $20.4 billion.

On July 23, 2015, the Board of Commissioners established Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series, and authorized the issuance and sale of each series at a true interest cost to the Authority not in excess of 8 percent, for a term to maturity not in excess of one hundred twenty percent (120%) of the weighted average reasonably expected economic life of the facilities to be provided with the proceeds of such series. The Board also established Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE, and authorized the issuance and sale of each series at a true interest cost to the Port Authority not in excess of 8 percent for a term not in excess of 3 years. The total aggregate principal amount of Consolidated Bonds, One Hundred Ninety-second Series through Consolidated Bonds, Two Hundred Eleventh Series, Consolidated Notes, Series AAA, Series BBB, Series CCC, Series DDD and Series EEE, and Versatile Structure Obligations issued and sold shall not exceed $10 billion. The Committee on Finance would be authorized to sell and to deliver all or any part of each of such series with such terms and at such time or times as it deems appropriate, at public or private sale, and would also be authorized to take, and to delegate authority for, certain actions with respect to each of such series. An Authorized Officer of the Authority would be authorized to take any and all action that could be taken by the Committee on Finance in connection with each of such series, provided, however, that such actions in connection with the decision to sell such series shall be subject to prior approval of the Committee on Finance.

During 2016, the Port Authority allocated the proceeds from the sale of consolidated bonds, including bond issuance premiums, to refund $1.1 billion of consolidated bonds and commercial paper notes. As a result of these refundings, the Port Authority decreased its aggregate debt service payments by approximately $282 million over the life of the refunded consolidated bonds. The economic gain resulting from the 2016 debt refundings (the difference between the present value of the cash flows required to service the old debt and the present value of the cash flows required to service the new debt) totaled approximately $207 million in net present value savings.

B. Commercial Paper Obligations

Commercial paper obligations are special obligations of the Port Authority generally issued to provide interim financing for authorized capital projects. Commercial paper obligations may be outstanding until December 31, 2020 pursuant to the July 2015 resolution authorizing their issuance. In July 2015, the Port Authority established a taxable commercial paper program, Series C. For additional information related to the payment of special obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds.*

Under the current program, the maximum aggregate principal amount that may be outstanding at any one time is $250 million for Series A, $250 million for Series B and $250 million for Series C. Commercial paper obligations are issued without third party provider support for payment at their maturity dates.

	Dec. 31, 2015	**Issued**	**Refunded/ Repaid**	**Dec. 31, 2016**
		(In thousands)		
Series A*	$ 240,120	$ 859,675	$ 894,595	$ 205,200
Series B	185,640	945,525	948,050	183,115
Series C**	-	-	-	-
	$ 425,760	$1,805,200	$ 1,842,645	$ 388,315

* Obligations noted with an "(*)", 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 an "(**)", are subject to federal taxation.

Note D - Outstanding Obligations and Financing (Continued)

	Dec. 31, 2014	Issued	Refunded/ Repaid	Dec. 31, 2015
		(In thousands)		
Series A*	$ 269,695	$ 987,930	$ 1,017,505	$ 240,120
Series B	178,490	688,020	680,870	185,640
Series C**	-	-	-	-
	$ 448,185	$1,675,950	$ 1,698,375	$ 425,760

* Obligations noted with an "(*)", 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 an "(**)", are subject to federal taxation.

Interest rates for all commercial paper notes ranged from 0.01% to 0.96% in 2016.

C. Variable Rate Master Notes

Variable rate master notes are special obligations of the Port Authority and may be issued in aggregate principal amounts outstanding at any one time not to exceed $400 million (See *Note E – General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

	Dec. 31, 2015	Issued	Refunded/ Repaid	Dec. 31, 2016
		(In thousands)		
Agreements 1989 -1995*	$ 44,900	$ -	$ -	$ 44,900
Agreements 1989 -1998	33,000	-	-	33,000
	$ 77,900	$ -	$ -	$ 77,900

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

	Dec. 31, 2014	Issued	Refunded/ Repaid	Dec. 31, 2015
		(In thousands)		
Agreements 1989 -1995*	$ 44,900	$ -	$ -	$ 44,900
Agreements 1989 -1998	33,000	-	-	33,000
	$ 77,900	$ -	$ -	$ 77,900

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

Interest rates are determined weekly, based upon a spread added to a specific industry index (the Securities Industry and Financial Markets Association rate) as stated in each master note agreement, and ranged from 0.06% to 0.95% in 2016.

Annual debt service requirements on outstanding variable rate master notes, determined for presentation purposes at the rate in effect at December 31, 2016, would be as follows:

Note D - Outstanding Obligations and Financing (Continued)

Year ending December 31:	Principal	Interest	Debt Service
		(In thousands)	
2017	$ -	$ 613	$ 613
2018	-	613	613
2019	-	613	613
2020	-	615	615
2021	25,000	506	25,506
2022-2025	52,900	626	53,526
	$77,900	$3,586	$81,486

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

D. Port Authority Equipment Notes

Port Authority equipment notes may be issued in aggregate principal amounts outstanding at any one time not to exceed $250 million. Equipment notes are special obligations to the Port Authority and are payable in the same manner and from the same sources as operating expenses. For additional information related to the payment of obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds.*

There are no outstanding Port Authority Equipment Notes as of December 31, 2016 and 2015.

E. Fund for Regional Development Buy-Out Obligation

In 1983, the Fund for Regional Development (The Fund) was established to sublease space in the WTC previously held by the State of New York as a tenant. An agreement among the Port Authority and the States of New York and New Jersey with respect to The Fund provided that net revenues from 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. In consideration for purchasing the State of New York and the State of New Jersey interests in The Fund, the Port Authority is obligated to pay each State $597.6 million, in semi-annual payments over a thirty-year period through 2021. The aggregate purchase price of $1.2 billion was discounted to a present value of $431 million at an implicit interest rate of 8.25% and recognized as a special obligation to the Port Authority in 1990. Payments related to The Fund obligation are payable in the same manner and from the same sources as operating expenses. For additional information related to the payment of obligations of the Port Authority, see *Note E – General and Consolidated Bond Reserve Funds.*

Note D - Outstanding Obligations and Financing (Continued)

	Dec. 31, 2015	Accretion	Amortization	Dec. 31, 2016
		(In thousands)		
Obligation outstanding	$253,732	$ -	$32,339	$221,393

	Dec. 31, 2014	Accretion	Amortization	Dec. 31, 2015
		(In thousands)		
Obligation outstanding	$283,562	$ -	$29,830	$253,732

Payment requirements related to the Port Authority's purchase of The Fund's interests at December 31, 2016 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
2017	$ 37,162	$16,051	$ 53,213
2018	40,292	12,922	53,214
2019	43,682	9,529	53,211
2020	47,359	5,851	53,210
2021	52,898	708	53,606
	$221,393	$45,061	$266,454

F. Marine Ocean Terminal at Bayonne Peninsula Obligation (MOTBY)

On August 3, 2010, the Port Authority acquired approximately 131 acres of the former MOTBY from the Bayonne Local Redevelopment Authority (BLRA) for $235 million. The acquired property is comprised of three parcels on the southern side of the peninsula and has been incorporated into the Port Jersey – Port Authority Marine Terminal for future marine terminal purposes. The $235 million total purchase price is payable to the BLRA in twenty-four annual installment payments through 2033.

The total purchase price of $235 million was discounted to a present value of $178.4 million at an implicit interest rate of 5.25% and recognized as a special obligation of the Port Authority in 2010 (See *Note E – General and Consolidated Bond Reserve Funds,* for additional information related to the payment of special obligations of the Port Authority).

	Dec. 31, 2015	Accretion	Amortization	Dec. 31, 2016
		(In thousands)		
Obligation Outstanding	$ 44,383	$ 12,940	$ 1,991	$ 55,332

	Dec. 31, 2014	Accretion	Amortization	Dec. 31, 2015
		(In thousands)		
Obligation Outstanding	$ 48,254	$ -	$ 3,871	$ 44,383

Note D - Outstanding Obligations and Financing (Continued)

Payment requirements for the MOTBY obligation outstanding, at December 31, 2016 are as follows:

Year ending December 31:	Amortization	Implicit Interest	Total
		(In thousands)	
2017	$ 2,095	$ 2,905	$ 5,000
2018	2,205	2,795	5,000
2019	2,321	2,679	5,000
2020	2,443	2,557	5,000
2021	2,571	2,429	5,000
2022-2026	15,026	9,974	25,000
2027-2031	19,407	5,593	25,000
2032-2033	9,264	736	10,000
	$55,332	$29,668	$85,000

G. Tower 4 Liberty Bonds

In connection with the issuance of the Tower 4 Liberty Bonds by the New York Liberty Development Corporation on November 15, 2011, the Port Authority entered into a Tower 4 Bond Payment Agreement with Tower 4 Trustee to make, as a co-borrower/obligor with respect to the New York Liberty Development Corporation, Liberty Revenue Bonds, Series 2011 (4 World Trade Center Project), debt service payments of principal and interest under the bonds as a special obligation of the Port Authority to the trustee during the term of the agreement, from May 11, 2012 through November 15, 2051 (see *Note E – General and Consolidated Bond Reserve Funds,* for additional information related to the payment of special obligations of the Port Authority).

Certain Port Authority debt service payments related to Tower 4 Liberty Bonds are reimbursable to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment not in excess of 40 years (see *Note L – Information with Respect to the Redevelopment of the World Trade Center Site* for additional information related to the redevelopment of WTC Tower 4).

	Dec. 31, 2015	Issued	Repaid/ Amortized	Dec. 31, 2016
		(In thousands)		
Series 2011	$1,225,520	$ -	$ -	$1,225,520
Add: unamortized premium	21,953	-	612	21,341
Total Tower 4 Liberty Bonds	$1,247,473	$ -	$ 612	$1,246,861

	Dec. 31, 2014	Issued	Repaid/ Amortized	Dec. 31, 2015
		(In thousands)		
Series 2011	$1,225,520	$ -	$ -	$1,225,520
Add: unamortized premium	22,565	-	612	21,953
Total Tower 4 Liberty Bonds	$1,248,085	$ -	$ 612	$1,247,473

Note D - Outstanding Obligations and Financing (Continued)

Annual debt service payment requirements on outstanding Tower 4 Liberty Bonds at December 31, 2016 would be as follows:

Year ending December 31:	Principal	Interest	Debt Service [a]
		(In thousands)	
2017	$ -	$ 65,293	$ 65,293
2018	-	65,293	65,293
2019	-	65,293	65,293
2020	-	65,293	65,293
2021	-	65,293	65,293
2022-2026	-	326,467	326,467
2027-2031	140,180	313,132	453,312
2032-2036	179,025	274,287	453,312
2037-2041	228,840	224,472	453,312
2042-2046	292,955	160,354	453,309
2047-2051	384,520	68,798	453,318
Total	$1,225,520	$ 1,693,975	$2,919,495

(a) Debt Service excludes rent payments of approximately $510.3 million payable by the City of New York directly to the Tower 4 Liberty Bond trustee pursuant to the City of New York WTC Tower 4 space lease.

H. Goethals Bridge Replacement Developer Financing Arrangement (DFA)

On August 30, 2013, the Port Authority and a private developer entered into an agreement (the Project Agreement) for the design, construction, financing and maintenance of a replacement Goethals Bridge (the Replacement Bridge). Pursuant to the Project Agreement, after the replacement bridge becomes operational, the private developer will perform certain operation and maintenance work. The Port Authority will retain control over all tolling activities. Port Authority staff presently expects substantial completion of the Replacement Bridge to occur in the first quarter of 2018, and project completion, including the demolition of the existing bridge, to occur in the fourth quarter of 2018.

Pursuant to the Project Agreement, upon substantial completion of the Replacement Bridge, the Port Authority is required to make a payment to the private developer in the amount of $1.02 billion, subject to certain adjustments for the construction of the Replacement Bridge. In lieu of a cash payment at that time, the developer will extend a loan in that principal amount to the Port Authority, to be repaid in monthly payments of principal and interest to the developer. DFA payments are a special obligation of the Port Authority, payable over the term of the Project Agreement, which has a scheduled expiration date on the thirty-fifth anniversary of the substantial completion date of the Replacement Bridge (See *Note E – General and Consolidated Bond Reserve Funds*, for additional information related to the payment of special obligations of the Port Authority). DFA payments are subject to certain deductions for non-compliance by the private developer with the terms of the Project Agreement.

Construction activities commenced in December 2013. The Port Authority, as owner of the Replacement Bridge currently being constructed has accrued to date $744 million of the total $1.02 billion DFA obligation based on the percentage of construction completed as of December 31, 2016.

Note D - Outstanding Obligations and Financing (Continued)

	Dec. 31, 2015	Accretion	Amortization	Dec. 31, 2016
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 430,800	$ 313,601	$ -	$ 744,401

	Dec. 31, 2014	Accretion	Amortization	Dec. 31, 2015
		(In thousands)		
Goethals Bridge Replacement Developer Financing Arrangement	$ 210,316	$ 220,484	$ -	$ 430,800

DFA payments, including implicit interest, expected to be made to the private developer after substantial completion of the Replacement Bridge are as follows:

Year ending December 31:	DFA Payments*
	(In thousands)
2018	$ 56,476
2019	57,323
2020	58,183
2021	59,056
2022	59,942
2023-2027	313,469
2028-2032	337,696
2033-2037	363,794
2038-2042	391,910
2043-2047	422,198
2048-2052	454,827
Total	$2,574,874

*Total DFA payments include the repayment of the $1.02 billion developer loan and $1.55 billion in implicit interest.

Amounts Payable - Special Project Bonds

Neither the full faith and credit of the Port Authority, nor the General Reserve Fund, nor the Consolidated Bond Reserve Fund are pledged to the payment of the principal and interest on special project bonds. Principal and interest on each series of special project bonds are secured solely by a mortgage by the Port Authority of facility rental (to the extent received by the Port Authority from a lessee) as set forth in a lease with respect to a project to be financed with the proceeds of the bonds of such series, by a mortgage by the lessee of its leasehold interest under the lease and by a security interest granted by the lessee to the Port Authority and mortgaged by the Port Authority in certain items of the lessee's personal property to be located at the project, and such other security in addition to the foregoing as may be required by the Port Authority from time to time as appropriate to the particular project.

Note D - Outstanding Obligations and Financing (Continued)

A summary of December 31, 2016 and December 31, 2015 Special Project Bonds outstanding follows:

	Dec. 31, 2015	Issued	Repaid/ Amortized	Dec. 31, 2016
		(In thousands)		
Series 4, KIAC Partners Project (a)*				
6.75% due 2016-2019	$ 77,900	$ -	$ 15,800	$ 62,100
Less: unamortized discount	719	-	191	528
Total - Series 4	77,181	-	15,609	61,572
Series 6, JFKIAT Project (b)*				
5.75%-6.25% due 2016-2025	576,990	-	44,200	532,790
Less: unamortized discount	3,327	-	336	2,991
Total - Series 6	573,663	-	43,864	529,799
Series 8, JFKIAT Project (c)				
5%-6.5% due 2018-2042	796,280	-	-	796,280
Less: unamortized discount	11,184	-	415	10,769
Total - Series 8	785,096	-	(415)	785,511
Amounts payable - Special Project Bonds	$1,435,940	$ -	$ 59,058	$1,376,882

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

(a) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

(b) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK.

(c) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

Note D - Outstanding Obligations and Financing (Continued)

	Dec. 31, 2014	Issued	Repaid/ Amortized	Dec. 31, 2015
		(In thousands)		
Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project (a)*				
9.125% due 2015	$ 22,400	$ -	$ 22,400	$ -
Less: unamortized discount	446	-	446	-
Total - Series 2	21,954	-	21,954	-
Series 4, KIAC Partners Project (b)*				
6.75% due 2015-2019	93,200	-	15,300	77,900
Less: unamortized discount	910	-	191	719
Total - Series 4	92,290	-	15,109	77,181
Series 6, JFKIAT Project (c)*				
5.75%-6.25% due 2015-2025	618,630	-	41,640	576,990
Less: unamortized discount	3,663	-	336	3,327
Total - Series 6	614,967	-	41,304	573,663
Series 8, JFKIAT Project (d)				
5%-6.5% due 2018-2042	796,280	-	-	796,280
Less: unamortized discount	11,599	-	415	11,184
Total - Series 8	784,681	-	(415)	785,096
Amounts payable - Special Project Bonds	$1,513,892	$ -	$ 77,952	$1,435,940

* Obligations noted with an "(*)", are subject to the alternative minimum tax imposed under the Internal Revenue Code of 1986, as amended with respect to individuals and corporations.

(a) Special project bonds, Series 2, Continental Airlines, Inc. and Eastern Air Lines, Inc. Project, were issued in 1990 in connection with a project that included the construction of a passenger terminal at LGA leased to and to be occupied by Continental and Eastern. The leasehold interest of Eastern was assigned to Continental. Continental's leasehold interest in such passenger terminal, including the previously acquired leasehold interest of Eastern, was subsequently assigned to USAir, Inc. and, then, subsequently assigned to Delta Airlines, Inc. (Continental and USAir, Inc. to remain liable under both underlying leases).

(b) Special project bonds, Series 4, KIAC Partners Project, were issued in 1996 to refund special project bonds, Series 3, KIAC Partners Project, and in connection with a project at JFK, that included the construction of a cogeneration facility, the renovation and expansion of the central heating and refrigeration plant, and the renovation and expansion of the thermal distribution system.

(c) Special project bonds, Series 6, JFKIAT Project, were issued in 1997 in connection with a project that included the development and construction of a new passenger terminal at JFK.

(d) Special project bonds, Series 8, JFKIAT Project, were issued in 2010 in connection with a project that included the expansion of Terminal 4 at JFK.

Note E – General and Consolidated Bond Reserve Funds
(pursuant to Port Authority bond resolutions)

The General Reserve Fund is pledged in support of Consolidated Bonds and Notes. Statutes which require the Port Authority to create and maintain the General Reserve Fund established the principle of pooling revenues from all facilities and require that the Port Authority apply surplus revenues from all of its existing facilities to maintain the General Reserve Fund in an amount at least equal to 10% of the par value of outstanding bonds legal for investment. At December 31, 2016, the General Reserve Fund balance was $2,297,475,500 and met the prescribed statutory amount (see *Schedule C – Analysis of Reserve Funds*).

The balance remaining of all net revenues of the Port Authority's existing facilities after deducting payments for debt service upon all Consolidated Bonds and Notes and the amount necessary to maintain the General Reserve Fund at its statutorily required amount is to be paid into the Consolidated Bond Reserve Fund, which is pledged as additional security for all outstanding Consolidated Bonds and Notes. Consolidated Bonds and Notes have a first lien upon the net revenues (as defined in the Consolidated Bond Resolution) of all existing facilities of the Port Authority and any additional facility financed by Consolidated Bonds and Notes.

Commercial paper obligations, Variable rate master notes, MOTBY obligation, Tower 4 Liberty Bonds and the Goethals Bridge Replacement Developer Financing Arrangement (DFA) are special obligations of the Port Authority. The Port Authority is also a special limited co-obligor on the senior debt issued for WTC Tower 3, with a capped amount of debt service shortfalls payable as a special obligation of the Port Authority (See *Note L- Information with Respect to the Redevelopment of the World Trade Center Site,* for additional information related to certain contingent obligations of the Port Authority with respect to the development of WTC Tower 3).

Special obligations of the Port Authority are payable from the proceeds of obligations of the Port Authority issued for such purposes, including Consolidated Bonds issued in whole or in part for such purposes, or from net revenues (as defined below) deposited into the Consolidated Bond Reserve Fund, and in the event such net revenues are insufficient therefore, from other moneys of the Port Authority legally available for such payments when due.

Net revenues for purposes of special obligations of the Port Authority are defined, with respect to any date of calculation, as the revenues of the Port Authority pledged under the Consolidated Bond Resolution, and remaining after, (i) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (ii) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (iii) applications to the authorized purposes under Section 7 of the Consolidated Bond Resolution.

Special obligations of the Port Authority are subject in all respects to payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution and payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund statutes.

Special obligations of the Port Authority are not secured by or payable from the General Reserve Fund. Additionally, special obligations of the Port Authority do not create any lien on, pledge of or security interest in any revenues, reserve funds or other property of the Port Authority.

Equipment notes and The Fund obligation are special obligations to the Port Authority and 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 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, 2016, the Port Authority met the requirements of the Consolidated Bond Resolution to maintain total reserve funds in cash and certain specified securities.

In addition, the Port Authority has a long-standing policy of maintaining total reserve funds in an amount equal to at least the next two years' bonded debt service on outstanding debt secured by a pledge of the General Reserve Fund.

Note F – Grants and Contributions in Aid of Construction

During 2016 and 2015, the Port Authority received certain reimbursements related to certain policing activities as well as federal and state funding for operating and capital construction activities:

1. Policing programs

a. K-9 Program – The FAA and the 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 $1.4 million in 2016 and $1 million in 2015.

b. Airport Screening Program – The TSA provided $209,972 in 2016 and $306,600 in 2015 to fund operating costs incurred by Port Authority police personnel involved with passenger screening at JFK and EWR.

c. U.S. Department of State (USDOS) – The Port Authority received $768,597 in 2016 and $604,432 in 2015 from the USDOS to fund operating security costs incurred by Port Authority police personnel for the United Nations General Assembly (UNGA).

Amounts received in connection with the Port Authority Police Department providing services to an unrelated third-party are exchange transactions and recognized as operating revenues on the Consolidated Statements of Revenues, Expenses and Changes in Net Position.

2. Grants, in connection with operating activities

a. Security Programs – In 2016 and 2015, the Port Authority recognized approximately $42.5 million and $68.3 million, respectively, for security related programs from the TSA for baggage screening at LGA, JFK and EWR and UASI programs.

b. Superstorm Sandy – The Port Authority recognized $7.5 million in 2016 and $33.3 million in 2015 for FTA grants associated with Superstorm Sandy recovery efforts primarily at PATH.

c. AIP – The Port Authority recognized $9.5 million in AIP funding in 2016 primarily related to certain studies and operating activities at Port Authority aviation facilities.

3. Contributions in Aid of Capital Construction

a. WTC Tower 3 - The Port Authority recognized $381 million in 2016 and $314 million in 2015 in capital contributions due from the Silverstein net lessees for the construction of WTC Tower 3.

b. WTC Transportation Hub – The Port Authority recognized $178 million in 2016 and $179 million in 2015 from the FTA for the construction of the WTC Transportation Hub. As of December 31, 2016, the Port Authority has received $2.8 billion from the FTA for the WTC Transportation Hub.

c. AIP – The Port Authority recognized $22 million in 2016 and $35 million in 2015 in AIP funding primarily related to Rehabilitation of runways at LGA and JFK and School Soundproofing at EWR.

d. Superstorm Sandy – In 2016 and 2015, the Port Authority recognized $29.7 million and $40.7 million, respectively, in FTA and FEMA capital contributions related to Superstorm Sandy permanent repairs primarily at PATH.

e. Federal Highway Administration (FHWA) – In 2016 and 2015, the Port Authority recognized $16 million and $5 million, respectively, in FHWA funding for the Cross Harbor Freight Movement Program at Greenville Yard.

f. Other – In 2016, the Port Authority recognized $27 million from the Metropolitan Transportation Authority (MTA) for the redevelopment of certain locations at the WTC site.

Note G - Lease Commitments

1. Operating lease revenues

Gross operating revenues attributable to fixed rentals associated with operating leases amounted to approximately $1.1 billion in each of 2016 and 2015.

2. Property held for lease

The Port Authority has entered into operating leases with tenants for the use of space at various Port Authority facilities including buildings, terminals, offices and consumer service areas at air terminals, marine terminals, bus terminals, rail facilities, industrial parks, the Teleport and the WTC. Investments in such facilities, as of December 31, 2016, 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, 2016 are as follows:

Year ending December 31:	Minimum Rentals
	(In thousands)
2017 (a)	$ 1,037,826
2018 (a)	925,032
2019 (a)	808,626
2020	768,071
2021	722,044
2022-2100 (b)	24,138,783
Total future minimum rentals (c)	$ 28,400,381

(a) Includes $17 million related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture.
(b) Includes future minimum rentals of approximately $14 billion attributable to the Silverstein net leases for WTC Towers 2, 3 and 4.
(c) Future minimum rentals exclude approximately $223 million attributable to the transfer of the Port Authority's interests in the WTC Retail Joint Venture that are contingent upon the construction of retail space located within WTC Towers 2 and 3.

3. Property leased from others

Rental payments include, payments to the Cities of New York and Newark related to Air and Marine terminals and other leased premises, including rent related to the Port Authority's WTC Tower 4 corporate headquarters leased space. Rent payments totaled $300 million in 2016 and $325 million in 2015, respectively. Rental payments exclude PILOT payments to municipalities.

Future minimum rentals scheduled to be paid on operating leases in effect on December 31, 2016 are detailed below. Additional rents may be payable based on operating net revenues or gross operating revenues of specified facilities.

Year ending December 31:	Minimum Rentals
	(In thousands)
2017	$ 284,650
2018	284,395
2019	282,008
2020	282,740
2021	279,198
2022-2026	1,379,098
2027-2031	1,389,993
2032-2036	1,416,231
2037-2041	1,379,370
2042-2046	1,262,525
2047-2099*	2,156,803
Total future minimum rent payments	$10,397,011

* Future minimum rent payments for the years 2047-2099 consist of expected rent payments relating to leased Marine and Air Terminals, including the operating lease related to Stewart International Airport, which expires in 2099.

<u>Note H – Regional Facilities and Programs</u>

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** (certified in 1987) – This facility is a centralized program of certain economic development and infrastructure renewal projects. It was expected that $250 million of capital funds would be made available in connection with the Governors' Program of June 1983. As of December 31, 2016, approximately $249 million has been expended under this program.

- **Regional Economic Development Program** (certified in 1989) – This facility is to be comprised of up to $400 million for certain transportation, economic development and infrastructure renewal projects. Net expenditures on projects authorized under this program totaled approximately $397 million as of December 31, 2016.

- **Oak Point Rail Freight Link** (certified in 1981) – The Port Authority has participated with the New York State Department of Transportation in the development of the Oak Point Rail Freight Link. As of December 31, 2016, the Port Authority has provided approximately $102 million for this rail project, of which approximately $63 million was made available through the Regional Development Facility and the Regional Economic Development Program.

- **New Jersey Marine Development Program** (certified in 1989) – This program was undertaken to fund certain fishery, marine or port development projects in the State of New Jersey at a total cost not to exceed $27 million. All funds under this program have been fully allocated and expended.

- **New York Transportation, Economic Development and Infrastructure Renewal Program** (certified in 2002) – This facility was established to provide up to $250 million for certain transportation, economic development and infrastructure renewal projects in the State of New York. As of December 31, 2016, $249 million has been spent on projects associated with this program.

- **Regional Transportation Program** (certified in 2002) – This facility was established in conjunction with a program to provide up to $500 million for regional transportation initiatives. All funds under this program have been fully allocated and expended.

- **Hudson-Raritan Estuary Resource Programs** (certified in 2002 and 2014) – These facilities were established to acquire certain real property in the Port District area of the Hudson-Raritan Estuary for environmental enhancement/ancillary economic development purposes, in support of the Port Authority’s capital program. The cost of real property acquired under these programs are not to exceed $120 million. As of December 31, 2016, approximately $54 million has been expended under this program.

- **Regional Rail Freight Program** (certified in 2002) – This facility provides for the Port Authority to participate, in consultation with other governmental entities in the States of New York and New Jersey, in the development of certain regional rail freight projects to provide for increased rail freight capacity. The Port Authority is authorized to provide up to $50 million. All funds under this program have been fully allocated and expended.

- **Meadowlands Passenger Rail Facility** (certified in 2006) – This facility, which links New Jersey Transit’s (NJT) Pascack Valley Rail Line to the Meadowlands Sports Complex, encourages greater use of PATH service since NJT runs shuttle bus service at peak times to Hoboken. The improved level of passenger rail service provided by the facility also serves to ease traffic congestion on the Port Authority's interstate tunnel and bridge crossings. The Port Authority is authorized to provide up to $150 million towards the project's capital costs. All funds under this program have been fully allocated and expended.

As of December 31, 2016, 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, 2015	Project Expenditures	Amortization	Dec. 31, 2016
		(In thousands)		
Regional Development Facility	$ 7,483	$ -	$ 5,491	$ 1,992
Regional Economic Development Program	16,936	-	13,674	3,262
Oak Point Rail Freight Link	1,629	-	1,629	-
New Jersey Marine Development Program	858	-	834	24
New York Transportation, Economic Development and Infrastructure Renewal Program	50,512	-	9,537	40,975
Regional Transportation Program	93,386	-	16,667	76,719
Hudson-Raritan Estuary Resources Program	30,512	-	3,600	26,912
Regional Rail Freight Program	12,163	-	3,333	8,830
Meadowlands Passenger Rail Facility	67,395	-	10,000	57,395
Total unamortized costs of regional programs	$280,874	$ -	$ 64,765	$216,109

Note I - Pension Plans

Port Authority Employees

Generally, full-time employees of the Port Authority (but not its component units) are required to join one of two cost-sharing, multiple-employer defined benefit pension plans administered by the New York State Comptroller's Office; the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS), collectively referred to as the New York State and Local Retirement System (NYSLRS). The New York State Constitution provides that membership in a pension plan or retirement system of the State or of a civil division thereof is a contractual relationship, the benefits of which may not be diminished or impaired.

NYSLRS Plan Benefits

Classes of employees covered under the NYSLRS range from Tiers 1–6. Date ranges determining tier membership follows:

	ERS Membership		PFRS Membership	
Tier	On or After:	Before:	On or After:	Before:
1	-	July 1, 1973	-	July 31, 1973
2	July 1, 1973	July 27, 1976	July 31, 1973	July 1, 2009
3	July 27, 1976	September 1, 1983	July 1, 2009	January 9, 2010
4	September 1, 1983	January 1, 2010	N/A	N/A
5	January 1, 2010	April 1, 2012	January 9, 2010	April 1, 2012
6	April 1, 2012	Present	April 1, 2012	Present

Members in Tiers 1–4 need five (5) years of service to be 100 percent vested. Tiers 5–6 members require ten (10) years of service credit to be 100 percent vested.

Participating employers are required under the provisions of the New York State Retirement and Social Security Law (RSSL) to contribute to the NYSLRS at an actuarially determined rate adopted annually by the State Comptroller of New York. The average contribution rate for ERS for the fiscal years ended March 31, 2016 and March 31, 2015 were approximately 18.2 percent and 20.1 percent of payroll, respectively. The average contribution rate for PFRS for the fiscal years ended March 31, 2016 and March 31, 2015 were approximately 24.7 percent and 27.6 percent of payroll, respectively.

Generally, Tier 3, 4, and 5 members must contribute 3 percent of their salary to the respective NYSLRS plans. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten (10) or more years of membership or credited service with the NYSLRS, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Benefits for each NYSLRS plan are established and may be amended under the provisions contained in the New York State RSSL.

Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62. Generally, the benefit for Tier 1 and Tier 2 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20 percent greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent greater than the average of the previous two years.

Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62. Generally, the benefit for Tier 3, Tier 4 and Tier 5 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. Final average salary is the average of the wages earned in the three highest consecutive years of employment. For ERS

Tier 3, 4 and 5 members, each year used in the final average salary calculation is limited to no more than 10 percent greater than the average of the previous two years. For PFRS Tier 5 (there are no Port Authority members enrolled in PFRS Tier 3 and 4), each year used in the final average salary calculation is limited to no more than 20 percent greater than the average of the previous two years.

Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members. Generally, the benefit for Tier 6 members is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits. Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

Certain Port Authority PFRS members belong to 25-Year Plans, which allows for retirement after 25 years of service with a benefit of one-half of final average salary or 20-Year Plans, which allows for retirement after 20 years of service with a benefit of one-half of final average salary.

Port Authority contributions to NYSLRS in 2016 totaled $115.3 million including, $57.5 million to ERS and $57.8 million to PFRS.

Detailed information about the fiduciary net position and valuation methods related to ERS and PFRS can be found in the NYSLRS Annual Report as of and for the years ended March 31, 2016 and March 31, 2015, which is publically available at the following web address:
http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

NYSLRS – Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

NYSLRS Net Pension Liability - 2016 and 2015

GASB Statement No. 68 defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan's fiduciary net position determined as of a measurement date established by the employer. For purposes of measuring the NPL, the plan's fiduciary net position has been determined on the same basis as they are reported for ERS and PFRS. Benefit payments are recognized when due and payable in accordance with the benefit terms and investments are measured at their fair value.

The Port Authority's proportionate share of the NYSLRS plans' NPLs totaled:

NPL	December 31, 2016	December 31, 2015
	(In millions)	
ERS	$ 212.6	$ 44.9
PFRS	236.0	24.5
Total Net Pension Liability	$ 448.6	$ 69.4

The NPLs at December 31, 2016 and 2015 were measured as of March 31, 2016 and 2015, based on actuarial valuations as of April 1, 2015 and 2014, with update procedures used to roll forward the TPL to March 31, 2016 and 2015, respectively.

The Port Authority's proportion of the NYSLRS plans' NPL totaled:

	March 31, 2016	March 31, 2015
ERS	1.3%	1.3%
PFRS	8.0%	8.9%

The Port Authority's proportionate share of the ERS and PFRS NPLs were actuarially determined based on the projection of the Port Authority's long-term share of contributions to each respective plan relative to the projected long-term contributions of all participating employers of each plan.

NYSLRS Pension Expense - 2016 and 2015

For the twelve months ended December 31, 2016, pension expense related to NYSLRS totaled $161.8 million, including $78.3 million related to ERS and $83.5 million related to PFRS.

For the twelve months ended December 31, 2015, pension expense related to NYSLRS totaled $97.2 million, including $41.9 million related to ERS and $55.3 million related to PFRS.

NYSLRS Deferred Inflows/Outflows of Resources - 2016 and 2015

GASB Statement No. 68 requires certain changes in the NPL to be recognized as deferred inflows of resources or deferred outflows of resources. These deferred outflows and deferred inflows of resources are amortized as either an increase or decrease to future years pension expense, using a systematic and rational method over a closed period.

The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2016:

Deferred Outflows of Resources	ERS	PFRS	Total
		(In thousands)	
Differences between expected and actual experience	$ 1,074	$ 2,117	$ 3,191
Changes in actuarial assumptions	56,682	101,741	158,423
Net difference between projected and actual earnings on pension plan investments	126,099	132,261	258,360
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	8,326	-	8,326
Port Authority contributions subsequent to the measurement date*	57,530	57,807	115,337
Total Deferred Outflows of Resources	$ 249,711	$ 293,926	$ 543,637

*Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

Deferred Inflows of Resources	ERS	PFRS	Total
		(In thousands)	
Differences between expected and actual experience	$ 25,195	$ 35,681	$ 60,876
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	107	15,136	15,243
Total Deferred Inflows of Resources	$ 25,302	$ 50,817	$ 76,119

The amount of deferred outflows of resources associated with contributions made subsequent to the measurement date will be recognized as a reduction to the ERS and PFRS NPL for the fiscal year ended December 31, 2017. The remaining deferred outflows and deferred inflows of resources related to NYSLRS plans to be recognized in future years' pension expense are as follows:

Year ended December 31:	ERS	PFRS	Total
		(In thousands)	
2017	$ 42,623	$ 43,937	$ 86,560
2018	42,623	43,937	86,560
2019	42,623	43,937	86,560
2020	39,010	42,097	81,107
2021	-	11,394	11,394
Total	$ 166,879	$185,302	$ 352,181

The Port Authority reported deferred outflows of resources and deferred inflows of resources related to NYSLRS from the following sources at December 31, 2015:

Deferred Outflows of Resources	ERS	PFRS	Total
		(In thousands)	
Differences between expected and actual experience	$ 1,438	$ 2,952	$ 4,390
Net difference between projected and actual earnings on pension plan investments	7,800	8,222	16,022
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	5,239	-	5,239
Port Authority contributions subsequent to the measurement date*	63,072	53,652	116,724
Total Deferred Outflows of Resources	$ 77,549	$ 64,826	$ 142,375

*Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

Deferred Inflows of Resources	ERS	PFRS	Total
		(In thousands)	
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	$ -	$ 7,555	$ 7,555
Total Deferred Inflows of Resources	$ -	$ 7,555	$ 7,555

NYSLRS Actuarial Assumptions - 2016 and 2015

The TPL for each plan was determined using an actuarial valuation as of April 1, 2015 for fiscal year 2016 and April 1, 2014 for fiscal year 2015, with update procedures used to roll forward the TPL to the measurement dates of March 31, 2016 and March 31, 2015 respectively. These actuarial valuations used the following actuarial assumptions:

ERS	2016	2015
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.5% compounded annually, net of investment expenses, including inflation
Salary scale	3.8%, indexed by service	4.9%, indexed by service
Inflation	2.5%	2.7%
Cost of living adjustment	1.3%	1.4%

PFRS	2016	2015
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation	7.5% compounded annually, net of investment expenses, including inflation
Salary scale	4.5%, indexed by service	6.0%, indexed by service
Inflation	2.5%	2.7%
Cost of living adjustment	1.3%	1.4%

Mortality rates for the fiscal year 2016 actuarial valuation are based on each Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015, with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014.

Mortality rates for the fiscal year 2015 actuarial valuation are based on each Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010, with adjustments for mortality improvement based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments for each actuarial valuation for ERS and PFRS was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in the determination of the investment rate of return for each actuarial valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	38%	7.30%
International equity	13%	8.55%
Private equity	10%	11.00%
Real estate	8%	8.25%
Absolute return strategies	3%	6.75%
Opportunistic portfolio	3%	8.60%
Real assets	3%	8.65%
Bonds and mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4.00%
Total	100%	

NYSLRS Discount Rate Analysis-2016 and 2015

The discount rate used to calculate the TPL for ERS and PFRS was 7.0% for 2016 and 7.5% for 2015, respectively. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rates and that employer contributions will be made at their contractually required rates, as actuarially determined.

Based upon these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for both ERS and PFRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL for each plan.

The following tables present the Port Authority's proportionate share of the NPL for ERS and PFRS calculated for 2016 and 2015 using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

		2016	
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
		(In thousands)	
ERS - Port Authority's proportionate share of the NPL	$ 479,295	$ 212,555	$ (12,830)
PFRS - Port Authority's proportionate share of the NPL	527,139	236,004	(8,031)
Total	$1,006,434	$ 448,559	$ (20,861)

		2015	
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
		(In thousands)	
ERS - Port Authority's proportionate share of the NPL	$ 299,320	$ 44,906	$ (169,882)
PFRS - Port Authority's proportionate share of the NPL	326,073	24,490	(228,254)
Total	$ 625,393	$ 69,396	$ (398,136)

Additional information related to the Port Authority's proportionate share of the net pension liability for ERS and PFRS and the Port Authority's contributions to ERS and PFRS can be found in the Required Supplementary Information (RSI) section of this report following the appended notes.

New York State Voluntary Defined Contribution Program (VDC)

Non-represented New York State public employees hired on or after July 1, 2013 with annual wages of $75,000 or more are eligible to participate in the VDC by electing out of the ERS defined benefit pension plan. The VDC plan is administered by TIAA-CREF. System benefits and contribution requirements are established and may be amended under provisions of the RSSL.

An electing VDC employee contributes up to six percent (6%) of their annual gross wages with an additional employer contribution of eight percent (8%) of the employee's annual gross wages.

As of December 2016 and 2015, 131 and 90 employees, respectively were enrolled in the VDC program since inception. The following table shows employee and employer contributions (reported as pension expense):

	2016	2015
Employer Contributions	**$ 900,994**	$ 559,028
Employee Contributions	**664,349**	449,134
Total	**$1,565,343**	$1,008,162

Port Authority Trans-Hudson Corporation (PATH) Employees

Federal Railroad Retirement Program

Employees of PATH are not eligible to participate in NYSLRS. In accordance with Federal Railroad Retirement legislation enacted in 1935, and amended thereafter, all PATH employees are members of the two tiered Federal Railroad Retirement Program administered by the U.S. Railroad Retirement Board. The Federal Railroad Retirement Program is a cost-sharing defined benefit pension plan, providing benefits to employees of governmental and private sector railroad entities. Program benefits are established and may be amended by federal legislation. Under the Federal Railroad Retirement Program, employees are entitled to retirement benefits related to years of railroad service, age and salary. Survivor and disability benefits are also available to members based on program eligibility requirements. Vesting of benefits is determined after a set period of credited railroad service. Funding of the Federal Railroad Retirement Program is legislatively determined through the collection of employer and employee Railroad Retirement Taxes. In 2016 and 2015, 1,242 and 1,204 PATH employees, respectively, participated in the Federal Railroad Retirement Program.

Employer and employee contributions to the Federal Railroad Retirement Program were as follows:

Railroad Retirement Tier I	**Employee Tax Rate**	**Employee Taxes**	**Employer Tax Rate**	**Employer Taxes**	**Total Taxes**
			($ In thousands)		
2016	7.65%	$8,086	7.65%	$ 8,086	$ 16,172
2015	7.65%	7,747	7.65%	7,747	15,494

Railroad Retirement Tier II	**Employee Tax Rate**	**Employee Taxes**	**Employer Tax Rate**	**Employer Taxes**	**Total Taxes**
			($ In thousands)		
2016	4.9%	$4,475	13.1%	$11,964	$ 16,439
2015	4.9%	4,379	13.1%	11,707	16,086

Detailed information about the Federal Railroad Retirement Program can be found in the U.S. Federal Railroad Retirement Board Performance and Accountability Report, which is publically available at the following web address: http://www.rrb.gov/pdf/oig/reports/1601.pdf

PATH Employees Supplemental Pension Plans

In addition to pension benefits provided under the Federal Railroad Retirement Program, PATH employees are eligible to participate in certain supplemental pension plans.

PATH Represented Employees

For PATH employees covered under collective bargaining agreements, PATH makes defined contributions to supplemental pension plans administered exclusively by trustees comprised of and appointed by union members. Benefits are established and may be amended at the sole discretion of the trustees. PATH is not responsible for funding deficiencies or entitled to funding surpluses related to these supplemental pension plans. PATH's sole responsibility related to these supplemental pension plans are contributions defined in various collective bargaining agreements. Contributions by PATH to these supplemental pension plans totaled approximately $6.7 million in 2016 and $6.4 million in 2015.

PATH Exempt Employee Supplemental Pension Plan

Employees of PATH who are not covered by collective bargaining agreements (PATH Exempt Employees) are members of the PATH Exempt Employees Supplemental Pension Plan, amended and restated as of January 1, 2011 (the Plan). The Plan is a non-contributory, unfunded, single-employer, defined benefit, qualified governmental pension plan administered by PATH. The Plan provides retirement benefits related to years of service as a PATH Exempt Employee and final average salary, death benefits for active PATH Exempt Employees, vesting of retirement benefits after a set period of credited service as a PATH Exempt Employee, and optional methods of retirement benefit payment. Depending upon the date of membership, retirement benefits differ as to the qualifying age or years of service requirement and the benefit formula used in calculating retirement benefits.

On August 22, 2013, The Port Authority established the PATH Exempt Employees Supplemental Pension Plan Trust with Wells Fargo Institutional Retirement Trust services as Trustee. As of December 31, 2016, no amounts have been deposited into the trust to prefund future pension obligations.

PATH Exempt Employee Supplemental Pension Plan – Total Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

PATH Exempt Employee Supplemental Pension Plan Total Pension Liability - 2016 and 2015

GASB Statement No. 68 defines the Net Pension Liability (NPL) as the difference between the Total Pension Liability (TPL) and the pension plan's fiduciary net position. As the Plan is unfunded and has no plan assets, the TPL and NPL are of equal amounts. The Plan's TPL reported at December 31, 2016 was measured as of January 1, 2016 based on an actuarial valuation as of the same date. The plan's TPL for the year ended December 31, 2016 was $83.4 million. Changes in the TPL from the previous measurement date are as follows:

	Total Pension Liability - 2016
	(In thousands)
Balance as of 12/31/2015 (based on 1/1/2015 Measurement Date)	$81,095
Changes recognized for the fiscal year:	
Service cost	1,280
Interest on the total pension liability	2,850
Differences between expected and actual experience	(945)
Changes in assumptions	3,809
Benefit payments (1/1/15 -12/31/15)	(4,701)
Net change in TPL	2,293
Balance recognized at 12/31/2016 (based on 1/1/2016 Measurement Date)	$83,388

The Plan's TPL reported at December 31, 2015 was measured as of January 1, 2015 based on an actuarial valuation as of the same date. The plan's TPL for the year ended December 31, 2015 was $81.1 million.

	Total Pension Liability - 2015
	(In thousands)
Balance as of 12/31/2014 (based on 1/1/2014 Measurement Date)	$69,630
Changes recognized for the fiscal year:	
Service cost	900
Interest on the total pension liability	3,271
Differences between expected and actual experience	51
Changes in assumptions	10,632
Benefit payments (1/1/14 -12/31/14)	(3,389)
Net change in TPL	11,465
Balance recognized at 12/31/2015 (based on 1/1/2015 Measurement Date)	$81,095

PATH Exempt Employee Supplemental Pension Plan Pension Expense- 2016 and 2015

For the twelve months ended December 31, 2016 and December 31, 2015, pension expense related to the Plan totaled $7.3 million and $6.7 million, respectively.

PATH Exempt Employee Supplemental Pension Plan Deferred Outflows/Inflows of Resources - 2016 and 2015

GASB Statement No. 68 requires certain changes in the NPL to be recognized as deferred inflows of resources or deferred outflows of resources. These deferred outflows and deferred inflows of resources, are amortized as either an increase or decrease to future years pension expense using a systematic and rational method over a closed period.

At December 31, 2016 and December 31, 2015, the Port Authority reported deferred outflows of resources totaling:

	Deferred Outflows 12/31/2016	Deferred Outflows 12/31/2015
	(In thousands)	
Differences between actual and expected experience	$ 27	$ 39
Changes in actuarial assumptions	8,567	8,143
Contributions subsequent to the measurement date*	3,563	4,702
Total	$ 12,157	$ 12,884

*Contributions made by participating employers to pension plans after the measurement date to satisfy the pension plan's Net Pension Liability, but before the end of the financial statement period for the employer, are recognized as deferred outflows of resources.

At December 31, 2016 and December 31, 2015, the Port Authority reported deferred inflows of resources totaling:

	Deferred Inflows 12/31/2016	Deferred Inflows 12/31/2015
	(In thousands)	
Differences between actual and expected experience	$ 723	$ -
Total	$ 723	$ -

The amounts of deferred outflows of resources at December 31, 2016 associated with contributions made subsequent to the measurement date will be recognized as a reduction to the TPL for the fiscal year ended December 31, 2017. The remaining deferred outflows of resources and deferred inflows of resources at December 31, 2016 related to the PATH Exempt Employee Supplemental Pension Plan to be recognized in future years pension expense are as follows:

Year ended December 31,	Total Amortization
	(In thousands)
2017	$ 3,175
2018	3,175
2019	1,352
2020	169
Total	$ 7,871

PATH Exempt Employee Supplemental Pension Plan Actuarial Assumptions- 2016 and 2015

The TPL measured as of January 1, 2016 and January 1, 2015, based on an actuarial valuation as of the same date was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	N/A

Actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period of January 1, 2015 to December 31, 2015. Actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the period of January 1, 2014 to December 31, 2014. Mortality rates used in the 2016 valuation were based on RP-2014 Combined Healthy Mortality Table projected on a generational basis with Scale MP-2015 from the central year. Mortality rates used in the 2015 valuation were based on RP-2000 Fully Generational Scale AA Combined Healthy Mortality Table. Projections of benefits for financial reporting purposes are based on the terms of the Plan as described by PATH to participants, and include the types of benefits provided at the time of each valuation.

As of the January 1, 2016 and January 1, 2015 valuation date, Plan participants comprised:

	2016	**2015**
Retired PATH Exempt Employees (or their beneficiaries)	104	93
Active PATH Exempt Employees	89	92
Terminated but vested employees who are not currently receiving benefits	21	25
Total participants	214	210

PATH Exempt Employee Supplemental Pension Plan Discount Rate Analysis- 2016 and 2015

Because the plan is unfunded, the discount rate used in the actuarial valuation is based on the 20-year municipal Bond Buyer Index for general obligations which equaled 3.57% as of the January 1, 2016 measurement date and 3.56% as of the January 1, 2015 measurement date.

The following tables present the 2016 and 2015 Plan's TPL calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the discount rate actually used.

	1% Decrease (2.57%)	**2016** Discount Rate (3.57%)	1% Increase (4.57%)
		(In thousands)	
Total Pension Liability	$94,940	$83,388	$73,845

	1% Decrease (2.56%)	**2015** Discount Rate (3.56%)	1% Increase (4.56%)
		(In thousands)	
Total Pension Liability	$91,982	$81,095	$72,015

Note J – Other Postemployment Employee Benefits (OPEB)

OPEB Plan Benefits

The Port Authority and PATH provide, pursuant to Board action or as contemplated thereby, certain group health care, prescription, dental, vision and term life insurance benefits for retired employees of the Port Authority and PATH (includes eligible dependents and survivors of retired employees). Collectively, these covered individuals are referred to as "participants." Contributions toward the costs of these benefits are required of certain non-represented participants. Retiree contributions for certain non-represented participants generally range from 3% to 100% of the Port Authority's or PATH's cost of providing retiree benefits and are dependent on a number of factors including, type of benefit, hire date, years of service, pension earnings and retirement date. Benefits are provided through insurance companies whose premiums are based on the benefits paid during the year, or through plans under which benefits are paid by service providers on behalf of the Port Authority or PATH.

OPEB Actuarial Methods and Assumptions

The actuarially determined valuation of OPEB is reviewed annually for the purpose of estimating the present value of postemployment benefits earned by plan participants as of the valuation.

Projections of benefits for financial reporting purposes are based on the benefit plans as described by the Port Authority and PATH to participants, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates and assumptions about the probability of occurrence of events far into the future, including future employment with a salary scale at a rate of 3% per year, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2016 actuarial valuation of the Port Authority and PATH OPEB obligation, the projected unit credit cost method was used for all 14,930 participants (7,483 active, 5,881 retirees, and 1,566 surviving spouses). The actuarial assumptions used to project future costs included a 7% investment rate of return (discount rate), representing the estimated yield on investments expected to be used for the payment of benefits; medical healthcare cost trend rates of 7.25% for Pre-65 year-old participants and 6.25% for Post-65 year-old participants, declining to an ultimate medical healthcare cost trend rate of 5% in 2022 (including 2.5% inflation factor), a pharmacy benefit cost trend rate of 10% decreasing to 5% in 2022; a dental benefit cost trend rate of 5% per year for all years; and an Employer Group Waiver Plan (EGWP) savings of 5% per year for all years. The unfunded Actuarial Accrued Liability (AAL) is being amortized as a level dollar amount over an open period of 30 years.

OPEB Costs and Obligations

OPEB benefit costs and obligations are actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The AAL, representing the amount of OPEB benefits earned by plan participants in prior periods, totaled $2.9 billion as of January 1, 2016. The 2016 unfunded AAL, totaling $1.9 billion represents the difference between the AAL of $2.9 billion and the amount of plan assets of $956 million.

The following reflects the components of the 2016 and 2015 annual OPEB costs, amounts paid, and changes to the net accrued OPEB obligation based on the January 1, 2016 and 2015 actuarial valuations:

	2016	2015
	(In millions)	
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	**$ 43.8**	$ 40.5
Amortization cost	**152.9**	139.0
Total ARC	**196.7**	179.5
Adjustments to ARC	**(27.7)**	(33.3)
Annual OPEB cost	**$ 169.0**	$ 146.2

	2016	2015
	(In millions)	
Net OPEB Obligation:		
Net OPEB obligation at the beginning of fiscal year	**$ 77.4**	$ 160.4
Annual OPEB cost	**169.0**	146.2
Employer contributions:		
OPEB payments	**(145.8)**	(129.2)
Trust contributions	**(100.0)**	(100.0)
Total employer contributions	**(245.8)**	(229.2)
Net accrued OPEB obligation as of December 31st	**$ 0.6**	$ 77.4

The normal cost of $43.8 million represents the amount of OPEB benefits earned by plan participants in the current period.

Amortization of the unfunded AAL totaling $152.9 million represents the annual funding requirement that if paid quarterly over a thirty-year period at an interest rate of 7% would satisfy the unfunded AAL of $1.9 billion.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a new prescription drug benefit commonly known as Medicare Part D. The Port Authority's application to the Centers for Medicare and Medicaid Services (CMS) within the Department of Health and Human Services to sponsor a Part D Plan for retirees was approved effective January 1, 2006. Effective January 1, 2009, the Port Authority contracted with Express Scripts, Inc. for an Employee Group Waiver Plan (CMS approved series 800 plan) covering its retirees. Under the contract, Express Scripts, Inc. assumed responsibility for the administrative and compliance obligations imposed by CMS. In 2016, CMS payments to Express Scripts, Inc., on behalf of the Port Authority, totaled approximately $1.4 million. These amounts were considered in calculating the actuarial valuation of the OPEB liability.

The Port Authority and PATH's combined annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net accrued OPEB obligation for 2016 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)	
2016	$168,979	145%	$ 654
2015	146,154	158%	77,424
2014	131,943	168%	160,430

Funding Status

On December 14, 2006, the Port Authority established a restricted fund to provide funding for future postemployment employee benefit payments. Port Authority quarterly contributions to The Port Authority of New York and New Jersey Retiree Health Benefits Trust (Trust), with Wells Fargo Bank, N.A-Institutional Trust Services serving as the Trustee currently total $25 million. In 2016 and 2015, annual contributions to the Trust totaled $100 million respectively.

OPEB Trust assets (at fair value), the AAL, the unfunded AAL for benefits, the annual payroll amounts for active employees covered by the plans and the ratio of the unfunded AAL to covered payroll for 2016 were as follows:

Actuarial Valuation Date	OPEB Trust Assets*	AAL	Unfunded AAL	Funded Ratio	Covered Payroll	Unfunded AAL as a % of Payroll
			($ In millions)			
1/1/2016	$956	$2,868	$1,912	33%	$756	253%

*OPEB trust net position totaled $1.124 billion as of December 31, 2016.

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 2016 and 2015. The activities of the trust are accounted for using the accrual basis of accounting and all investments are recorded at their fair value.

Statements of Trust Net Position

	December 31,	
	2016	2015
	(In thousands)	
Assets		
Cash	**$ 15,173**	$ 32,035
Investments, at fair value	**1,158,847**	957,098
Accounts receivable	**1,135**	160
Total assets	**1,175,155**	989,293
Liabilities		
Accounts payable	**50,752**	33,706
Total liabilities	**50,752**	33,706
Net Position Held In Trust For OPEB	**$ 1,124,403**	$ 955,587

Statements of Changes in Trust Net Position

	Year ended December 31,	
	2016	2015
	(In thousands)	
Additions		
Contributions*	**$ 245,751**	$ 229,159
Investment income:		
Net change in fair value of investments	**42,032**	(24,896)
Interest income	**27,780**	22,527
Total net investment income (loss)	**69,812**	(2,369)
Deductions		
Benefit payments, administrative expenses and fees*	**(146,747)**	(130,581)
Total deductions	**(146,747)**	(130,581)
Net Increase	**168,816**	96,209
Trust net position, January 1	**955,587**	859,378
Net Position Held In Trust For OPEB	**$ 1,124,403**	$ 955,587

*Includes Port Authority payments totaling $145.8 million in 2016 and $129.2 million in 2015 that were paid on behalf of OPEB plan members or their beneficiaries out of available Port Authority operating funds. These direct benefit payments are not included as part of the Trust's activities.

The audited financial statements for the years ended December 31, 2016 and December 31, 2015 of the Trust, which provides additional information concerning trust assets, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

Note K– Commitments and Certain Charges to Operations

1. Approval of a budget by the Board of Commissioners does not in itself authorize any specific expenditures, which are authorized from time to time by or as contemplated by other actions by the Board of Commissioners of the Port Authority consistent with statutory, contractual and other commitments of the Port Authority, including agreements with the holders of its obligations.

2. At December 31, 2016, the Port Authority had entered into various construction contracts totaling approximately $5.9 billion, which are expected to be completed within the next three years.

3. Other amounts receivable, net recognized on the Consolidated Statements of Net Position totaled $62.1 million at December 31, 2016, and is comprised of the following:

	Dec. 31, 2015	Additions	Deductions	Dec. 31, 2016
		(In thousands)		
Long-term receivables from tenants	$28,118	$41,775	$36,676	$33,217
Installment due from the ECRR operator	1,063	-	191	872
Insurance receivable - Superstorm Sandy	1,371	-	-	1,371
Advances for construction projects	220	500	220	500
Amounts due from Tower 4 Liberty Bonds	6,128	41,520	36,766	10,882
Other	15,574	-	327	15,247
Total other amounts receivable, net	$52,474	$83,795	$74,180	$62,089

4. The 2016 balance of Other noncurrent liabilities consists of the following:

	Dec. 31, 2015	Additions	Deductions	Dec. 31, 2016
		(In thousands)		
Self-Insured Worker's Compensation Claims	$ 61,422	$ 22,376	$ 20,639	$ 63,159
Self-Insured Public Liability Claims	58,900	15,832	6,701	68,031
Pollution remediation obligation	18,493	6,564	2,862	22,195
Asset forfeiture program	25,932	1,796	4,350	23,378
Surety and security deposits	4,570	440	107	4,903
WTC Joint Venture Preferred Returns	37,707	48,014	43,107	42,614
Vacated temporary offices exit obligations	14,145	407	13,093	1,459
Goethals Bridge Replacement milestones	47,182	62,303	25,000	84,485
Deferred Gain/Loss on NLCC	4,761	-	-	4,761
Other	36,623	3,721	5,608	34,736
Total Liabilities	$309,735	$ 161,453	$ 121,467	$ 349,721
Less: Current worker's compensation liability	16,090			17,079
Current Goethals Bridge milestones	-			25,000
Total other non-current liabilities	$293,645			$ 307,642

Unearned income related to the transfer of the Port Authority's interests in the WTC Retail Joint Venture is:

	Dec. 31, 2015	Additions	Deductions	Dec. 31, 2016
		(In thousands)		
Unearned Income related to WTC Retail Joint Venture	$704,697	$77,869	$8,568	$773,998

For additional information See *Note L- Information with Respect to the Redevelopment of the World Trade Center Site.*

5. In accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, an operating expense provision and corresponding liability measured at its current value using the expected cash flow method is recognized when an obligating event occurs. In 2016, the Port Authority recognized an additional $6.6 million in pollution remediation obligations, primarily related to asbestos abatement at certain Aviation and Port facilities. Cumulative operating expense remediation provisions through December 31, 2016 totaled $78 million, net of $2.1 million in expected recoveries.

As of December 31, 2016, the outstanding pollution remediation liability totaled $22.2 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.

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

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

The terms of the original July 2001 net leases established both an obligation and concomitant right for the net lessees, at their sole cost and expense, to restore their net leased premises following a casualty whether or not the damage is covered by insurance proceeds in accordance, to the extent feasible, prudent and commercially reasonable, with the plans and specifications as they existed before the casualty or as otherwise agreed to with the Port Authority.

The redevelopment of the WTC provides for approximately 10 million square feet of above-grade office space with associated storage, mechanical, loading, below-grade parking, and other non-office space, and consists of One World Trade Center, Tower 2, Tower 3, Tower 4, Tower 5, approximately 450,000 square feet of retail space, a WTC Transportation Hub, a memorial and interpretive museum (Memorial/Museum) and cultural facilities and related infrastructure. A December 2010 World Trade Center Amended and Restated Master Development Agreement (MDA), among the Port Authority, PATH, 1 WTC LLC, WTC Retail LLC, and the Silverstein net lessees, sets forth the respective rights and obligations of the parties thereto with respect to construction on the WTC site, including the allocation of construction responsibilities and costs between the parties to the MDA.

Future minimum rentals (See *Note G – Lease Commitments*) include rentals of approximately $14 billion, for the years 2021-2100, relating to the net leases for WTC Towers 2, 3 and 4. The inclusion of this amount in future rentals is predicated upon the assumption that the net lessees of various components of the WTC will continue to meet their contractual commitments pertaining to their net leased properties, including those with respect to the payment of rent and the restoration of their net leased properties.

One World Trade Center

In November 2006, as part of the continuing redevelopment of the WTC, the Port Authority acquired from Silverstein Properties 100% of the membership interests in 1 WTC LLC, the then-net lessee of One World Trade Center and Tower 5, which will comprise, in the aggregate, approximately 4.2 million square feet of office space. On June 13, 2011, the Port Authority and The Durst Organization entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, leasing, management and operation of One World Trade Center. In June 2011, The Durst Organization contributed $100 million for a minority equity interest in the joint venture related to One World Trade Center. One World Trade Center contains 3.0 million square feet of space, comprised of commercial office space and an indoor observation deck. As of December 31, 2016 the Port Authority has leased, (i) approximately 2.06 million square feet of office space at One World Trade Center, representing approximately 69% of the leasable office space, (ii) certain portions of the One World Trade Center rooftop, together with ancillary space, for a broadcasting and communications facility, and (iii) the 100th through 102nd floors of One World Trade Center for an observation deck, which opened to the public in 2015.

World Trade Center Tower 3

Under agreements between the Port Authority and the Silverstein net lessee of Tower 3, the Silverstein net lessee of Tower 3 is required to construct the Tower 3 podium, with the construction of the office tower to follow. To assist the Silverstein net lessee of Tower 3 in the construction of the Tower 3 office tower following satisfaction of certain private real estate and capital markets triggers, the Port Authority entered into a Tower 3 Tenant Support Agreement in 2010 (the 2010 Tower 3 Tenant Support Agreement) providing for the investment of Port Authority funds towards the construction of the tower and a backstop of $390 million for certain construction and leasing overruns, senior debt service shortfalls and operating expense deficits. These triggers included the Silverstein Tower 3 net lessee raising $300 million of private equity or mezzanine financing, pre-leasing 400,000 square feet of the office tower, and obtaining private financing for the remaining cost of the office tower. Under separate agreements, The State of New York and the City of New York have each agreed to reimburse the Port Authority for $200 million of the $600 million to be provided under the 2010 Tower 3 Tenant Support Agreement for a total reimbursement of $400 million. Under the 2010 Tower 3 Tenant Support Agreement, the Silverstein net lessee of Tower 3 is responsible for the repayment of the $390 million backstop on a subordinated basis, without interest, from Tower 3 revenues. All repayments of the Tower 3 backstop received by the Port Authority would in turn be distributed among the Port Authority, the State of New York and the City of New York in accordance with their respective shares of the $390 million backstop payments.

In order to maintain the World Trade Center site's redevelopment progress and continue to balance private sector development with public sector support, on June 25, 2014, the Board of Commissioners of the Port Authority authorized certain amendments to the 2010 Tower 3 Tenant Support Agreement. Under the amended 2010 Tower 3 Tenant Support Agreement, the Port Authority would provide $210 million for the construction of Tower 3 as a landlord capital improvement. The backstop funding of $390 million would be provided for (i) construction overruns and certain leasing cost overruns, (ii) operating expense deficits and certain leasing cost overruns through the Tower 3 net lessee's right to defer payments of rent to the Port Authority under the net lease with respect to Tower 3, and (iii) senior debt service shortfalls, by the Port Authority as a special limited co-obligor on the senior debt issued for Tower 3, with such senior debt service shortfalls payable as a special obligation of the Port Authority, subject in each case to the overall limit of $390 million for the backstop (See *Note E- General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority).

In December 2014, the Silverstein net lessee of Tower 3 net lessee issued Tower 3 Liberty bonds in the total aggregate principal amount of $1.6 billion. In accordance with the amended Tower 3 Tenant Support Agreement, in December 2014, the Port Authority made a $210 million landlord capital improvement payment towards the construction of Tower 3. Under a separate Public Support Agreement with the State of New York, the Port Authority applied $80 million of previously received funds as a capital contribution for the partial reimbursement of this landlord capital improvement. Additionally, under a Public Support Agreement with the City of New York, the Port Authority will receive $130 million in future WTC PILOT credits as reimbursement for the remaining share of the Port Authority's landlord capital improvements.

World Trade Center Tower 4

For the continued development and construction of Tower 4, with approximately 600,000 of its 2 million square feet of office space preleased to the Port Authority, and approximately 580,000 square feet preleased to the City of New York, in December 2010, the Port Authority entered into certain agreements with the Silverstein net lessee of Tower 4, providing for the Port Authority's participation in the financing for Tower 4 construction. Additionally, the Silverstein net lessee of Tower 4 has the right to, defer certain rent payments payable to the Port Authority under the Tower 4 net lease, defer certain free rent periods available to the Port Authority under its Tower 4 space lease, receive funding related to certain operating expense deficits upon completion of Tower 4 and receive a limited amount of funding related to construction and leasing cost overruns. The 4 WTC net lessee has exercised its right to defer certain Tower 4 net lease rent payments to the Port Authority effective November 2016.

Tower 4 Liberty Bonds were issued on November 15, 2011, in the total aggregate principal amount of $1.2 billion. The Port Authority is a co-borrower/obligor with respect to the Liberty Bonds issued by the New York Liberty Development Corporation in November 2011 to finance construction of WTC Tower 4. The Port Authority's payment of debt service on the Tower 4 Liberty Bonds is a special obligation of the Port Authority, evidenced by a separate Tower 4 Bond Payment Agreement between the Port Authority and the Tower 4 Liberty Bond trustee (See *Note E- General and Consolidated Bond Reserve Funds* for additional information related to the payment of special obligations of the Port Authority). Port Authority debt service payments related to Tower 4 Liberty Bonds, deferred rent payable to the Port Authority under the Tower 4 net lease, deferred rent relating to free rent periods available to the Port Authority under its Tower 4 space lease and funding provided to the Silverstein net lessee related to certain operating expense deficits, construction and leasing overruns is reimbursable to the Port Authority from Tower 4 cash flow and to the extent Tower 4 cash flow is not sufficient, would accrue interest until reimbursed or paid with an overall term for such reimbursement or payment of not in excess of 40 years.

WTC Tower 4 was substantially completed in October 2013 by the Silverstein net lessee of Tower 4 and is available for tenant fit-out. In November 2014, Port Authority corporate staff began occupying certain portions of its leased space in Tower 4, with remaining space being occupied in 2015.

The World Trade Center Transportation Hub

On July 28, 2005, the Board of Commissioners of the Port Authority authorized the WTC Transportation Hub project. Construction of the WTC Transportation Hub commenced on September 6, 2005, at an estimated total project cost range of approximately $3.74 billion to $3.995 billion. It is presently expected that the Port Authority will receive up to $2.872 billion from the FTA towards the construction of the WTC Transportation Hub. As of December 31, 2016, the Port Authority has received $2.8 billion from the FTA related to the construction of the WTC Transportation Hub. On March 3, 2016, the World Trade Center Transportation Hub Oculus and underground pedestrian connections to certain mass transit lines opened to the public and on August 16, 2016, the retail portions opened to the public.

World Trade Center Infrastructure Projects

In addition to the WTC Transportation Hub, the Port Authority continues to construct various WTC site infrastructure projects toward full build out of the WTC site. In 2014, certain portions of these infrastructure projects, including portions of the vehicular security center for cars, tour buses, and delivery vehicles to access subgrade loading facilities became operational to support commercial activities throughout the WTC site. Other infrastructure work includes street configurations, utilities, a central chiller plant and related electrical distribution systems that support operations of the WTC site.

WTC Retail

In December 2003, as part of the redevelopment of the WTC, the Port Authority acquired 100% of the membership interest in the net lessee of the retail components of the WTC from Westfield for $140 million, and is the sole managing member of this bankruptcy remote single purpose entity, which was renamed "WTC Retail LLC." The retail project at the WTC site includes certain retail space to be located in the WTC Transportation Hub, One World Trade Center, Tower 2, Tower 3, and Tower 4 (collectively the "Retail Premises"). On August 16, 2016, retail portions of the WTC Transportation Hub opened to the public.

On May 16, 2012, the Port Authority and Westfield entered into various agreements in connection with the establishment of a joint venture with respect to the construction, financing, development, leasing, management and operation of certain retail space at the World Trade Center site. On March 18, 2014, the Port Authority transferred its remaining interest in the joint venture to Westfield. As a result of the establishment of, and transfer of its interests in, the joint venture to Westfield, the Port Authority presently expects, subject to the completion of construction of the premises covered by the retail net lease, to receive payments totaling up to $1.4 billion from Westfield. In the event that retail space is built at Tower 2, Westfield would have the option to pay an additional amount to be determined at such time to add such space to its net leased retail premises. The Port Authority continues to be the landlord of the retail components of the World Trade Center site under a net lease which provides for nominal annual rentals. The Port Authority also continues to be responsible for the construction of the retail premises at the World Trade Center site, and is obligated to fund the remaining project costs for its construction.

As of December 31, 2016, excluding Westfield's initial joint venture membership capital contribution of $100 million recognized in 2011, the Port Authority has received $797 million for the transfer of its interests in the WTC retail joint venture to Westfield. The $797 million is reported as Unearned income and subsequently recognized as rental income over the remaining term of the existing WTC Retail net lease. As of December 31, 2016, $23 million has been cumulatively recognized as rental income.

WTC Memorial and Museum

The Port Authority does not have any responsibility for the operation and maintenance of the Memorial, the Memorial/Museum or the Visitor Orientation and Education Center (VOEC). The Memorial Plaza was substantially completed and opened for public access on September 11, 2011. The museum and VOEC opened to the public on May 21, 2014.

Note M – Risk Financing Activities

The Port Authority carries insurance or requires insurance to be carried (if available) on or in connection with its facilities to protect against direct physical loss or damage and resulting loss of revenue and against liability in such amounts as it deems appropriate, considering self-insured retentions, purchase of insurance through its captive insurance entity, PAICE, exceptions, or exclusions of portions of facilities, and the scope of insurable hazards. Availability of coverage varies and may be constrained depending on the state of the insurance industry. As a result, insurance premiums may increase for available coverage in connection with the Port Authority's periodic renewal of its insurance programs.

1. Purchased Insurance

Property damage and loss of revenue insurance program

The property damage and loss of revenue insurance program on Port Authority facilities (renewed effective June 1, 2016 and expiring on June 1, 2017) applies to all Port Authority facilities, excluding the World Trade Center*, with program limits of $1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and sub-limits for certain hazards. Coverage under the property damage and loss of revenue insurance program on the operating portions of the World Trade Center and related infrastructure (renewed March 31, 2016 and expiring on June 1, 2017) applies to those assets with program limits of $2.5 billion per occurrence and in the aggregate for Tower One, and $2 billion per occurrence and in aggregate for WTC Transportation Hub and WTC Vehicular Security Center, subject to certain deductibles, retentions, and sub-limits for certain hazards.

The Port Authority also purchased terrorism insurance with respect to its facilities, excluding the World Trade Center, with limits of $1.6 billion per occurrence and in the aggregate, subject to certain deductibles, retentions and exclusions for certain hazards, and for the operating portions of the World Trade Center, with limits of $5 billion per occurrence and in the aggregate, subject to certain deductibles, retentions, and exclusions for certain hazards. The terrorism coverage is insured through PAICE and reinsured through the Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA)** and commercial reinsurance.

Public liability insurance program

The public liability insurance program for Port Authority aviation facilities (renewed effective October 27, 2016 and expiring October 27, 2017) applies to such facilities with program limits of $1.25 billion per occurrence and in the aggregate, subject to certain retentions, and insurance for aviation war risk, which includes terrorism, and which has no deductible.

The public liability insurance program for "non-aviation" facilities (renewed effective October 27, 2016 and expiring October 27, 2017) applies to such facilities including WTC* with program limits of $1.0 billion per occurrence and in the aggregate, subject to certain deductibles and retentions. Terrorism insurance with respect thereto totals $300 million, which is insured through PAICE and reinsured through TRIPRA** and commercial insurers. During each of the past three years, payments for public liability claims have not exceeded insurance coverage.

2. Construction Insurance Programs

The Port Authority's World Trade Center Owner Controlled Insurance Program applies to such facility with program limits of $150 million per occurrence, subject to certain deductibles, retentions, and sub-limits of certain hazards, annual aggregate limits, and with program limits of $150 million per occurrence for terrorism insurance, effective November 30, 2015 and expires November 30, 2017.

The Port Authority maintains an ongoing wrap-up contractors' insurance program for all other Port Authority facilities under construction with program limits for builders' risk of $50 million per occurrence, subject to certain deductibles, retentions, and sub-limits on certain hazards, construction

See "" footnote on page 78.
See "" footnote on page 78.

general liability insurance with program limits of $50 million per occurrence, and statutory workers' compensation coverage, which do not have a deductible. PAICE provides portions of the construction general liability and statutory workers' compensation insurance. The Port Authority also maintains builders' risk and terrorism coverage, with respect to the Bayonne Bridge Navigational Clearance Program, each with a program limit of $743 million per occurrence and comprehensive general liability insurance with program limits of $50 million per occurrence and in the aggregate in excess of the $50 million coverage described above.

3. Port Authority Insurance Captive Entity, LLC

On October 16, 2006, the District of Columbia approved the establishment of a Port Authority captive insurance company, known as the Port Authority Insurance Captive Entity, LLC, for the purpose of insuring certain risk exposures of the Port Authority and its related entities. Under its current Certificate of Authority issued by the District of Columbia, PAICE is authorized to transact insurance business, in connection with Workers' Compensation, general liability, builders risk, property and terrorism insurance coverage for the Port Authority and its component units. 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, 2016, PAICE continues to provide the first $1,000,000 in coverage under the Workers' Compensation portion, and the first $500,000 in coverage under the general liability aspect of the Port Authority's Contractor's Insurance Program.

Any changes in the lines of insurance being provided by PAICE or its capitalization are subject to prior approval by the Port Authority Board of Commissioners' Committee on Finance. PAICE also provides periodic reports with respect to its general operations to the Port Authority's Board of Commissioners.

The financial results for PAICE for the year ended December 31, 2016 are set forth on the following page of this report. Restricted amounts associated with PAICE recorded on the Port Authority's consolidated financial statements have been adjusted to eliminate intercompany transfers related to insurance premiums paid to PAICE from the Port Authority.

* The Port Authority's insurance programs do not provide coverage for World Trade Center Towers 2, 3, 4 (except for the Port Authority's Tower 4 leased space), Tower 5, the WTC Memorial/Museum and the net leased retail components (except for certain retail infrastructure) of the World Trade Center site.

** Under TRIPRA, the Federal government reinsures 84% of certified terrorism losses in 2016 (and decreases its reinsurance incrementally by 1% per year for the next five (5) years), subject to aggregate industry insured losses of at least $120 million in 2016 (which increases incrementally $20 million per year for the next five years) and a 20% insurance carrier/captive deductible, in an amount not to exceed an annual cap on all such losses payable under TRIPRA of $100 billion. No Federal payments are made under this program until the aggregate industry insured losses from acts of terrorism exceed $120 million. In the event of a certified act of terrorism, the law allows the United States Treasury to recoup 140% of the amount of federal payments for insured losses during that calendar year.

Financial Position	**Amounts** (In thousands)
Total Assets	$378,733
Total Liabilities	156,820
Net Position	$221,913
Operating Results	
Revenues	$ 42,009
Expenses	10,034
Change in Net Position	$ 31,975
Changes in Net Position	
Net Position at January 1, 2016	$189,938
Change in Net Position	31,975
Net Position at December 31, 2016	$221,913

The audited financial statements for the years ended December 31, 2016 and December 31, 2015 of the PAICE, which provides additional information concerning PAICE assets and liabilities, are available from the Comptroller's Department of The Port Authority of New York and New Jersey, 2 Montgomery Street, Jersey City, New Jersey 07302.

4. Self-Insurance

A liability is recognized when it is probable that the Port Authority has incurred an uninsured loss and the amount of the loss can be reasonably estimated. The liability for self-insured claims is based upon the estimated cost of settling the claims, which includes an actuarial review of estimated claims expenses, estimated recoveries and a provision for incurred but not reported (IBNR) claims. Changes in the self-insured public liability loss reserves and self-insured worker's compensation loss reserves are as follows:

Self-insured public liability loss reserves:

Year	**Beginning Balance**	**Changes in Loss Reserves**	**Payments**	**Year-End Balance***
		(In thousands)		
2016	$ 58,900	$15,832	$ 6,701	$ 68,031
2015	77,296	(2,099)	16,297	58,900

* Loss reserves exclude loss adjustment expenditures.

Self-insured worker's compensation loss reserves:

Year	**Beginning Balance**	**Changes in Loss Reserves**	**Payments**	**Year-End Balance**
		(In thousands)		
2016	$ 61,422	$22,376	$ 20,639	$ 63,159
2015	63,915	17,383	19,876	61,422

NEW YORK STATE AND LOCAL EMPLOYEES RETIREMENT SYSTEM

Schedule of Proportionate Share of Net Pension Liability*:

	2016	2015
	($ In thousands)	
Port Authority’s proportion of the net pension liability	1.3%	1.3%
Port Authority's proportionate share of the net pension liability	$ 212,555	$ 44,906
Covered-employee payroll (April 1st – March 31st)	$ 392,529	$ 390,571
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	54.2%	11.5%
Plan fiduciary net position as a percentage of the total pension liability	90.7%	97.9%

Schedule of Employer Contributions*:

	2016	2015
	($ In thousands)	
Contractually required contribution	$ 57,530	$ 63,072
Contributions in relation to the contractually required contribution	$ 57,530	$ 63,072
Contribution deficiency (excess)	$ -	$ -
Port Authority’s covered-employee payroll (January 1st – December 31st)	$ 395,725	$ 409,234
Contributions as a percentage of covered-employee payroll	14.5%	15.4%

NEW YORK STATE AND LOCAL POLICE AND FIRE RETIREMENT SYSTEM

Schedule of Proportionate Share of Net Pension Liability*:

	2016	2015
	($ In thousands)	
Port Authority’s proportion of the net pension liability	8.0%	8.9%
Port Authority's proportionate share of the net pension liability	$236,004	$ 24,490
Covered-employee payroll (April 1st – March 31st)	$246,060	$248,631
Port Authority's proportionate share of the net pension liability, as a percentage of its covered-employee payroll	95.9%	9.8%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	99.0%

Schedule of Employer Contributions*:

	2016	2015
	($ In thousands)	
Contractually required contribution	$ 57,807	$ 53,652
Contributions in relation to the contractually required contribution	$ 57,807	$ 53,652
Contribution deficiency (excess)	-	-
Port Authority’s covered-employee payroll (January 1st – December 31st)	$253,096	$253,597
Contributions as a percentage of covered-employee payroll	22.8%	21.2%

*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

FEDERAL RAILROAD RETIREMENT PROGRAM

Schedule of Employee and Employer Railroad Contributions*

Railroad Retirement Tier I	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2016	7.65%	$ 8,086	7.65%	$ 8,086	$ 16,172
2015	7.65%	7,747	7.65%	7,747	15,494
2014	7.65%	8,119	7.65%	8,119	16,238
2013	7.65%	7,551	7.65%	7,551	15,102
Total Taxes		$31,503		$ 31,503	$63,006

Railroad Retirement Tier II	Employee Tax Rate	Employee Taxes	Employer Tax Rate	Employer Taxes	Total Taxes
			($ In thousands)		
2016	4.9%	$ 4,475	13.1%	$ 11,964	$ 16,439
2015	4.9%	4,379	13.1%	11,707	16,086
2014	4.4%	3,971	12.6%	11,371	15,342
2013	4.4%	3,714	12.6%	10,636	14,350
Total Taxes		$ 16,539		$ 45,678	$ 62,217

*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

PATH EXEMPT EMPLOYEES SUPPLEMENTAL PENSION PLAN

Schedule of Changes to Total Pension Liability and Related Ratios*

	2016	2015
	($ In thousands)	
Total Pension Liability		
Service cost	$ 1,280	$ 900
Interest cost	2,850	3,271
Differences between expected and actual experience	(945)	51
Changes of assumptions	3,809	10,632
Benefit payments, including refunds of member contributions	(4,701)	(3,389)
Net change in total pension liability	2,293	11,465
Total Pension Liability (Beginning)	81,095	69,630
Total Pension Liability (Ending)	**$ 83,388**	**$ 81,095**
Covered-Employee Payroll	$ 13,187	$ 12,356
Total Pension Liability as a % of Payroll	632.4%	656.3%

*Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Note: As of December 31, 2016, there are no plan assets accumulated in a trust for purposes of making future pension payments to members.

OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (OPEB) PLAN

Schedule of Funding Progress

Actuarial Valuation Date	OPEB Trust Assets* (a)	AAL (b)	Unfunded AAL (c) = (b–a)	Funded Ratio (a) / (b)	Covered Payroll (d)	Unfunded AAL as a % of Payroll (c) / (d)
			($ In millions)			
1/1/16	$956	$2,868	$1,912	33%	$756	253%
1/1/15	859	2,642	1,783	33%	739	241%
1/1/14	708	2,394	1,686	30%	753	224%

*As of December 31,2016 OPEB trust net position totaled $1.124 billion.

Schedule A - Revenues and Reserves

(pursuant to Port Authority bond resolutions)

	Year ended December 31, 2016			2015
	Operating Fund	**Reserve Funds**	**Combined Total**	Combined Total
		(In thousands)		
Gross operating revenues:				
Tolls and fares	$ 1,865,481	$ -	**$ 1,865,481**	$ 1,718,770
Rentals	1,555,958	-	**1,555,958**	1,439,229
Aviation fees	1,112,436	-	**1,112,436**	1,063,902
Parking and other	399,178	-	**399,178**	359,631
Utilities	138,987	-	**138,987**	144,580
Rentals - Special Project Bonds Projects	86,755	-	**86,755**	92,719
Total gross operating revenues	5,158,795	-	**5,158,795**	4,818,831
Operating expenses:				
Employee compensation, including benefits	1,290,334	-	**1,290,334**	1,178,967
Contract services	852,926	-	**852,926**	833,903
Rents and payments in-lieu-of taxes (PILOT)	352,293	-	**352,293**	356,162
Materials, equipment and other	264,977	-	**264,977**	252,071
Utilities	165,802	-	**165,802**	186,830
Interest on Special Project Bonds	86,755	-	**86,755**	92,719
Total operating expenses	3,013,087	-	**3,013,087**	2,900,652
Operating and maintenance contingencies	-	-	**-**	50,000
Amounts in connection with operating asset obligations	18,871	-	**18,871**	21,387
Net (revenue)/expense related to Superstorm Sandy	-	-	**-**	(123)
Net operating revenues	2,126,837	-	**2,126,837**	1,846,915
Financial income:				
Interest income	(29,026)	35,772	**6,746**	18,370
Net (decrease) in fair value of investments	(4,135)	(7,395)	**(11,530)**	(14,290)
Contributions in aid of construction	293,770	-	**293,770**	272,335
Application of WTC Retail Joint Venture Payments	77,869	-	**77,869**	66,963
Application of Passenger Facility Charges	229,921	-	**229,921**	273,721
Application of 4 WTC associated payments	41,520	-	**41,520**	36,766
Grants, in connection with operating activities	64,315	-	**64,315**	101,074
Pass-through grant program payments	(10,695)	-	**(10,695)**	(51,429)
Net revenues available for debt service and reserves	2,790,376	28,377	**2,818,753**	2,550,425
Debt service:				
Interest on bonds and other asset financing obligations	824,586	81,601	**906,187**	876,817
Debt maturities and retirements	268,520	-	**268,520**	259,315
Repayment of asset financing obligations	-	(6,669)	**(6,669)**	51,928
Total debt service	1,093,106	74,932	**1,168,038**	1,188,060
Transfers to reserves	$ (1,697,270)	1,697,270	**-**	-
Revenues after debt service and transfers to reserves		1,650,715	**1,650,715**	1,362,365
Direct investment in facilities		(1,132,915)	**(1,132,915)**	(1,949,785)
Increase/(Decrease) in reserves		517,800	**517,800**	(587,420)
Reserve balances, January 1		3,839,847	**3,839,847**	4,427,267
Reserve balances, December 31		$ 4,357,647	**$ 4,357,647**	$ 3,839,847

See Notes to Consolidated Financial Statements

Schedule B - Assets and Liabilities

(pursuant to Port Authority bond resolutions)

	December 31, 2016				2015
	Operating Fund	**Capital Fund**	**Reserve Funds**	**Combined Total**	Combined Total
			(In thousands)		
ASSETS					
Current assets:					
Cash	$ 180,166	$ 20,679	$ 189,964	**$ 390,809**	$ 1,171,781
Restricted cash:					
Passenger Facility Charges	262,238	-	-	**262,238**	130,751
Port Authority Insurance Captive Entity, LLC	80,024	-	-	**80,024**	40,535
Investments	-	443,128	788,173	**1,231,301**	1,766,989
Restricted investments - PFC	72,275	-	-	**72,275**	-
Interfund balances	(532,205)	(85,640)	617,845	**-**	-
Current receivables, net	459,517	628	-	**460,145**	468,707
Other current assets	94,122	22,833	-	**116,955**	127,193
Restricted receivables and other assets	69,559	-	-	**69,559**	73,106
Total current assets	685,696	401,628	1,595,982	**2,683,306**	3,779,062
Noncurrent assets:					
Restricted cash	4,964	-	-	**4,964**	4,631
Investments	72,126	411,497	2,761,665	**3,245,288**	3,252,429
Restricted investments - PAICE	220,462	-	-	**220,462**	184,633
Other amounts receivable, net	45,566	16,523	-	**62,089**	52,474
Other noncurrent assets	1,516,750	1,801	-	**1,518,551**	1,448,452
Restricted other noncurrent assets - PAICE	1,932	-	-	**1,932**	4,649
Amounts receivable - Special Project Bonds Projects	-	1,391,170	-	**1,391,170**	1,451,170
Amounts receivable - Tower 4 Liberty Bonds	-	1,225,520	-	**1,225,520**	1,225,520
Invested in facilities	-	53,830,211	-	**53,830,211**	50,629,546
Total noncurrent assets	1,861,800	56,876,722	2,761,665	**61,500,187**	58,253,504
Total assets	2,547,496	57,278,350	4,357,647	**64,183,493**	62,032,566
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	555,794	-	-	**555,794**	155,259
LIABILITIES					
Current liabilities:					
Accounts payable	297,529	774,883	-	**1,072,412**	1,071,047
Accrued interest and other current liabilities	564,226	25,740	-	**589,966**	592,700
Restricted other liabilities - PAICE	12,492	-	-	**12,492**	9,446
Accrued payroll and other employee benefits	527,897	-	-	**527,897**	436,576
Unapplied Passenger Facility Charges	204,053	-	-	**204,053**	168,801
Current portion bonds and other asset financing obligations	37,981	1,202,161	-	**1,240,142**	1,486,572
Total current liabilities	1,644,178	2,002,784	-	**3,646,962**	3,765,142
Noncurrent liabilities:					
Accrued pension and other postemployment employee benefits	533,835	-	-	**533,835**	229,892
Other noncurrent liabilities	230,331	72,550	-	**302,881**	288,883
Restricted other noncurrent liabilities - PAICE	49,171	-	-	**49,171**	50,383
Amounts payable - Special Project Bonds	-	1,391,170	-	**1,391,170**	1,451,170
Amounts payable - Tower 4 Liberty Bonds	-	1,225,520	-	**1,225,520**	1,225,520
Bonds and other asset financing obligations	593,703	20,083,061	-	**20,676,764**	20,765,928
Total noncurrent liabilities	1,407,040	22,772,301	-	**24,179,341**	24,011,776
Total liabilities	3,051,218	24,775,085	-	**27,826,303**	27,776,918
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	76,842	-	-	**76,842**	7,555
NET POSITION	$ (24,770)	$ 32,503,265	$ 4,357,647	**$ 36,836,142**	$ 34,403,352
Net position is comprised of:					
Facility infrastructure investment	$ -	$ 32,503,265	$ -	**$ 32,503,265**	$ 30,588,275
Cumulative effect of change in accounting principles	(24,770)	-	-	**(24,770)**	(24,770)
Reserves	-	-	4,357,647	**4,357,647**	3,839,847
NET POSITION	$ (24,770)	$ 32,503,265	$ 4,357,647	**$ 36,836,142**	$ 34,403,352

See Notes to Consolidated Financial Statements

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

	Year ended December 31, 2016			2015
	General Reserve Fund	**Consolidated Bond Reserve Fund**	**Combined Total**	Combined Total
	(In thousands)			
Balance, January 1	$ 2,297,475	$ 1,542,372	**$ 3,839,847**	$ 4,427,267
Increase in reserve funds *	-	1,725,647	**1,725,647**	1,480,754
	2,297,475	3,268,019	**5,565,494**	5,908,021
Applications:				
Repayment of asset financing obligations	-	(6,669)	**(6,669)**	51,928
Interest on asset financing obligations	-	81,601	**81,601**	66,461
Direct investment in facilities	-	1,132,915	**1,132,915**	1,949,785
Total applications	-	1,207,847	**1,207,847**	2,068,174
Balance, December 31	$ 2,297,475	$ 2,060,172	**$ 4,357,647**	$ 3,839,847

*Combined increase in reserve funds consists of "Transfers to reserves" from the operating fund totaling $1.7 billion, plus financial income generated on reserve funds of $28.4 million in 2016.

STATISTICAL AND OTHER SUPPLEMENTAL INFORMATION

For the year ended December 31, 2016

The Statistical and Other Supplemental Information section presents additional information as a means to provide context to the information contained in the financial statements, note disclosures and schedules.

Selected Statistical Financial Trends Data – Schedule D-1 (Pursuant to GAAP)

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

Selected Statistical Debt Capacity – Schedule D-2 (Pursuant to Port Authority bond resolutions)

The Port Authority has several forms of outstanding obligations.

Information on Port Authority revenues, outstanding obligations, debt service, and reserves is included here for statistical purposes (more detailed information about the various kinds of debt instruments used by the Port Authority can be found in *Note D - Outstanding Obligations and Financing*, and reserve funds are described in *Note E - General and Consolidated Bond Reserve Funds* to the consolidated financial statements). Debt limitations, including in some cases, limits on total authorized amounts or requirements for the issuance of additional bonds, may be found in the various resolutions establishing and authorizing such obligations.

Selected Statistical Financial Data by Business Segment – Schedule D-3

Schedule provides information on gross operating revenues, operating expenses and capital investment, summarized by Port Authority business segments.

Information on Port Authority Operations – Schedule E

Detailed information on Port Authority's operating results including income from operations, non-operating expenses and contributions, and net income is provided on a Port Authority operating facility level.

Information on Capital Investment in Port Authority Facilities – Schedule F

Schedule provides information on capital investment, summarized by Port Authority operating facilities, including current year capital investment and depreciation.

Port Authority Facility Traffic – Schedule G (Unaudited)

This schedule provides comparative information on Port Authority facility traffic relative to vehicles, passengers, containers, cargo, waterborne vehicles and plane movements.

Schedule D-1 - Selected Statistical Financial Trends Data (pursuant to GAAP)

	2016	2015	2014	2013
		(In thousands)		
Revenues, Expenses and Changes in Net Position:				
Gross operating revenues:				
Tolls and fares	**$ 1,865,481**	$ 1,718,770	$ 1,553,625	$ 1,462,957
Rentals [(a)]	**1,564,527**	1,446,980	1,300,818	1,228,491
Aviation fees	**1,112,436**	1,063,902	1,058,416	934,459
Parking and other	**399,178**	359,631	321,760	315,111
Utilities	**138,987**	144,580	149,052	139,835
Rentals - Special Project Bonds Projects	**86,755**	92,719	98,141	103,186
Gross operating revenues	**5,167,364**	4,826,582	4,481,812	4,184,039
Operating expenses:				
Employee compensation, including benefits	**1,290,334**	1,178,967	1,187,877	1,114,397
Contract services	**852,926**	833,903	797,516	684,411
Rents and amounts in-lieu-of taxes (PILOT)	**352,293**	356,162	362,627	301,582
Materials, equipment and other	**264,977**	252,071	277,174	220,859
Utilities	**165,802**	186,830	199,919	171,833
Interest on Special Project Bonds	**86,755**	92,719	98,141	103,186
Operating expenses	**3,013,087**	2,900,652	2,923,254	2,596,268
Net revenue/(expense) related to the events of September 11, 2001	**-**	-	-	-
Net revenue/(expense) related to the events of Superstorm Sandy	**-**	123	53,530	28,229
Depreciation of facilities	**(1,173,747)**	(1,124,383)	(932,149)	(875,979)
Amortization of costs for regional programs	**(64,765)**	(64,665)	(64,484)	(64,275)
Income from operations	**915,765**	737,005	615,455	675,746
Income on investments (including fair value adjustment)	**30,554**	30,978	38,100	8,608
Interest expense on bonds and other asset financing	**(935,442)**	(909,603)	(666,244)	(623,353)
Net gain/(loss) on disposition of assets	**-**	-	19,043	4,423
Pass-through grant program payments	**(10,695)**	(51,429)	(107,606)	(176,848)
4 WTC associated payments	**41,521**	36,766	6,128	36,660
Grants in connection with operating activities	**64,315**	101,074	207,898	188,409
Contributions in aid of construction	**674,950**	586,295	700,267	689,898
Passenger facility charges	**264,363**	248,707	233,172	224,301
1 WTC LLC/WTC Retail LLC insurance proceeds	**-**	-	-	-
Increase in net position December 31,	**$ 1,045,331**	$ 779,793	$ 1,046,213	$ 1,027,844
Net position is comprised of				
Net investment in capital assets	**$ 12,746,144**	$ 11,810,573	$ 10,402,894	$ 9,442,138
Restricted	**567,443**	456,429	470,857	454,467
Unrestricted	**3,261,307**	3,262,561	3,900,789	3,831,722
Net Position, December 31,	**$ 16,574,894**	$ 15,529,563	$ 14,774,540	$ 13,728,327

[(a)] Commencing in 2014, Rentals include the recognition of unearned income related to the March 2014 transfer of the Port Authority's interests in the WTC Retail Joint Venture.

2012	2011	2010	2009	2008	2007
$ 1,337,372	$ 1,148,061	$ 1,069,785	$ 1,068,105	$ 1,054,801	$ 800,244
1,208,730	1,150,569	1,144,709	1,115,652	1,079,634	986,663
904,666	895,356	872,774	839,327	816,628	781,355
338,178	339,131	321,257	316,005	328,220	387,966
152,945	154,810	154,041	140,817	169,576	149,537
108,125	112,553	71,457	72,337	78,693	85,861
4,050,016	3,800,480	3,634,023	3,552,243	3,527,552	3,191,626
1,038,243	1,037,681	1,022,195	974,154	941,289	922,671
749,106	726,883	630,438	683,418	670,489	587,730
304,020	280,237	272,002	276,830	274,916	271,073
215,937	219,183	418,639	263,682	314,722	212,147
174,016	188,432	183,826	168,249	183,583	167,912
108,125	112,553	71,457	72,337	78,693	85,861
2,589,447	2,564,969	2,598,557	2,438,670	2,463,692	2,247,394
-	-	53,051	202,978	457,918	(4,563)
(30,000)	-	-	-	-	-
(884,239)	(852,727)	(789,011)	(712,331)	(644,620)	(632,553)
(77,719)	(77,537)	(76,504)	(74,617)	(70,840)	(59,316)
468,611	305,247	223,002	529,603	806,318	247,800
39,661	(46,898)	4,435	146,561	(4,976)	229,812
(658,313)	(559,110)	(501,607)	(501,892)	(488,463)	(493,689)
(4)	-	-	27,125	7	17,011
(56,446)	(11,507)	(2,166)	(1,120)	(3,130)	(4,717)
65,293	8,343	-	-	-	-
52,161	23,727	11,708	10,613	9,811	11,310
997,441	767,010	358,268	382,978	313,078	313,504
222,614	214,456	210,387	201,737	211,667	221,380
3,525	-	42,814	50,813	49,771	760,467
$ 1,134,543	$ 701,268	$ 346,841	$ 846,418	$ 894,083	$ 1,302,878
$ 9,273,213	$ 10,020,306	$ 9,200,077	$ 8,415,993	$7,526,446	$6,609,691
392,389	294,460	222,871	211,725	409,800	719,306
3,034,881	1,411,125	1,601,675	2,050,064	1,895,118	1,608,284
$ 12,700,483	$ 11,725,891	$ 11,024,623	$ 10,677,782	$ 9,831,364	$ 8,937,281

Schedule D-2 - Selected Statistical Debt Capacity Data (Pursuant to Port Authority bond resolutions)

	2016	2015	2014	2013
		(In thousands)		
Gross Operating Revenues*	**$ 5,158,795**	$ 4,818,831	$ 4,475,193	$ 4,184,039
Operating expenses	**(3,013,087)**	(2,900,652)	(2,923,254)	(2,596,268)
Net revenue/(expense) related to the events of September 11, 2001	**-**	-	-	-
Operating and maintenance contingencies	**-**	(50,000)	-	-
Net revenue/(expense) related to Superstorm Sandy	**-**	123	53,530	28,229
Amounts in connection with operating asset obligations	**(18,871)**	(21,387)	(23,734)	(25,908)
Net operating revenues	**2,126,837**	1,846,915	1,581,735	1,590,092
Financial income	**(4,784)**	4,080	14,687	(2,964)
Grants and contributions in aid of construction, net	**347,390**	321,980	565,444	540,746
Application of WTC Retail Joint Venture Payments*	**77,869**	66,963	652,104	-
Application of Passenger Facility Charges	**229,921**	273,721	221,156	175,421
Application of 4 WTC associated payments	**41,520**	36,766	6,128	36,660
Application of 1WTC LLC/WTC LLC Retail insurance proceeds	**-**	-	-	-
Restricted Net Revenues - PAICE	**-**	-	-	4,305
Net revenues available for debt service and reserves (a)	**2,818,753**	2,550,425	3,041,254	2,344,260
DEBT SERVICE - OPERATIONS				
Interest on bonds and other asset financing obligations (b)	**(824,586)**	(810,356)	(635,262)	(556,824)
Times, interest earned (a/b)	**3.42**	3.15	4.79	4.21
Debt maturities and retirements (c)	**(268,520)**	(259,315)	(226,205)	(204,000)
Times, debt service earned [a/(b+c)]	**2.58**	2.38	3.53	3.08
APPLICATION OF RESERVES				
Direct investment in facilities	**(1,132,915)**	(1,949,785)	(1,473,432)	(1,059,756)
Debt retirement acceleration	**-**	-	-	-
Change in appropriations for self-insurance	**-**	-	28,100	10,414
Interest on bonds and other asset financing obligations	**(81,601)**	(66,461)	(11,542)	(38,689)
Repayment of asset financing obligations	**6,669**	(51,928)	(105,562)	(15,701)
Acceleration of unamortized brokerage commissions	**-**	-	-	(46,863)
Net increase/(decrease) in reserves	**517,800**	(587,420)	617,351	432,841
RESERVE BALANCES				
January 1	**3,839,847**	4,427,267	3,809,916	3,377,075
December 31	**4,357,647**	3,839,847	4,427,267	3,809,916
Reserve funds balances represented by:				
General Reserve	**2,297,475**	2,297,475	2,131,711	2,029,051
Consolidated Bond Reserve	**2,060,172**	1,542,372	2,295,556	1,780,865
Total	**$ 4,357,647**	$ 3,839,847	$ 4,427,267	$ 3,809,916
OBLIGATIONS AT DECEMBER 31 (at par value)				
Consolidated Bonds and Notes	**$ 20,429,565**	$ 21,019,925	$ 19,229,020	$ 18,212,063
Fund for regional development buy-out obligation	**221,393**	253,732	283,562	311,077
MOTBY obligation	**55,332**	44,383	48,254	52,329
Amounts payable - Special Project Bonds	**1,391,170**	1,451,170	1,530,510	1,605,515
Variable rate master notes	**77,900**	77,900	77,900	77,900
Commercial paper obligations	**388,315**	425,760	448,185	348,110
Versatile structure obligations	**-**	-	-	-
Port Authority equipment notes	**-**	-	31,500	46,925
Tower 4 Liberty Bonds	**1,225,520**	1,225,520	1,225,520	1,225,520
Goethals Bridge Replacement Developer Financing Arrangement	**744,401**	430,800	210,316	-
Total obligations	**$ 24,533,596**	$ 24,929,190	$ 23,084,767	$ 21,879,439

*Commencing in 2014, Gross operating revenues exclude the recognition of unearned income related to the March 2014 transfer of the Port Authority interests in the WTC Retail Joint Venture. Amounts related to this transfer are recognized in their entirety in the year in which they are received.

Note: This selected financial data is prepared primarily from information contained in Schedules A, B and C and is presented for general information only and is not intended to reflect the specific applications of the revenues and reserves of the Port Authority, which are governed by statutes and its bond resolutions.

	2012	2011	2010	2009	2008	2007
	$ 4,050,016	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552	$ 3,191,626
	(2,589,447)	(2,564,969)	(2,598,557)	(2,438,670)	(2,463,692)	(2,247,394)
	-	-	53,051	202,978	457,918	(4,563)
	-	-	-	-	-	-
	(30,000)	-	-	-	-	-
	(27,956)	(29,580)	(46,561)	(55,058)	(41,301)	(40,787)
	1,402,613	1,205,931	1,041,956	1,261,493	1,480,477	898,882
	29,121	(53,270)	(900)	141,136	(19,537)	208,274
	565,976	499,516	367,810	392,471	319,759	320,097
	-	-	-	-	-	-
	110,015	215,645	207,122	205,164	215,407	220,583
	65,293	8,343	-	-	-	-
	17,962	57,340	61,468	266,676	411,278	305,532
	2,710	644	(102)	3,177	(4,311)	(1,354)
	2,193,690	1,934,149	1,677,354	2,270,117	2,403,073	1,952,014
	(539,436)	(480,623)	(436,622)	(427,384)	(409,175)	(417,209)
	4.07	4.02	3.84	5.31	5.87	4.68
	(169,770)	(140,390)	(178,095)	(147,370)	(152,275)	(177,160)
	3.09	3.11	2.73	3.95	4.28	3.28
	(691,079)	(742,001)	(1,375,008)	(1,522,096)	(1,514,369)	(808,694)
	(54,635)	(6,100)	-	-	-	-
	37,547	1,949	(3,971)	6,463	2,123	(3,220)
	(87,764)	(37,702)	(7,580)	(8,938)	(28,797)	(36,077)
	(16,514)	(20,258)	(30,062)	(13,525)	(80,775)	(110,424)
	-	-	-	-	-	-
	672,039	509,024	(353,984)	157,267	219,805	399,230
	2,705,036	2,196,012	2,549,996	2,392,729	2,172,924	1,773,694
	3,377,075	$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924
	2,026,605	1,783,370	1,584,955	1,412,221	1,270,215	1,238,915
	1,350,470	921,666	611,057	1,137,775	1,122,514	934,009
	$ 3,377,075	$ 2,705,036	$ 2,196,012	$ 2,549,996	$ 2,392,729	$ 2,172,924
	$ 18,076,497	$ 15,550,039	$ 13,340,378	$ 12,284,449	$ 10,794,831	$ 9,495,419
	336,453	359,859	373,707	386,480	398,262	409,128
	78,060	105,141	138,396	-	-	-
	1,675,825	1,741,440	1,803,145	1,064,380	1,118,105	1,264,735
	77,900	77,900	77,900	90,990	90,990	90,990
	384,625	396,155	354,280	321,010	186,040	238,950
	-	-	175,200	250,900	399,700	1,205,600
	49,565	68,160	98,645	110,485	112,485	93,460
	1,225,520	1,225,520	-	-	-	-
	-	-	-	-	-	-
	$ 21,904,445	$ 19,524,214	$ 16,361,651	$ 14,508,694	$ 13,100,413	$ 12,798,282

Schedule D-3 Selected Statistical Financial Data by Business Segment (pursuant to GAAP)

	2016	2015	2014	2013
		(In thousands)		
Gross Operating Revenues:				
Tunnels, Bridges and Terminals	**$ 1,742,028**	$ 1,599,575	$ 1,447,896	$ 1,369,559
PATH	**191,261**	184,560	168,668	150,604
Port Department	**300,569**	270,263	248,443	262,526
Aviation	**2,646,213**	2,537,233	2,479,106	2,321,300
Development	**25,956**	26,561	51,077	29,492
World Trade Center	**260,655**	207,634	85,942	50,087
Other [a]	**682**	756	680	471
Total	**$ 5,167,364**	$ 4,826,582	$ 4,481,812	$ 4,184,039
Operating Expenses: [b]				
Tunnels, Bridges and Terminals	**$ 509,529**	$ 499,873	$ 510,383	$ 493,429
PATH	**415,251**	389,276	401,273	338,926
Port Department	**167,724**	175,976	172,545	176,459
Aviation	**1,612,470**	1,557,926	1,623,190	1,466,692
Development	**10,853**	13,659	15,737	15,497
World Trade Center	**293,864**	258,748	192,789	94,312
Other [c]	**3,396**	5,194	7,337	10,953
Total	**$ 3,013,087**	$ 2,900,652	$ 2,923,254	$ 2,596,268
Capital Investment: [d]				
Tunnels, Bridges and Terminals	**$ 1,179,307**	$ 956,231	$ 961,854	$ 413,946
PATH (including WTC Transportation Hub)	**454,031**	268,428	512,415	559,104
Port Department	**133,874**	93,729	210,496	180,760
Aviation	**584,996**	791,805	715,456	468,319
Development	**1,569**	2,110	1,977	527
World Trade Center	**846,597**	904,787	1,674,030	1,373,328
Other [a]	**290**	3,144	3,822	3,221
Total	**$ 3,200,664**	$ 3,020,234	$ 4,080,050	$ 2,999,205

[a] Includes Ferry Transportation, Access to the Regions Core, and Regional Facilities and Programs.

[b] Amounts include all direct and allocated operating expenses.

[c] Includes Ferry Transportation, Access to the Regions Core, Regional Facilities and Programs and administrative expenses related to PAICE.

[d] Capital investment includes contributed capital amounts and write-offs related to capital construction.

2012	2011	2010	2009	2008	2007
$ 1,258,125	$ 1,078,977	$ 1,009,891	$ 1,009,313	$ 991,364	$ 750,634
134,382	121,102	109,704	106,063	111,119	99,400
249,609	236,461	223,095	205,861	201,269	236,002
2,276,018	2,221,157	2,124,955	2,043,091	2,025,881	1,917,998
87,521	100,800	89,457	98,603	108,594	103,603
44,107	41,816	76,704	89,189	89,152	83,738
254	167	217	123	173	251
$ 4,050,016	$ 3,800,480	$ 3,634,023	$ 3,552,243	$ 3,527,552	$ 3,191,626
$ 468,263	$ 460,960	$ 437,775	$ 436,796	$ 436,565	$ 435,835
329,663	322,133	385,686	300,874	290,309	266,886
190,043	185,053	163,424	127,240	143,523	112,607
1,410,070	1,385,582	1,317,749	1,306,078	1,346,197	1,244,954
79,620	82,637	77,200	85,246	83,024	78,461
76,149	106,277	116,797	158,348	144,470	88,647
35,639	22,327	99,926	24,088	19,604	20,004
$ 2,589,447	$ 2,564,969	$ 2,598,557	$ 2,438,670	$ 2,463,692	$ 2,247,394
$ 233,637	$ 168,759	$ 149,803	$ 175,392	$ 174,680	$ 164,846
743,136	720,797	752,486	741,002	609,464	463,796
184,750	228,747	302,858	174,459	181,772	288,677
351,535	243,995	518,545	658,292	624,700	685,787
140	(26,556)	29,297	23,237	22,037	14,593
1,802,009	2,087,741	1,091,464	903,220	602,042	498,041
6,767	9,464	133,229	44,953	145,792	205,432
$ 3,321,974	$ 3,432,947	$ 2,977,682	$ 2,720,555	$ 2,360,487	$ 2,321,172

Schedule E - Information on Port Authority Operations

	Year ended December 31, 2016							2015
	Gross Operating Revenues	**Operating Expenses[(a)]**	**Depreciation & Amortization**	**Income (Loss) from Operations**	**Interest, Grants & Other Expenses[(b)]**	**Capital Contributions & PFCs**	**Increase/ (Decrease) in Net Position**	Increase/ (Decrease) in Net Position
				(In thousands)				
INTERSTATE TRANSPORTATION NETWORK								
George Washington Bridge & Bus Station	$ 808,126	$ 130,172	$ 38,750	$ 639,204	$ 28,767	$ -	**$ 610,437**	$ 553,133
Holland Tunnel	198,822	80,505	17,002	101,315	9,459	657	**92,513**	79,130
Lincoln Tunnel	273,667	104,591	52,081	116,995	39,369	34	**77,660**	73,776
Bayonne Bridge	18,682	25,421	18,977	(25,716)	6,518	-	**(32,234)**	(26,222)
Goethals Bridge	219,448	26,303	35,042	158,103	5,882	-	**152,221**	127,788
Outerbridge Crossing	180,961	28,794	4,567	147,600	1,872	-	**145,728**	130,773
Port Authority Bus Terminal	42,322	113,743	24,517	(95,938)	12,893	2,589	**(106,242)**	(116,821)
Subtotal - Tunnels, Bridges & Terminals	1,742,028	509,529	190,936	1,041,563	104,760	3,280	**940,083**	821,557
PATH	186,525	386,574	127,324	(327,373)	171,836	23,618	**(475,591)**	(462,950)
WTC Transportation Hub	-	7,965	56,910	(64,875)	-	178,072	**113,197**	140,394
Journal Square Transportation Center	4,736	20,712	6,544	(22,520)	3,184	-	**(25,704)**	(21,672)
Subtotal - PATH	191,261	415,251	190,778	(414,768)	175,020	201,690	**(388,098)**	(344,228)
Ferry Transportation	169	374	5,289	(5,494)	4,381	-	**(9,875)**	(10,860)
Access to the Regions Core (ARC)	-	1,717	10,115	(11,832)	2,913	-	**(14,745)**	(14,714)
Total Interstate Transportation Network	1,933,458	926,871	397,118	609,469	287,074	204,970	**527,365**	451,755
AVIATION								
LaGuardia [(c)]	391,312	307,976	78,723	4,613	30,363	78,584	**52,834**	72,957
JFK International [(c)]	1,261,577	765,152	195,974	300,451	76,580	129,277	**353,148**	299,917
Newark Liberty International [(c)]	939,329	489,045	153,057	297,227	63,094	86,784	**320,917**	291,050
Teterboro	45,188	31,313	15,605	(1,730)	5,649	1,249	**(6,130)**	(9,514)
Stewart International [(c)]	8,807	18,984	9,027	(19,204)	6,051	2,293	**(22,962)**	(16,863)
Total Aviation	2,646,213	1,612,470	452,386	581,357	181,737	298,187	**697,807**	637,547
PORT DEPARTMENT								
Port Newark	83,495	92,335	32,611	(41,451)	26,873	1,000	**(67,324)**	(66,411)
Elizabeth Marine Terminal	164,356	30,077	35,320	98,959	34,657	-	**64,302**	32,201
Brooklyn Port Authority Marine Terminal	5,585	11,392	1,454	(7,261)	818	-	**(8,079)**	(8,492)
Red Hook	1,841	5,498	62	(3,719)	-	-	**(3,719)**	(4,878)
Howland Hook Marine Terminal	12,335	7,844	17,068	(12,577)	13,862	-	**(26,439)**	(30,053)
Greenville Yard Port Authority Marine Terminal	912	10	-	902	-	-	**902**	893
NYNJ Rail LLC	4,455	4,848	468	(861)	763	16,546	**14,922**	3,800
Port Jersey - Port Authority Marine Terminal	27,590	15,720	6,897	4,973	28,141	-	**(23,168)**	(12,919)
Total Port Department	300,569	167,724	93,880	38,965	105,114	17,546	**(48,603)**	(85,859)
DEVELOPMENT								
Essex County Resource Recovery	23	193	2	(172)	299	-	**(471)**	(2,550)
Industrial Park at Elizabeth	1,151	8	275	868	269	-	**599**	520
Bathgate Industrial Park	3,917	2,084	1,362	471	174	-	**297**	701
Teleport	10,392	8,236	1,897	259	411	-	**(152)**	(1,607)
Newark Legal & Communications Center	-	-	-	-	-	-	**-**	(186)
Queens West Waterfront Development	1,103	-	605	498	1,464	-	**(966)**	(1,007)
Hoboken South Waterfront Development	9,370	332	2,862	6,176	2,641	-	**3,535**	2,818
Total Development	25,956	10,853	7,003	8,100	5,258	-	**2,842**	(1,311)
WORLD TRADE CENTER								
WTC Site	2,619	130,977	62,618	(190,976)	(8,549)	2,000	**(180,427)**	(140,648)
One World Trade Center	180,899	115,372	100,667	(35,140)	146,679	7,997	**(173,822)**	(219,402)
WTC Towers 2, 3 & 4	39,793	20,475	40,319	(21,001)	23,773	408,613	**363,839**	264,452
WTC Tower 7	22,704	20,196	-	2,508	-	-	**2,508**	4,311
WTC Retail LLC	14,640	6,844	19,756	(11,960)	39,358	-	**(51,318)**	(28,843)
Total World Trade Center	260,655	293,864	223,360	(256,569)	201,261	418,610	**(39,220)**	(120,130)
Port Authority Insurance Captive Entity, LLC	-	(297)	-	297	(447)	-	**744**	803
Regional Facilities and Programs	513	1,602	64,765	(65,854)	29,750	-	**(95,604)**	(103,135)
Net Revenues related to Superstorm Sandy	-	-	-	-	-	-	**-**	123
Total Port Authority	$ 5,167,364	$ 3,013,087	$ 1,238,512	$ 915,765	$ 809,747	$ 939,313	**$ 1,045,331**	$ 779,793

[(a)] Amounts include all direct and allocated operating expenses.
[(b)] Amounts include net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Pass-through grant program payments, Grants in connection with operating activities and gains or losses generated by the disposition of assets, if any.
[(c)] Facility amounts include Passenger Facility Charge activities.

Schedule F - Information on Capital Investment in Port Authority Facilities

	Facilities, net Dec. 31, 2015	Capital Investment [(a)]	Depreciation	Dispositions	Facilities, net Dec. 31, 2016
			(In thousands)		
INTERSTATE TRANSPORTATION NETWORK					
George Washington Bridge & Bus Station	$ 953,965	$ 78,265	$ 38,750	$ -	$ 993,480
Holland Tunnel	379,518	44,457	17,002	-	406,973
Lincoln Tunnel	1,040,156	267,604	52,081	-	1,255,679
Bayonne Bridge	860,154	327,328	18,977	-	1,168,505
Goethals Bridge	774,130	427,108	35,042	-	1,166,196
Outerbridge Crossing	90,017	3,125	4,567	-	88,575
Port Authority Bus Terminal	484,131	31,420	24,517	-	491,034
Subtotal - Tunnels, Bridges & Terminals	4,582,071	1,179,307	190,936	-	5,570,442
PATH	2,401,420	217,957	127,324	-	2,492,053
WTC Transportation HUB	3,355,912	236,072	56,910	-	3,535,074
Journal Square Transportation Center	81,366	2	6,544	-	74,824
Subtotal - PATH	5,838,698	454,031	190,778	-	6,101,951
Ferry Transportation	106,729	290	5,289	-	101,730
Access to the Region's Core (ARC)	78,273	-	10,115	-	68,158
Total Interstate Transportation Network	10,605,771	1,633,628	397,118	-	11,842,281
AVIATION [(b)]					
LaGuardia	1,454,174	365,640	78,723	-	1,741,091
JFK International	3,743,283	89,800	195,974	-	3,637,109
Newark Liberty International	2,379,236	119,125	153,057	-	2,345,304
Teterboro	240,898	2,354	15,605	-	227,647
Stewart International	164,407	8,077	9,027	-	163,457
Total Aviation	7,981,998	584,996	452,386	-	8,114,608
PORT DEPARTMENT					
Port Newark	799,799	56,064	32,611	-	823,252
Elizabeth Port Authority Marine Terminal	1,042,303	17,810	35,320	-	1,024,793
Brooklyn Port Authority Marine Terminal	61,822	1,897	1,516	-	62,203
Howland Hook Marine Terminal	484,580	22,607	17,068	-	490,119
Greenville Yard / NYNJ Rail LLC	37,063	25,203	468	-	61,798
Port Jersey-Port Authority Marine Terminal	389,492	10,293	6,897	-	392,888
Total Port Department	2,815,059	133,874	93,880	-	2,855,053
DEVELOPMENT					
Essex County Resource Recovery Facility	5,810	-	2	-	5,808
Industrial Park at Elizabeth	6,091	-	275	-	5,816
Bathgate Industrial Park	4,262	-	1,362	-	2,900
Teleport	11,470	1,569	1,897	-	11,142
Queens West Waterfront Development	86,011	-	605	-	85,406
Hoboken South Waterfront Development	69,106	-	2,862	-	66,244
Total Development	182,750	1,569	7,003	-	177,316
WORLD TRADE CENTER					
WTC Site[(c)]	3,612,261	201,576	62,618	-	3,751,219
One World Trade Center	3,350,528	136,750	100,667	-	3,386,611
WTC Towers 2, 3 & 4[(d)]	2,562,175	386,980	40,319	-	2,908,836
WTC Retail LLC	1,556,232	121,291	19,756	-	1,657,767
Total World Trade Center	11,081,196	846,597	223,360	-	11,704,433
FACILITIES, net	$ 32,666,774	$ 3,200,664	$ 1,173,747	$ -	$ 34,693,691
REGIONAL PROGRAMS	$ 280,874	$ -	$ 64,765	$ -	$ 216,109

(a) Capital investment includes contributed capital amounts and write-offs related to capital construction.

(b) Facility capital investment amounts include projects funded with Passenger Facility Charges.

(c) Capital investment includes site infrastructure primarily related to the WTC Memorial, WTC Vehicular Security Center and the WTC Chiller Plant.

(d) Includes WTC net lessee contributed capital amounts related to the construction of WTC Tower 2, 3 and 4.

Schedule G - Port Authority Facility Traffic (Unaudited)*

		2016	2015	2014	2013
TUNNELS AND BRIDGES (Eastbound Traffic)	**AUTOMOBILES**				
	George Washington Bridge	**47,497,000**	46,361,000	45,136,000	45,364,000
	Lincoln Tunnel	**15,993,000**	15,706,000	15,597,000	15,580,000
	Holland Tunnel	**14,727,000**	14,763,000	14,915,000	15,511,000
	Staten Island Bridges	**30,303,000**	28,883,000	28,317,000	28,997,000
	Subtotal Automobiles	**108,520,000**	105,713,000	103,965,000	105,452,000
	BUSES				
	George Washington Bridge	**440,000**	429,000	426,000	429,000
	Lincoln Tunnel	**2,164,000**	2,165,000	2,151,000	2,128,000
	Holland Tunnel	**191,000**	199,000	209,000	220,000
	Staten Island Bridges	**177,000**	176,000	172,000	171,000
	Subtotal Buses	**2,972,000**	2,969,000	2,958,000	2,948,000
	TRUCKS				
	George Washington Bridge	**3,692,000**	3,666,000	3,475,000	3,609,000
	Lincoln Tunnel	**1,055,000**	1,061,000	1,043,000	1,038,000
	Holland Tunnel	**447,000**	447,000	446,000	427,000
	Staten Island Bridges	**2,085,000**	2,091,000	2,131,000	2,214,000
	Subtotal Trucks	**7,279,000**	7,265,000	7,095,000	7,288,000
	TOTAL VEHICLES				
	George Washington Bridge	**51,629,000**	50,456,000	49,037,000	49,402,000
	Lincoln Tunnel	**19,212,000**	18,932,000	18,791,000	18,746,000
	Holland Tunnel	**15,365,000**	15,409,000	15,570,000	16,158,000
	Staten Island Bridges	**32,565,000**	31,150,000	30,620,000	31,382,000
	Subtotal Vehicles	**118,771,000**	115,947,000	114,018,000	115,688,000
PATH	Total passengers	**78,553,560**	76,541,453	73,679,425	72,748,729
	Passenger weekday average	**269,081**	258,425	250,071	244,484
MARINE TERMINALS	General cargo [(a)] (Metric tons)	**32,556,203**	36,781,069	35,370,355	34,059,540
	Containers (in twenty foot equivalent units)	**6,251,953**	6,371,720	5,772,303	5,467,347
	International waterborne vehicles	**505,150**	477,170	393,391	452,778
	Waterborne bulk commodities (in metric tons)	**3,212,603**	5,050,519	5,042,690	3,732,292
	CONTAINERS				
	New Jersey Marine Terminals	**3,416,144**	3,427,226	3,098,049	2,895,769
	New York Marine Terminals	**186,364**	236,787	244,237	274,066
	Subtotal Containters	**3,602,508**	3,664,013	3,342,286	3,169,835
BUS TERMINALS	**PASSENGERS**				
	Port Authority Bus Terminal	**75,800,000**	74,500,000	66,000,000	65,000,000
	George Washington Bridge Bus Station	**5,000,000**	4,900,000	4,700,000	4,750,000
	PATH Journal SquareTransportation Center Bus Station	**11,966,000**	11,940,000	11,751,500	11,747,500
	Subtotal Passengers	**92,766,000**	91,340,000	82,451,500	81,497,500
	BUS MOVEMENTS				
	Port Authority Bus Terminal	**2,380,000**	2,350,000	2,320,000	2,288,000
	George Washington Bridge Bus Station	**345,000**	340,000	337,000	335,000
	PATH Journal SquareTransportation Center Bus Station	**957,280**	957,120	940,120	939,800
	Subtotal Bus Movements	**3,682,280**	3,647,120	3,597,120	3,562,800
AVIATION	**PLANE MOVEMENTS**				
	John F. Kennedy International Airport	**448,753**	439,298	423,421	406,181
	LaGuardia Airport	**369,987**	358,609	360,834	370,861
	Newark Liberty International Airport	**431,594**	413,873	396,386	413,774
	Subtotal Plane Movements	**1,250,334**	1,211,780	1,180,641	1,190,816
	DOMESTIC PASSENGERS				
	John F. Kennedy International Airport	**27,245,463**	26,806,854	25,021,432	23,913,096
	LaGuardia Airport	**27,996,763**	26,684,923	25,157,202	24,953,572
	Newark Liberty International Airport	**27,995,353**	25,693,128	23,762,627	23,716,837
	Subtotal Domestic Passengers	**83,237,579**	79,184,905	73,941,261	72,583,505
	INTERNATIONAL PASSENGERS				
	John F. Kennedy International Airport	**31,693,184**	30,079,898	28,198,994	26,541,183
	LaGuardia Airport	**1,790,006**	1,752,745	1,814,893	1,727,528
	Newark Liberty International Airport	**12,324,428**	11,805,317	11,848,060	11,299,399
	Subtotal International Passengers	**45,807,618**	43,637,960	41,861,947	39,568,110
	TOTAL PASSENGERS				
	John F. Kennedy International Airport	**58,938,647**	56,886,752	53,220,426	50,454,279
	LaGuardia Airport	**29,786,769**	28,437,668	26,972,095	26,681,100
	Newark Liberty International Airport	**40,319,781**	37,498,445	35,610,687	35,016,236
	Subtotal Passengers	**129,045,197**	122,822,865	115,803,208	112,151,615
	CARGO-TONS				
	John F. Kennedy International Airport	**1,311,191**	1,332,091	1,343,855	1,321,035
	LaGuardia Airport	**7,586**	7,721	7,140	6,720
	Newark Liberty International Airport	**746,770**	405,214	666,840	663,155
	Subtotal Cargo-tons	**2,065,547**	1,745,026	2,017,835	1,990,910
	Revenue mail-tons	**140,418**	126,026	112,524	158,778

* Some 2016 and 2015 numbers reflect estimated data based on available year-end information.

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

2012	2011	2010	2009	2008	2007
45,042,000	46,116,000	46,954,000	47,686,000	48,112,000	49,025,000
15,909,000	16,644,000	17,034,000	16,879,000	17,402,000	18,311,000
15,489,000	15,968,000	16,460,000	16,269,000	16,521,000	17,006,000
29,455,000	29,700,000	30,034,000	29,921,000	30,141,000	31,007,000
105,895,000	108,428,000	110,482,000	110,755,000	112,176,000	115,349,000
430,000	487,000	514,000	520,000	550,000	576,000
2,106,000	2,156,000	2,139,000	2,128,000	2,122,000	2,091,000
234,000	268,000	265,000	254,000	253,000	245,000
187,000	200,000	204,000	217,000	233,000	227,000
2,957,000	3,111,000	3,122,000	3,119,000	3,158,000	3,139,000
3,639,000	3,794,000	3,763,000	3,920,000	4,285,000	4,355,000
1,000,000	1,029,000	1,041,000	1,241,000	1,413,000	1,440,000
395,000	354,000	312,000	86,000	97,000	98,000
2,367,000	2,434,000	2,486,000	2,379,000	2,596,000	2,623,000
7,401,000	7,611,000	7,602,000	7,626,000	8,391,000	8,516,000
49,111,000	50,397,000	51,231,000	52,126,000	52,947,000	53,956,000
19,015,000	19,829,000	20,214,000	20,248,000	20,937,000	21,842,000
16,118,000	16,590,000	17,037,000	16,609,000	16,871,000	17,349,000
32,009,000	32,334,000	32,724,000	32,517,000	32,970,000	33,857,000
116,253,000	119,150,000	121,206,000	121,500,000	123,725,000	127,004,000
72,563,052	76,555,644	73,911,000	72,277,000	74,956,000	71,592,000
241,725	256,186	246,890	243,413	253,000	242,000
34,322,209	33,896,217	32,170,041	28,240,770	33,633,613	32,732,000
5,529,908	5,503,485	5,292,020	4,561,527	5,265,053	5,298,000
426,943	387,656	493,245	440,463	723,550	790,000
3,240,189	3,885,614	3,192,132	4,605,609	4,549,572	7,000,000
2,782,059	2,652,744	2,500,503	2,156,961	2,499,054	2,630,849
428,750	544,272	575,892	495,248	569,881	468,190
3,210,809	3,197,016	3,076,395	2,652,209	3,068,935	3,099,039
65,000,000	64,550,000	63,585,000	64,585,000	64,390,000	57,346,000
4,700,000	4,605,000	4,510,000	4,425,000	5,288,000	5,144,000
11,732,600	7,248,160	7,282,900	6,758,800	6,558,000	9,050,000
81,432,600	76,403,160	75,377,900	75,768,800	76,236,000	71,540,000
2,255,000	2,263,500	2,220,000	2,240,000	2,225,000	2,169,000
327,000	307,000	300,000	295,000	324,000	305,000
938,608	814,400	818,300	850,800	825,590	887,000
3,520,608	3,384,900	3,338,300	3,385,800	3,374,590	3,361,000
401,728	408,730	396,912	415,044	437,969	443,750
369,989	365,870	361,616	354,008	378,402	390,765
414,127	410,024	409,321	412,041	432,941	436,113
1,185,844	1,184,624	1,167,849	1,181,093	1,249,312	1,270,628
24,217,083	23,757,976	23,404,277	24,021,233	25,405,948	26,173,650
24,274,029	23,086,756	22,950,115	22,153,236	21,945,239	23,758,362
22,836,683	22,189,669	21,716,886	22,782,126	24,227,815	25,614,140
71,327,795	69,034,401	68,071,278	68,956,595	71,579,002	75,546,152
25,057,093	23,886,084	23,109,877	21,856,709	22,383,907	21,543,251
1,433,755	1,035,722	1,032,967	1,010,223	1,131,664	1,226,902
11,147,344	11,509,823	11,477,304	10,646,771	11,119,078	10,753,100
37,638,192	36,431,629	35,620,148	33,513,703	34,634,649	33,523,253
49,274,176	47,644,060	46,514,154	45,877,942	47,789,855	47,716,901
25,707,784	24,122,478	23,983,082	23,163,459	23,076,903	24,985,264
33,984,027	33,699,492	33,194,190	33,428,897	35,346,893	36,367,240
108,965,987	105,466,030	103,691,426	102,470,298	106,213,651	109,069,405
1,319,226	1,382,949	1,392,866	1,156,040	1,473,809	1,656,431
7,009	7,390	7,516	6,712	8,889	9,595
742,898	812,341	860,970	761,920	860,717	953,556
2,069,133	2,202,680	2,261,352	1,924,672	2,343,415	2,619,582
174,242	184,696	185,681	204,511	237,087	226,512

APPENDIX II

Condensed Consolidated Financial Statements as of and for the Three-Month Period Ended March 31, 2017 (Unaudited)

The Port Authority of New York and New Jersey

Condensed Consolidated Financial Statements as of and for the Three-Month Period Ended March 31, 2017 (Unaudited)

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

TABLE OF CONTENTS

1. OVERVIEW OF THE FINANCIAL STATEMENTS

The following is an overview of the financial activities of the Port Authority of New York and New Jersey (The Port Authority) and its component units as of and for the three-month period ended March 31, 2017. This overview is intended to serve as an introduction to the unaudited condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be read in conjunction with the Port Authority's audited financial statements and appended note disclosures for the Year ended December 31, 2016.

The unaudited financial results for the three-month period ended March 31, 2017 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2017.

Management's Discussion and Analysis

Management's Discussion and Analysis provides an assessment of how the Port Authority's financial position has changed and identifies the factors that, in management's view, significantly affected the Port Authority's overall financial position.

The Condensed Consolidated Financial Statements

The Statements of Net Position provide information about the nature and amounts of investments in resources (assets) and the obligations to the Port Authority's (liabilities), with the difference between the two reported as Net Position (equity).

The Statements of Revenues, Expenses and Changes in Net Position show how the Port Authority's overall net position changed during the three-month period ended March 31, 2017 and March 31, 2016.

The Statements of Cash Flows provide information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities for the three-month period ended March 31, 2017 and March 31, 2016.

2. FINANCIAL REPORTING ENTITY

The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation primarily upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at certain of the Port Authority's facilities.

3. BASIS OF ACCOUNTING

The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

4. FINANCIAL STATEMENT COMPARISON FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

Net Position (Equity)

The Port Authority's overall net position (equity) totaled $16.7 billion at March 31, 2017, an increase of $132 million from December 31, 2016. This increase is comprised of Income from operations of $177 million, partially offset by non-operating expenses of $45 million.

	March 31, 2017	March 31, 2016	Variance
		(In thousands)	
Gross operating revenues	**$ 1,223,761**	$ 1,212,710	$ 11,051
Operating expenses	**(734,671)**	(690,478)	(44,193)
Depreciation and Amortization	**(312,253)**	(295,034)	(17,219)
Income from operations	**176,837**	227,198	(50,361)
Financial income*	**19,899**	19,124	775
Interest expense, net**	**(214,425)**	(217,870)	3,445
Grants and other non-operating revenues/ (expenses)***	**4,656**	16,585	(11,929)
Capital contributions and Passenger Facility Charges (PFCs)	**144,895**	255,043	(110,148)
Non-operating (expenses)/revenues	**(44,975)**	72,882	(117,857)
Increase in net position	**$ 131,862**	$ 300,080	$ (168,218)

* Includes changes to the fair market value of investments of $(417) thousand in 2017 and $14.6 million in 2016, respectively.

** Includes reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments.

*** Includes pass-through grant payments to sub-recipients of $16.6 million in 2017 and $223 thousand in 2016, respectively.

Income from Operations:

The Port Authority generated $177 million in income from operations in the first three months of 2017, comprised of gross operating revenues of $1.2 billion offset by operating expenses and depreciation of $1.0 billion.

Gross operating revenues of $1.2 billion increased $11 million or 1.0% from the same three-month period in 2016. Rental revenue increased $10 million primarily due to increases in fixed rentals at One World Trade Center (WTC) due to higher occupancy, as well as scheduled commercial and terminal rent increases at Port and Aviation facilities. Partially offsetting these increases was a decrease in certain fixed and percentage rentals at LaGuardia Airport due to the execution of a lease agreement with LaGuardia Gateway Partners (LGP) for the operation of the existing Terminal B pursuant to the 2016 public private partnership that is replacing the terminal. Parking fees increased $3 million primarily due to an increase in tenant parking rates at Aviation facilities. Aviation fees, which provide for the recovery of certain Port Authority capital investments and operating expenses at its three major airports increased $2 million, primarily due to the recovery of additional aeronautical related capital investment. PATH fares revenue increased $0.6 million primarily due to a 2.6% increase in passenger activity. Tolls revenue at the Port Authority's six (6) vehicular crossings decreased by $4.2 million primarily due to a 0.7% decrease in overall vehicular traffic due to one less work day in February 2017 when compared to February 2016, which was a leap year.

Operating expenses of $735 million increased $44 million or 6.4% from the same three-month period in 2016. Contract services increased $19 million primarily due to increased ground transportation at Aviation facilities to mitigate traffic and parking issues in support of scheduled construction activities, increased taxi dispatch services at the three major airports, increased AirTrain maintenance at John F. Kennedy Airport and increased property management services at the WTC site resulting from an increase in operational assets under management. Total employee compensation increased approximately $14 million or 4.6% primarily due to increases in employer sponsored pension and healthcare benefit costs and compensation resulting from the hiring of additional police officers and heightened security initiatives at Aviation facilities. Rents and amounts in-lieu-of taxes increased $11 million primarily due to scheduled rent escalations related to certain Port Authority facilities.

Depreciation and amortization of $312 million increased $17 million or 5.8% from the same three-month period of 2016, resulting from the scheduled completion of $2.9 billion of capital construction in 2016. These capital infrastructure assets, primarily located at Aviation Facilities, the World Trade Center (WTC), PATH and Bayonne Bridge are now ready for their intended use and are being depreciated over their estimated useful lives. In addition, LaGuardia Airport depreciation expense increased due to the 2016 change in estimated useful lives of certain LaGuardia Terminal B capital infrastructure assets which are expected to be taken out of service in 2021 when the new terminal is substantially complete. Partially offsetting these increases was a $5 million decrease in amortization related to certain Regional facilities that became fully amortized during the first quarter of 2017.

Income from Non-Operating Activities:

Income from non-operating activities decreased $118 million from the same three-month period of 2016 due to a $116 million decrease in Contributions in aid of construction from third parties, primarily related to lower Federal Transportation Administration (FTA) funding for the construction of the WTC

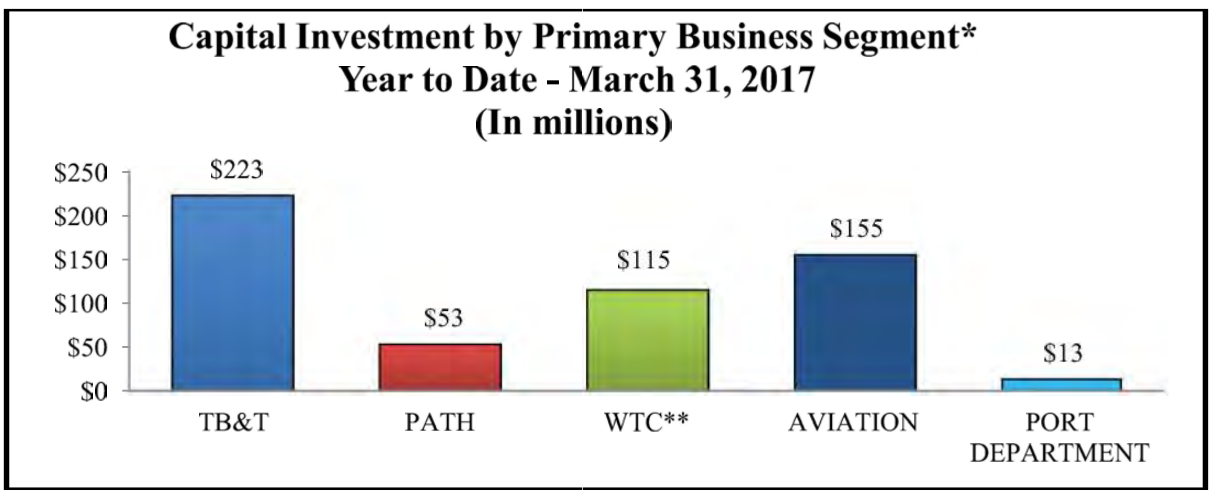
Transportation Hub which opened to the public in March 2016. Partially offsetting this decrease was a $6 million increase in Passenger Facility Charges (PFCs) at Aviation facilities due to a 1.8% increase in passenger activity and a $3.4 million decrease in interest expense related to the economic defeasance of certain Port Authority financing obligations in 2016, lower net interest expense related to 4 WTC Liberty Bonds due to increased reimbursements of debt service from the 4 WTC net lessee; partially offset by lower capitalized interest. Grants in connection with operating activities, including pass-through grant payments decreased $12 million primarily due to lower federal funding related to Urban Area Security Initiatives (UASI) and baggage screening projects at Aviation facilities.

Assets:

Port Authority assets totaled $45.6 billion at March 31, 2017, an increase of $373 million from December 31, 2016. This overall increase is primarily due to:

Facilities, net, including contributed capital amounts totaled $35 billion at March 31, 2017, an increase of approximately $258 million from December 2016. This net increase was primarily due to the Port Authority's continued capital investment in its operating facilities as outlined in the 2017-2026 ten-year capital plan, less year-to-date depreciation. For additional information related to the Port Authority's current ten-year capital plan, please refer to Port Authority's website at: http://corpinfo.panynj.gov/files/uploads/documents/financial-information/budget-capital-plan/ Capital_ Plan_2017-2026.pdf

The following chart depicts capital investment in Port Authority facilities of $559 million, including contributed capital amounts from third parties for the first three months of 2017, summarized by primary business segment.



* Excludes Regional Facilities and Programs, Development Facilities and Ferry Transportation.
**Capital Investment includes capital investment related to the WTC Transportation Hub.

Cash (including restricted amounts) balances of $479 million decreased $259 million when compared to December 2016. Cash flows from operations of $446 million were primarily used to pay interest expense on outstanding financing obligations and fund capital construction. Cash flows from investing activities decreased approximately $228 million due to the investment of unspent PFCs in securities.

Cash flows from operations of $446 million decreased $105 million from the same three-month period of 2016. The overall decrease in operating cash flows is primarily due to increases in payments to employees, contractors providing services at Port Authority facilities and rents and amounts in-lieu-of taxes.

Port Authority Investments of $4.8 billion increased $229 million from December 31, 2016 primarily due to the investment of available PFCs in short term United States Treasuries and Repurchase Agreements.

Port Authority Investments, at fair value

Investment Type*	Fair Value Hierarchy Levels***	at March 31, 2017	Weighted Average Maturity (In days)
		(In thousands)	
United States Treasury Notes	**Level 1**	**$ 3,312,769**	443
United States Treasury Bills	**Level 1**	**315,331**	51
United States Government Agency Obligations	**Level 2**	**79,054**	16
JFK International Air Terminal LLC Obligations****	-	**71,746**	3,183
Repurchase Agreements****	-	**966,047**	5
Other Governmental Obligations	**Level 2**	**23,598**	129
Total Investments**		**$ 4,768,545**	
Portfolio Weighted Average Maturity (in days)			361

* Excludes $313 million of Collateralized Bank Accounts that are classified as cash equivalents and approximately $1.2 billion in investments that are on deposit in a restricted trust dedicated to Other Postemployment Employee Benefits (OPEB).

** Excludes accrued interest receivable amounts of $9.8 million.

*** Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets, and principle-to-principle markets.

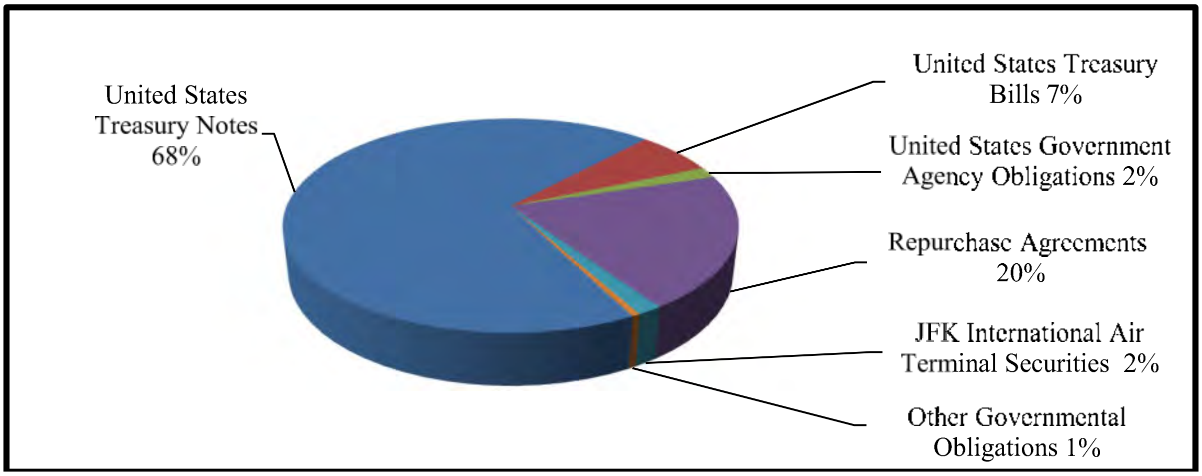
Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

Port Authority investments are valued at the closing price or last trade reported on the major market exchange on which the individual securities are traded.

****Investments are valued at unamortized cost.

Port Authority Investments Asset Allocation:



Port Authority Insurance Captive Entity restricted investments of $232 million, increased $11 million from December 31, 2016 primarily due to the reallocation of money market funds to United States Government securities.

PAICE Investments, **at fair value**

Investment Type	Fair Value Hierarchy Levels**	at March 31, 2017	Weighted Average Maturity (In Days)
		(In thousands)	
United States Treasury Notes	**Level 1**	**$ 54,365**	1,192
United States Government Agency Obligations	**Level 2**	**25,140**	537
Corporate Bonds	**Level 2**	**151,425**	1,044
Total Investments*		**$ 230,930**	
Portfolio weighted average maturity (In days)			1,024

* Excludes accrued interest receivable of $1.0 million.

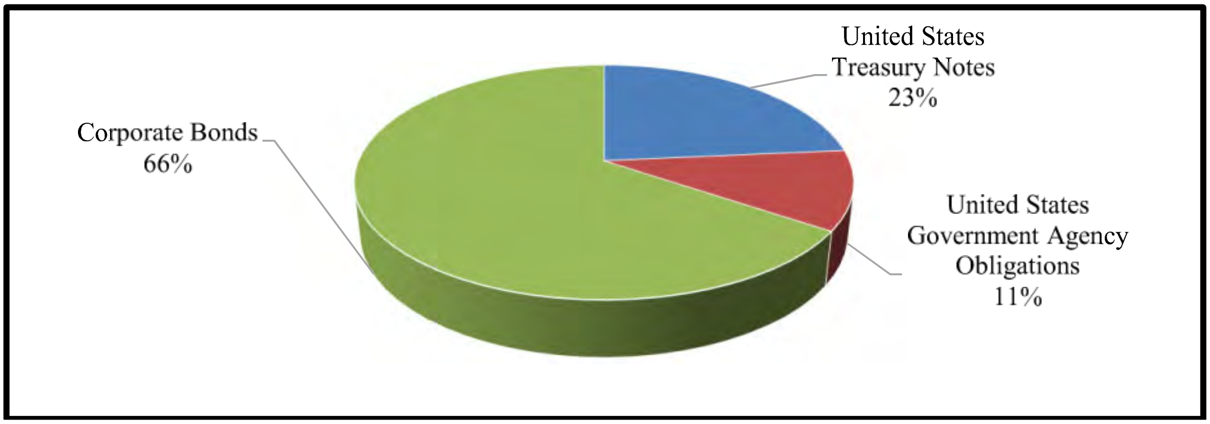
** Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets, and principle-to-principle markets.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation.

Level 3 inputs are unobservable inputs for the asset; they should be used only when relevant Level 1 and Level 2 inputs are unavailable.

Port Authority investments are valued at the closing price or last trade reported on the major market exchange on which the individual securities are traded.

PAICE Investments Asset Allocation:



Accounts receivable increased $147 million from December 31, 2016, primarily due to the timing of the receipt of federal grant proceeds.

Liabilities:

Port Authority liabilities totaled $29.5 billion at March 31, 2017, an increase of $239 million from December 31, 2016.

Accrued interest related to outstanding debt obligations increased $151 million primarily due to the timing of scheduled debt service payments.

Bonds and other asset financing obligations, excluding Tower 4 Liberty Bonds totaled $22.8 billion at March 31, 2017, an increase of $30 million from December 31, 2016. This increase was primarily due to a $27 million increase in Commercial paper notes and an increase of $34 million related to the Goethals Bridge Replacement Project (GBRP) Developer Financing Arrangement (DFA). These amounts were partially offset by payments relating to The Fund for Regional Development Buy-Out Obligation.

Bonds and Other Financing Obligations*

	Opening Balance Dec. 31, 2016	Issued/ Accrued	Refunded/ Retired	**Ending Balance Mar. 31, 2017**
		(In millions)		
Consolidated Bonds and Notes	$ 20,430	$ -	$ -	**$ 20,430**
Commercial Paper Notes	388	496	469	**415**
Variable Rate Master Notes	78	-	-	**78**
Fund for Regional Development Buy-Out Obligation	222	-	23	**199**
MOTBY Obligation	55	-	-	**55**
Goethals Bridge Replacement DFA	744	34	-	**778**
Subtotal-Principal	$ 21,917	$ 530	$ 492	**$ 21,955**
Add: Unamortized premium/(discount)	856	-	8	**848**
Total	$ 22,773	$ 530	$ 500	**$ 22,803**

*Excludes amounts payable associated with Special Project Bond projects of $1.4 billion and Tower 4 Liberty Bonds of $1.2 billion

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority as of December 31, 2016.

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

Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION – UNAUDITED*

	MARCH 31, 2017	DECEMBER 31, 2016
	(In thousands)	
Assets		
Facilities, net	**$ 34,951,684**	$ 34,693,691
Cash, including restricted amounts	**479,225**	738,035
Port Authority investments, including PFCs	**4,778,311**	4,548,866
PAICE restricted investments	**231,931**	220,462
Receivables, including restricted amounts	**697,205**	549,656
Amounts receivable - Special Project Bonds projects	**1,377,118**	1,376,882
Amounts receivable - Tower 4 Liberty Bonds	**1,246,708**	1,246,861
Unamortized costs for regional programs	**205,185**	216,109
Other assets	**1,667,295**	1,671,110
Total assets	**45,634,662**	45,261,672
Deferred outflows of resources		
Loss on debt refunding's	**76,503**	79,046
Pension related amounts	**555,794**	555,794
Total deferred outflows of resources	**632,297**	634,840
Liabilities		
Bonds and other asset financing obligations	**22,803,052**	22,773,213
Amounts payable - Special Project Bonds projects	**1,377,118**	1,376,882
Amounts payable - Tower 4 Liberty Bonds	**1,246,708**	1,246,861
Accounts payable	**1,087,824**	1,072,412
Accrued payroll, pension and other employee benefits	**1,099,060**	1,061,732
Unearned income related to WTC Retail	**771,683**	773,998
Accrued interest and other liabilities	**1,068,058**	909,271
Total liabilities	**29,453,503**	29,214,369
Deferred inflows of resources		
Gain on debt refunding's	**29,858**	30,407
Pension related amounts	**76,842**	76,842
Total deferred inflows of resources	**106,700**	107,249
Net position	**$ 16,706,756**	$ 16,574,894

CONDENSED CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – UNAUDITED*

	THREE-MONTHS ENDED MARCH 31, 2017	2016
	(In thousands)	
Gross operating revenues	**$ 1,223,761**	$ 1,212,710
Operating expenses	**(734,671)**	(690,478)
Depreciation and amortization	**(312,253)**	(295,034)
Income from operations	**176,837**	227,198
Non-operating expenses, net	**(189,870)**	(182,161)
Capital contributions and PFC's	**144,895**	255,043
Non-operating revenues/(expenses)	**(44,975)**	72,882
Increase in net position	**$ 131,862**	$ 300,080
Net position, January 1	**16,574,894**	15,529,563
Net position, March 31	**$ 16,706,756**	$ 15,829,643

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED*

	THREE-MONTHS ENDED MARCH 31, 2017	2016
	(In thousands)	
Net cash provided by operating activities	**$ 446,145**	$ 550,716
Net cash (used for) noncapital financing activities	**(38,146)**	(10,700)
Net cash (used for) capital construction and related financing activities	**(438,584)**	(808,749)
Net cash (used for)/provided for investing activities	**(228,225)**	164,716
Net (decrease)/increase in cash	**(258,810)**	(104,017)
Cash at beginning of year	**738,035**	1,347,698
Cash at three-months ended	**$ 479,225**	$ 1,243,681

* The unaudited Condensed Consolidated Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with accounting principles generally accepted in the United States of America. This unaudited condensed financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2016.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES - UNAUDITED

(In thousands)

Three-month period ended March 31, 2017

	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	$ 397,638	$119,499	$ 49,011	$229,128	$ 29,718	$ 944	$200,354
PATH	45,790	101,140	51,022	(106,372)	48,107	53,904**	(100,575)
Aviation	638,618	404,404	112,880	121,334	47,597	78,076	151,813
Port Commerce	70,041	34,141	23,108	12,792	22,411	2,733	(6,886)
World Trade Center	65,313	72,165	59,671	(66,523)	34,201	9,238	(91,486)
Other***	6,361	3,322	16,561	(13,522)	7,836	-	(21,358)
Net Revenue related to Superstorm Sandy	-	-	-	-	-	-	-
Increase in net position	$1,223,761	$734,671	$312,253	$176,837	$189,870	$ 144,895	$131,862

Three-month period ended March 31, 2016

	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	$ 401,447	$118,357	$ 46,524	$236,566	$ 22,312	$ 497	$214,751
PATH	44,941	99,244	44,559	(98,862)	37,511	80,020**	(56,353)
Aviation	634,719	371,158	109,293	154,268	39,272	78,025	193,021
Port Commerce	66,869	34,326	23,002	9,541	19,820	3,867	(6,412)
World Trade Center	58,232	64,810	49,858	(56,436)	54,390	92,634	(18,192)
Other***	6,502	2,583	21,798	(17,879)	8,856	-	(26,735)
Net Revenue related to Superstorm Sandy	-	-	-	-	-	-	-
Increase in net position	$1,212,710	$690,478	$295,034	$227,198	$182,161	$255,043	$300,080

* Amounts include allocated net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Grants in connection with operating activities, Pass-through grant program payments; and gains or losses generated by the disposition of assets, if any.

** PATH Capital Contributions include Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub.

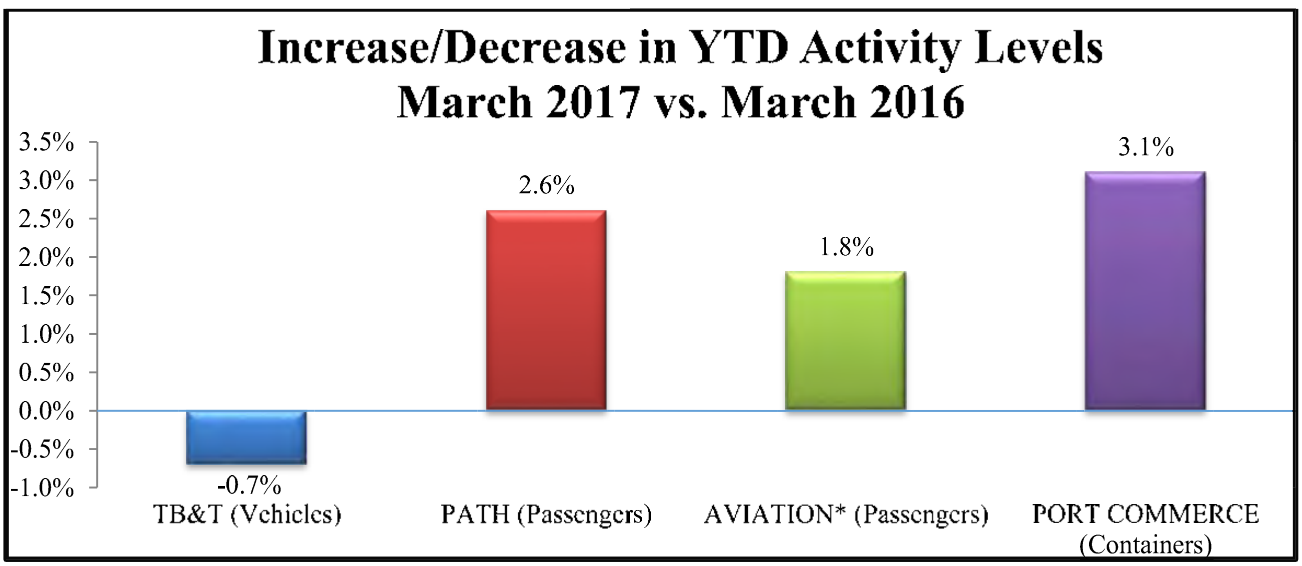
*** Other includes Development Facilities, Regional Facilities and Programs, Ferry Transportation, Access to the Regions Core and PAICE.

Note: These unaudited schedules related to Port Authority Facilities have been prepared, subject to audit, adjustment and reconciliation, solely for general information purpose, in accordance with accounting principles generally accepted in the United States of America. This unaudited financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2016.

REVENUES AND RESERVES (pursuant to Port Authority bond resolutions) – UNAUDITED

	March 31, 2017	March 31, 2016	Variance
		(In millions)	
Gross operating revenues	**$ 1,221**	$ 1,211	$ 10
Total operating expenses	**(739)**	(696)	(43)
Net operating revenue	**482**	515	(33)
Grants and contributions in aid of construction	**64**	111	(47)
Application of Passenger Facility Charges	**14**	15	(1)
Other	**27**	20	7
Net revenues available for debt service	**587**	661	(74)
Debt service	**(224)**	(219)	(5)
Transfers to Reserves	**$ 363**	$ 442	$ (79)

FACILITY TRAFFIC – UNAUDITED



*Excludes Atlantic City International Airport passenger activity.

[THIS PAGE INTENTIONALLY LEFT BLANK]