

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Thursday, September 21, 2006

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MINUTES of the Meeting of The Port Authority of New York and New Jersey held Thursday, September 21, 2006 at 225 Park Avenue South, City, County and State of New York

PRESENT:

NEW JERSEY

Hon. Anthony R. Coscia, Chairman
 Hon. Angelo J. Genova
 Hon. Raymond M. Pocino
 Hon. Anthony J. Sartor
 Hon. Jack G. Sinagra
 Hon. David S. Steiner

NEW YORK

Hon. Charles A. Gargano, Vice-Chairman
 Hon. Bruce A. Blakeman
 Hon. Michael J. Chasanoff
 Hon. Christine A. Ferer
 Hon. Henry R. Silverman

Kenneth J. Ringler, Jr., Executive Director
 Darrell B. Buchbinder, General Counsel
 Karen E. Eastman, Secretary

Kayla M. Bergeron, Chief, Public and Government Affairs
 A. Paul Blanco, Chief Financial Officer
 Lisette Bowen, Senior Transportation Planner, Regional and Economic Development
 John D. Brill, Director, Audit
 Gregory G. Burnham, Chief Technology Officer
 Ernesto L. Butcher, Chief Operating Officer
 Arthur J. Cifelli, Deputy Chief of Staff
 Steven J. Coleman, Public Information Officer, Public Affairs
 Anthony B. Ciavoletta, Public Information Officer, Public Affairs
 William R. DeCota, Director, Aviation
 John C. Denise, Supervisor, Audio Visual/Photography, Public Affairs
 Michael P. DePallo, Director, PATH
 Pasquale DiFulco, Public Information Officer, Public Affairs
 Francis A. DiMola, Director, Real Estate
 Stephanie Desire, Manager, Equal Opportunity, Human Resources
 Iran H. Engel, Assistant Treasurer
 Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
 Ziomara Y. Foster, Senior Administrator, Office of the Secretary
 James P. Fox, Deputy Executive Director
 Michael B. Francois, Chief, Real Estate/Regional and Economic Development
 Ann E. Freedman, Manager, World Trade Center Redevelopment
 Laura H. Glenn, Assistant Human Resources Representative, Human Resources
 Aaron Graham, Management Associate, Human Resources
 Linda C. Handel, Assistant Secretary
 Victoria C. Kelly, Director, Tunnels, Bridges and Terminals
 Patricia Keough, Program Coordinator, Engineering
 Louis J. LaCapra, Chief Administrative Officer
 Jenna Lapietra, Senior Property Representative, World Trade Center Redevelopment
 Richard M. Larrabee, Director, Port Commerce
 Shawn K. Laurenti, Director, Government and Community Affairs
 Marc LaVorgna, Senior Public Information Officer, Public Affairs
 Timothy Lizura, Director, World Trade Center Redevelopment
 Francis J. Lombardi, Chief Engineer

Robert F. Lurie, Chief, Strategic Planning
Thomas P. Maher, Assistant Director, World Trade Center Redevelopment
Stephen Marinko, Attorney, Law
James E. McCoy, Manager, Board Management Support, Office of the Secretary
Lynn A. Nerney, Senior Administrator, Office of the Secretary
Kim Payne, Management Associate, Aviation
Steven P. Plate, Director, Priority Capital Programs
Samuel J. Plumeri, Jr., Superintendent of Police/Director of Public Safety
Julian Porta, Management Associate, Human Resources
Graciella Ramirez, Management Associate, Human Resources
Alan L. Reiss, Deputy Director, Aviation
Edmond F. Schorno, Chief of Staff
Stephen Sigmund, Senior Policy Advisor, Office of the Deputy Executive Director
Timothy G. Stickelman, Chief, Public Securities, Law
Ralph Tragale, Client Manager, Government and Community Affairs
Sheree R. VanDuyne, Manager of Policies and Protocol, Office of the Secretary
Nerik Yakubov, Assistant Engineer, Engineering
Peter J. Zipf, Deputy Chief Engineer, Engineering

Guest:

Sonia Frontera, Authorities Unit, Office of the Governor of New Jersey

The public session was called to order by Chairman Coscia at 12:02 p.m. and ended at 12:15 p.m. The Board met in executive session prior to the public session. Chairman Coscia was not present for the vote in executive session.

Action on Minutes

The Secretary submitted for approval Minutes of the meeting of July 27, 2006. She reported that copies of these Minutes were sent to all of the Commissioners and to the Governors of New York and New Jersey. She reported further that the time for action by the Governors of New York and New Jersey has expired.

Whereupon, the Board of Commissioners unanimously approved the Minutes.

Report of Committee on Finance

The Committee on Finance reported, for information, on matters filed with the Committee pursuant to Board action or separately reported to the Board of Commissioners at this meeting of the Board, and the report was received.

Report of Committee on Construction

The Committee on Construction reported, for information, on matters discussed at its meeting on September 21, 2006, which included discussion of a contract to implement roadway and drainage improvements to enhance the capacity of the roadway network serving Terminal B at Newark Liberty International Airport, in addition to matters filed with the Committee pursuant to Board action or separately reported to the Board of Commissioners at this meeting of the Board, and the report was received.

Report of Committee on Operations

The Committee on Operations reported, for information, on matters discussed and action taken in executive session at its meeting on September 21, 2006, which included discussion of certain contract and lease matters and matters which could affect the competitive economic position of the Port Authority, the Port District or businesses with which we deal, in addition to matters filed with the Committee pursuant to Board action or separately reported to the Board of Commissioners at this meeting of the Board, and the report was received.

Report of World Trade Center Site Planning Subcommittee

The World Trade Center Site Planning Subcommittee reported for information, on action taken on certain contract matters in executive session at its meeting on September 21, 2006, and the report was received.

Executive Director's Report

A presentation was made by the Executive Director on the redevelopment of the World Trade Center site.

**ELIZABETH-PORT AUTHORITY MARINE TERMINAL – APM TERMINALS
NORTH AMERICA, INC. – LEASE NO. EP-248 – SURRENDER OF PROPERTY**

It was recommended that the Board authorize the Executive Director to enter into an agreement with APM Terminals North America, Inc. (APM) for the surrender of portions of its marine terminal leasehold at the Elizabeth-Port Authority Marine Terminal (EPAMT) in connection with the construction of the ExpressRail Elizabeth second lead track and the widening of McLester Street at the EPAMT. APM would permanently surrender up to approximately 0.3 acres of its leasehold and temporarily surrender up to approximately 0.75 acres of its leasehold, with the surrenders to be effective on or about November 1, 2006. The basic rental would be temporarily reduced by approximately \$14,000 annually during the construction period and permanently reduced by approximately \$6,000 annually, for an estimated total rental reduction of approximately \$161,000 over the term of the lease.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement with APM Terminals North America, Inc. for the permanent surrender of up to approximately 0.3 acres and the temporary surrender of up to approximately 0.75 acres of its marine terminal leasehold at the Elizabeth-Port Authority Marine Terminal, substantially in accordance with the terms and conditions outlined to the Board; the form of the agreement shall be subject to the approval of General Counsel or his authorized representative.

ELIZABETH-PORT AUTHORITY MARINE TERMINAL – EAST COAST WAREHOUSE & DISTRIBUTION CORP. – LEASE SUPPLEMENTS

It was recommended that the Board authorize the Executive Director to enter into agreements with East Coast Warehouse & Distribution Corp. (East Coast) for: (1) the surrender of portions of two of its warehouse leaseholds at the Elizabeth-Port Authority Marine Terminal (EPAMT) in connection with the construction of the ExpressRail Elizabeth second lead track and the Bay Avenue relocation project at the EPAMT; and (2) the letting of approximately seven acres of open area at the EPAMT.

East Coast would permanently surrender up to approximately one acre and temporarily surrender up to approximately 1.5 acres of the leaseholds, with the surrenders to be effective on or about November 1, 2006. The term of the letting of the approximately seven additional acres would commence on or about November 1, 2006 and expire on November 30, 2026. One acre of the seven acres would be in replacement of the one acre permanently surrendered and would not be subject to termination by the Port Authority except for cause. The remaining six acres would be subject to a Port Authority exclusive termination right without cause, effective on November 1, 2015 and each anniversary thereafter, upon two years' written notice. In addition, the Port Authority would have the right to take back a small portion of the additional seven acres if it is needed for future roadway improvements, upon six months' written notice. The total aggregate rental over the terms of the leases resulting from the surrenders and addition of premises would be between approximately \$10.5 million and \$12.8 million.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into agreements with East Coast Warehouse & Distribution Corp. for: (1) the permanent surrender of up to approximately one acre and the temporary surrender of up to approximately 1.5 acres of two of its warehouse leaseholds at the Elizabeth-Port Authority Marine Terminal (EPAMT); and (2) the letting of approximately seven acres of open area at the EPAMT, substantially in accordance with the terms and conditions outlined to the Board; the form of the agreements shall be subject to the approval of General Counsel or his authorized representative.

ELIZABETH-PORT AUTHORITY MARINE TERMINAL – MAHER TERMINALS, INC. – LEASE NO. EP-251 – SURRENDER OF PROPERTY

It was recommended that the Board authorize the Executive Director to enter into an agreement with Maher Terminals, Inc. (Maher) for: (1) the surrender of portions of its chassis pool leasehold at the Elizabeth-Port Authority Marine Terminal (EPAMT) in connection with the construction of the ExpressRail Elizabeth second lead track and the Bay Avenue relocation project at the EPAMT; and (2) the relocation of the entrance area to the leasehold to provide ingress and egress during and after the construction work. Maher would permanently surrender up to approximately 0.5 acres of its leasehold and temporarily surrender up to approximately two acres of its leasehold, with the surrenders to be effective on or about November 1, 2006. The basic rental would be temporarily reduced by approximately \$180,000 annually during the construction period and permanently reduced by approximately \$48,000 annually, for an estimated total rental reduction of between approximately \$698,000 and \$746,000 over the term of the lease.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement with Maher Terminals, Inc. for: (1) the permanent surrender of up to approximately 0.5 acres and the temporary surrender of up to approximately two acres of its chassis pool leasehold at the Elizabeth-Port Authority Marine Terminal; and (2) the relocation of the entrance area to the leasehold to provide ingress and egress during and after the construction work on the ExpressRail Elizabeth second lead track and the Bay Avenue relocation project, substantially in accordance with the terms and conditions outlined to the Board; the form of the agreement shall be subject to the approval of General Counsel or his authorized representative.

**ELIZABETH-PORT AUTHORITY MARINE TERMINAL – BAY AVENUE, L.L.C. –
AMENDMENT TO INDENTURE DATED DECEMBER 7, 1971**

It was recommended that the Board authorize the Executive Director to amend an indenture to Bay Avenue, L.L.C., a private owner of property located at 5-61 McLester Street at the Elizabeth-Port Authority Marine Terminal (EPAMT), for Bay Avenue, L.L.C. to release certain ingress and egress rights and for the Port Authority to grant to Bay Avenue, L.L.C. certain alternate ingress and egress rights from the Bay Avenue, L.L.C. property to the Marine Terminal Highways, and to provide for future relocations of ingress and egress access points, as agreeable between the parties.

Under the original indenture dated December 7, 1971, the Port Authority granted the Milton Corporation, Bay Avenue, L.L.C.'s predecessor-in-interest, a perpetual right of ingress and egress for pedestrians and vehicles from two access points within its property (one located on Lyle King Street, the other on McLester Street) onto the Marine Terminal Highways. As a result of the construction of the ExpressRail Elizabeth first lead track and Bay Avenue/McLester Street grade separation, a portion of McLester Street was depressed, and this condition, as well as other construction elements required to facilitate the Port Intermodal Rail Development Program, necessitated the relocation of certain access points to the property. In 2004, a temporary License Agreement was entered into with Bay Avenue, L.L.C. for the relocation of those access points during construction of the first lead track to ExpressRail Elizabeth. The planned construction of the second lead track to ExpressRail Elizabeth, which was authorized by the Board in April 2005, required a subsequent change in design for these access rights. Now that the design of the second lead track is substantially complete, permanent and perpetual property rights may be issued for the access points.

This initiative would accommodate the construction of the ExpressRail Elizabeth second lead track and enhance the existing flow of truck traffic.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he is hereby authorized, for and on behalf of the Port Authority, to: (1) accept the surrender of certain ingress and egress rights by, and to grant certain ingress and egress rights to, Bay Avenue, L.L.C. with respect to the property located at 5-61 McLester Street at the Elizabeth-Port Authority Marine Terminal, substantially in accordance with the terms and conditions outlined to the Board; and (2) enter into any other agreements necessary to effectuate the foregoing real property interests, including, without limitation, site investigations, surveys and title commitments; and it is further

RESOLVED, that the form of the deeds and any agreements to be entered into by the Port Authority in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representative.

LINCOLN TUNNEL - SETTLEMENT AGREEMENT WITH THE NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION OF CLAIM FOR ALLEGED VIOLATIONS OF NEW JERSEY POLLUTANT DISCHARGE ELIMINATION SYSTEM PERMIT

It was recommended that the Board authorize the Executive Director to enter into a Settlement Agreement with the New Jersey Department of Environmental Protection (NJDEP), pursuant to which the Port Authority would make a civil administrative payment in lieu of penalty totaling \$335,440, associated with certain alleged violations of the New Jersey Pollution Discharge Elimination System (NJPDES) permit at the Lincoln Tunnel.

The Port Authority is required to have a NJPDES permit issued by the NJDEP for the Lincoln Tunnel, which authorizes discharge of tunnel wash water effluent, storm water, and infiltrating groundwater from the facility. The permit requires monthly water quality sampling during months when discharges occur into the Hudson River and self-reporting to the NJDEP on Discharge Monitoring Reports (DMRs). In the second quarter of 2005, Port Authority staff discovered that the assessment methodology previously utilized to determine the frequency of discharges during 24 months spanning the period of July 2002 through February 2005 was inaccurate. The frequency of real-time pump discharges was verified by the new Supervisory Control and Data Acquisition (SCADA) system, an extensive network that monitors and controls all of the Lincoln Tunnel's critical electrical and mechanical systems. Upon verification of the inaccuracies, staff advised the NJDEP of the discrepancies and took immediate corrective action to ensure that no additional instances of incorrect reporting would occur.

Upon verification of the inaccuracies in June 2005, Port Authority staff advised the NJDEP of these DMR discrepancies, which resulted in the proposed Settlement Agreement, without admission of liability, including the assessment of a civil administrative payment in lieu of penalty. The payment in lieu of penalty is based on the minimum amount that NJDEP may, by regulation, assess in consideration of the type of violations alleged and their number of occurrences. Corrective actions have been taken that establish and implement procedures to ensure continued future compliance.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a Settlement Agreement with the New Jersey Department of Environmental Protection, without admission of liability, pursuant to which the Port Authority would make a civil administrative payment in lieu of penalty to resolve alleged violations of the Lincoln Tunnel's New Jersey Pollution Discharge Elimination System permit, substantially in accordance with the terms and conditions outlined to the Board; and it is further

RESOLVED, that the form of the agreement shall be subject to the approval of General Counsel or his authorized representative.

7 WORLD TRADE CENTER RENT REDUCTION PROGRAM – AGREEMENT WITH EMPIRE STATE DEVELOPMENT CORPORATION AND AMENDMENT OF 7 WORLD TRADE CENTER GROUND LEASE

It was recommended that the Board authorize the Executive Director to: (1) enter into a World Trade Center (WTC) Rent Reduction Program Agreement (Agreement) with the New York State Urban Development Corporation d/b/a Empire State Development Corporation (ESDC) to provide rental credits funded by ESDC to qualifying tenants at 7 World Trade Center (7 WTC); and (2) enter into an amendment of the ground lease with 7 World Trade Center, LLC (Ground Lessee) pursuant to which the Port Authority would provide the Ground Lessee with credits against rental payments due from the Ground Lessee in amounts equivalent to payments received by the Port Authority from ESDC under the Agreement, conditioned on the Ground Lessee providing corresponding credits to the qualifying 7 WTC tenants.

In August 2005, New York Governor George E. Pataki signed legislation providing incentives to attract new businesses and encourage existing businesses to recommit their operations and employees to Lower Manhattan. This legislation is part of the State of New York's continuing efforts to promote economic growth in Lower Manhattan as the area continues to recover from the effects of September 11, 2001. One feature of the legislation provides for a reduction in the annual effective rent for commercial tenants making early lease commitments at 7 WTC and at the WTC site itself.

The Rent Reduction Program (Program) effectuates the legislation with respect to 7 WTC and applies to tenants who lease the first 750,000 square feet of space in the building. Program benefits for qualifying space tenants are calculated at \$3.80 per rentable square foot and are to be provided for the terms of the qualifying leases, not to exceed 20 years, or until authorized Program funding has been expended. Total funding for the Program is capped at \$2,850,000 in a given year and \$57 million in the aggregate. Under a 1990 agreement among the Port Authority, the State of New York and the State of New Jersey terminating the Fund for Regional Development, the Port Authority agreed to make a series of semi-annual payments to both New York and New Jersey through March 1, 2021. ESDC would use these payments as the source of funding for the payments to the Port Authority under the Program. The Port Authority would provide a monthly credit against the Ground Lessee's rental obligations equivalent in amount to the monthly payment the Port Authority receives from ESDC, subject to the Ground Lessee furnishing corresponding rental credits to its qualifying tenants. Neither the Port Authority nor the Ground Lessee would have any obligation to provide the rent credits under the Program if the ESDC fails to make the required Program payments.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against; Commissioner Gargano recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a World Trade Center Rent Reduction Program Agreement with the New York State Urban Development Corporation d/b/a Empire State Development Corporation regarding 7 World Trade Center to effectuate New York State legislation authorizing a rent reduction program with respect to qualifying tenants at 7 World Trade Center, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an amendment of the ground lease with 7 World Trade Center, LLC, pursuant to which the Port Authority will furnish certain rental credits to be passed on to qualifying 7 World Trade Center tenants, substantially in accordance with the terms outlined to the Board; and it is further

RESOLVED, that the form of the foregoing agreement and ground lease amendment shall be subject to the approval of General Counsel or his authorized representative.

DOWNTOWN RESTORATION PROGRAM - AGREEMENT FOR PERFORMANCE OF EXPERT PROFESSIONAL ARCHITECTURAL AND ENGINEERING SERVICES FOR THE WORLD TRADE CENTER COMMON SITE INFRASTRUCTURE – CENTRAL CHILLER PLANT AND RIVER WATER SYSTEM OF AWARD OF AGREEMENT

It was recommended that the Board authorize the Executive Director to enter into an agreement, subject to approval by the Chairman of the World Trade Center (WTC) Site Planning Subcommittee (the Subcommittee) and the Executive Director, after consultation with the Subcommittee members, to provide expert professional architectural and engineering services in connection with planning for the development of a Central Chiller Plant (CCP) and River Water System (RWS) at the WTC site. This authorization will be limited to the performance of the preliminary engineering services, at an estimated cost of \$2.5 million.

The primary and secondary chiller plants on the WTC site were destroyed by the terrorist attacks on September 11, 2001. The combined capacity of both plants was approximately 59,000 tons, and the plants supplied chilled water for the base building and tenant air conditioning requirements at the WTC. The chiller plant system also included river water lines that connected the chiller plants to the river water pump house located in Battery Park City. The river water lines and the pump house remain intact and can be rehabilitated. Prior to September 11, 2001, these facilities served the commercial office, as well as retail and hotel spaces and the U.S. Custom House. Under the WTC net leases, Silverstein Properties, Inc. (SPI) has the obligation to restore this cooling water capacity at the WTC site.

Through mid-2005, the WTC Site Master Plan has been based on a 40,000-ton- capacity CCP that would utilize Hudson River water and serve all the planned facilities on the entire WTC site; SPI was to install a cooling water system similar to the pre-9/11 facilities.

As a part of the regulatory process, a State Pollutant Discharge Elimination System (SPDES) permit is required from the New York State Department of Environmental Conservation (NYSDEC) for the use of the Hudson River water serving the WTC site. In March 2005, the Port Authority submitted a SPDES permit renewal application, along with a comprehensive Best Technologies Available and Alternative Cooling Systems Study, that requested approval to maintain maximum river water flow rate of 120,000 gallons per minute (gpm). Following numerous discussions, meetings and correspondence among NYSDEC, Lower Manhattan Development Corporation (LMDC), SPI and Port Authority staff, NYSDEC has agreed to allow the Port Authority to apply for a maximum river water flow rate usage of 30,000 gpm for the WTC, in response to environmental concerns raised by external advocacy groups.

The proposed CCP of 12,500 tons installed capacity would meet a demand-cooling load of 10,000 tons, and is based on the current maximum allowable usage of the river water flow rate of 30,000 gpm. The primary regulatory criteria are the percentage reduction of entrainment and impingement of fish eggs and larvae. Pursuant to recent NYSDEC regulations for cooling water intake structures, all feasible intake technologies, operational measures, or combination of technologies and operational measures must be implemented, either individually or in combination, to reduce impingement by no less than 80 to 95 percent and entrainment by no less than 60 to 90 percent. With the new NYSDEC requirements, SPI determined that it would be

more cost-effective for them to use an alternative water source for cooling, and decided not to pursue a CCP system for cooling the commercial office buildings.

However, a CCP/RWS remains the most feasible and cost-effective solution to provide air conditioning for the remaining (non-office) facilities, including the WTC Transportation Hub, retail development and Memorial/Museum. The Port Authority can advance the design of this facility in conjunction with its project more expeditiously than LMDC.

The Port Authority has reserved its legal rights with respect to SPI's net lease obligation to provide base building utility services (including cooling) to non-office facilities. Under the proposed conceptual framework modifications, SPI's original net lease obligations would be modified.

This project will be closely coordinated with ongoing planning and engineering efforts for the WTC Transportation Hub, retail development, and the WTC Memorial and Cultural Projects. Project implementation and construction coordination also remains to be developed.

The scope of work provides for expert professional architectural and engineering effort services to design and build a 12,500-ton-capacity CCP and associated distribution system, primarily to serve the WTC Transportation Hub, retail development and Memorial and Cultural facilities with cooling water for air conditioning needs. (Commercial office facilities would not be served by this plant.) Work also includes design and engineering for river water pump house refurbishment, river water pipe rerouting, pipe extension into the Hudson River, and design and engineering work to obtain regulatory approval of the WTC cooling system SPDES Permit from NYSDEC.

This agreement for professional services would be implemented in two phases: an initial phase consisting of preliminary engineering services, which is estimated at \$2.5 million, and a second phase, at the Port Authority's option, which would consist of providing final design and contract documents and post-award services for the project, resulting in an estimated total amount of \$5.5 million for the agreement. This authorization for the performance of services for this agreement would be limited to the performance of preliminary engineering work. Additional authorization for performance of the subsequent optional tasks of final design and post-award services would be requested at the time of project authorization.

Costs for the expert professional architectural and engineering design services agreement work for the CCP/RWS project would be allocated among the WTC Transportation Hub, the WTC retail development, and the Port Authority's contribution to the design and construction of common infrastructure for the Memorial and Cultural federal reimbursement of WTC Transportation Hub expenditures in the amount of \$1.921 billion, or approximately 86.5 percent. As such, the WTC Transportation Hub's cost share of the Chiller Plant project would be sought for reimbursement, consistent with the terms of the grant and other applicable agreements with the FTA. The WTC Retail Redevelopment Project's cost share would be recovered from insurance proceeds. Lastly, the cost share associated with the Memorial and Cultural projects will be supported by the Port Authority's contribution of \$150 million for that project's design and construction of common infrastructure.

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement, subject to approval by the Chairman of the World Trade Center Site Planning Subcommittee (the Subcommittee) and the Executive Director, after consultation with the Subcommittee members, to provide expert professional architectural and engineering services in connection with planning for the development of a Central Chiller Plant and River Water System at the WTC site, with this authorization to be limited to the performance of preliminary engineering services at an estimated cost of \$2.5 million; and it is further

RESOLVED, that the form of the foregoing agreement shall be subject to the approval of General Counsel or his authorized representative.

THE WORLD TRADE CENTER – AUTHORIZATION AND EXECUTION OF AGREEMENTS AND RELATED DOCUMENTS

At its April 26, 2006 meeting, the Board authorized and directed the Chairman and Executive Director to work with the Silverstein net lessees (“SPI”) to prepare the definitive documents required to effectuate the April 26, 2006 conceptual framework for the redevelopment of the World Trade Center (the “Conceptual Framework”), to satisfy the various contingencies set forth therein, and to present the transactions set forth therein to the Board for its further consideration at the September 2006 Board meeting.

The Conceptual Framework provides for the Port Authority to take over the net leases for Tower 1 (the “Freedom Tower”) and Tower 5, comprising approximately 3.8 million square feet of office space. SPI would develop Towers 2, 3 and 4, to be located on the eastern portion of the World Trade Center site along the Church Street corridor, comprising approximately 6.2 million square feet of office space. The retail components of the World Trade Center would continue to be developed by WTC Retail LLC (now owned by the Port Authority); however the Conceptual Framework provides that, subject to the resolution of an existing right of first offer in favor of Westfield prior to the September Board meeting, the Port Authority would sell WTC Retail LLC to an affiliate of SPI under terms and conditions to be agreed to by the Port Authority and SPI.

Additionally, the Conceptual Framework provides for a development schedule for Towers 2, 3 and 4, the allocation of insurance proceeds from the net lessees’ World Trade Center property damage and business interruption/lost rental value insurance, and the allocation of common infrastructure costs, and certain adjustments to rent, as well as the allocation by the State of New York and the City of New York (the “City”) of available New York Liberty Bond financing. The Conceptual Framework also provides for the preparation of space lease options that may be exercised by SPI under which the Port Authority and the City would each lease approximately 600,000 square feet of office space in Tower 4 (the southern-most office tower on the Church Street corridor).

The presentation of the transactions reflected in the Conceptual Framework to the Board for its consideration at its September 2006 meeting was dependent on SPI completing certain construction work with respect to the Freedom Tower and the completion of the following items by either the Port Authority, or the Port Authority and SPI, as indicated below.

Port Authority Items – subject to resolution in the sole discretion of the Port Authority:

- Freedom Tower Plan of Financing providing for the construction and operation of the Freedom Tower through stabilization on a self-sustaining basis.
- Lease Commitments to be facilitated by the State of New York from governmental entities for at least 1 million square feet in the Freedom Tower at market rates.
- Confirmation that sufficient third party funds will be available to cover common infrastructure costs that are not allocated to SPI, WTC Retail or the Port

Authority, and that sufficient third party funds will be available to fully cover the cost of sidewalk and street improvements at the World Trade Center site.

- Confirmation from the State of New York that the Port Authority's expenditure of \$250 million in connection with the construction of the Freedom Tower will offset the Port Authority's commitment to the State of New York under the Port Authority's Regional Transportation Program.
- Completion of any actions that may be required by the Lower Manhattan Development Corporation ("LMDC") to enable the construction sequencing plan set forth in the Conceptual Framework.
- LMDC shall transfer title to 130 Liberty Street to the Port Authority and together with the City shall complete any actions that may be required to enable the development of Tower 5 for its highest and best use in the sole determination of the Port Authority.
- Resolution by the Port Authority and Westfield, on a mutually satisfactory basis, of the Westfield right of first offer with respect to certain transactions pertaining to the retail components of the World Trade Center site.

SPI/Port Authority Items – subject to resolution on a mutually satisfactory basis to SPI and the Port Authority:

- Preparation of amendments to the SPI net leases, and, as appropriate, other existing agreements, to reflect the elements of the Conceptual Framework and to provide for a separate lease for each of Towers 2, 3 and 4.
- Preparation of a Site Access Agreement including certain construction access and management guidelines/standards attached to the Conceptual Framework.
- Preparation of a Freedom Tower Development Agreement for the design and construction of the Freedom Tower.
- Preparation of an East Bathtub Development Plan, including (a) completion of conceptual plans (together with related cost estimates and schedules for all alternatives) that identify the various program elements and associated areas of the subgrade and podium space in the east bathtub area, including the coordination of each party's mechanical, structural, architectural, security and programmatic requirements, and addressing such elements as office lobby locations, core layouts, retail location, storage areas, service access, pedestrian and vehicular circulation, vertical transportation, and egress; (b) completion of preliminary documents consisting of drawings, outline specifications, construction cost estimates and construction schedules and presentation materials providing for design of architectural and engineering components of the east bathtub, to the maximum extent practicable, and consistent with the definition of

“later schematics or early design development”, excluding interior construction, in the American Institute of Architects Handbook of Professional Practice, vol. 2 (1994), “Design Decisions” pp. 641-2; (c) the number of east bathtub parking spaces that SPI may exchange for parking spaces under the Freedom Tower and Performing Arts Center and the general location of such Freedom Tower and Performing Arts Center parking spaces; (d) an expedited dispute resolution process for material redevelopment issues; and (e) a funding mechanism to ensure that sufficient funds will be available to pay SPI’s and the Port Authority’s respective shares of these costs.

- Preparation of a statement defining the roles and responsibilities of SPI, the Port Authority, WTC Retail LLC and Port Authority Trans-Hudson Corporation (“PATH”) with respect to the construction of the podiums, subgrade area and office towers in the east bathtub, together with a financial plan (with a construction budget) for the execution of the east bathtub development.
- Preparation of a space lease option agreement (including a space lease term sheet) for each of the Port Authority and the City incorporating the provisions of set forth in the Conceptual Framework.
- Identification of the space in Towers 2, 3 and 4 which shall be subject to the Lease dated July 24, 2001 between 1 World Trade Center LLC, as landlord, and the Port Authority, as tenant, in the event that SPI does not exercise the space lease option with respect to the Port Authority.
- Preparation of mutual releases for certain claims and SPI discontinuance, with prejudice, of certain litigation.
- Issuance of inducement resolutions or other similar official action allocating Liberty Bonds to SPI and the Port Authority by the State of New York and the City, on the basis set forth in the Conceptual Framework.
- Clarification of the status of insurance claims under the net lessees’ insurance policies.
- Subject to resolution by the Port Authority and Westfield, on a mutually satisfactory basis, of the Westfield right of first offer with respect to certain transactions pertaining to the retail components of the World Trade Center site, agreement as to the terms and conditions under which the Port Authority shall sell and SPI shall acquire WTC Retail LLC.

The above items have been completed to the extent set forth below and as described in the various proposed agreements summarized below.

Freedom Tower Plan of Financing

A preliminary financing plan for the Freedom Tower has been developed providing for the use of available sources of funds given current assumptions with respect to project costs, interest rates, rental rates and other key factors. The preliminary plan is based on *pro forma* projections of returns from the Freedom Tower given varying assumptions regarding final project costs and economic conditions. A final financing plan for the Freedom Tower is expected to be presented to the Board of Commissioners in connection with the presentation of the leases with the governmental tenants described below. Inevitably, as in any other financing plan of this type, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, estimates of future revenues and expenses constitute present estimates and statements of expectation, which may or may not be fulfilled in the future. Additionally, there are likely to be differences between the forecasts underlying the plan and actual results, and those differences may be material.

Funding sources for the Freedom Tower include an allocated portion of the amounts that are available and to be collected under net lessees' World Trade Center insurance coverage, Liberty Bonds to be issued for the Freedom Tower, amounts attributable to recoveries under the Port Authority's property damage insurance coverage that have been allocated to Six World Trade Center (the former United States Customs House), the offset to the Port Authority's commitment to the State of New York under the Port Authority's Regional Transportation Program, and the issuance of debt by the Port Authority for Freedom Tower project expenses. The use of these funding sources is phased in the financial plan, so as to minimize carrying costs while allowing for potential delays in the availability of insurance proceeds as a result of the pending litigation and the appraisal proceeding.

The financial plan establishes a base case set of variables, including interest rates, development costs, construction duration, and rent levels and, given the base level of those variables, projects financial results, including internal rate of return on equity, debt service coverage ratios, free cash flow, and value, net of debt, after stabilization. These critical variables are then "stressed" to project various potential outcomes based on the *pro forma* results. The terms of the Freedom Tower lease commitments described below have been factored into the base case.

The Freedom Tower *pro forma* projections indicate a positive net present value under all scenarios. Including ground rent, these values range from \$285 million to \$478 million, depending on the final Freedom Tower project costs. In addition, the Freedom Tower financing plan indicates a range of debt service coverage ratios which suggest that it could be financially self-sustaining, although, applying any number of the stressing assumptions, the rent under the Net Lease would have to be subordinated to maintain acceptable coverage ratios.

Freedom Tower Lease Commitments

U.S. Government

On July 29, 2003, the General Services Administration (“GSA”) and the Port Authority entered into an initial Memorandum of Agreement regarding the rights and obligations of the parties under the lease with respect to the former Six World Trade Center, in light of the terrorist attacks of September 11, 2001. During April 2006, the Port Authority advised GSA that, in connection with the Conceptual Framework, it was contemplating replacing GSA’s former Six World Trade Center space through a lease at the Freedom Tower. On June 28, 2006, GSA and the Port Authority executed (and U.S. Department of Homeland Security, including U.S. Customs and Border Protection (collectively, “DHS/Customs”) ratified) a Memorandum of Agreement No. 2, indicating their then-current state of discussions.

On September 15, 2006, GSA and the Port Authority executed (and DHS/Customs ratified) a Memorandum of Agreement No. 3 (“MOA No. 3”). The express purposes of MOA No. 3 were to: reaffirm both parties’ intent to consummate an amended and restated lease (the “Amended and Restated Lease”); emphasize the continued commitment of the parties to cooperate in good faith to facilitate a renewed Federal presence at the Freedom Tower and the World Trade Center site; and summarize the then-current state of discussions.

MOA No. 3 expressly states that final execution of the Amended and Restated Lease is subject to: (i) satisfactory evidence of the net lessor’s net lease of the Freedom Tower and the Port Authority’s ownership of the ground beneath the Freedom Tower, its right to construct and lease space to the Federal Government in the Freedom Tower, and its financial capacity to construct the Freedom Tower and perform under the lease; (ii) formal United States Office of Management and Budget (“OMB”) and Congressional approvals (or special legislation) authorizing and appropriating funds to GSA to expend rental-of-space-funds in an amount necessary to cover the occupancy costs for the space in the Freedom Tower; (iii) GSA and the net lessor agreement to final terms and provisions of the Lease, including (a) the Port Authority’s ability to satisfy the program requirements of Federal tenants, (b) the Port Authority’s ability to satisfy Federal legal and policy requirements, and (c) agreement by both parties to all financial terms; (iv) the proposed GSA lease in the Freedom Tower scoring as an Operating Lease pursuant to applicable OMB A-11 Scoring Guidelines for Federal leases; (v) written commitments from Federal agencies made a part of GSA’s housing plan for the Freedom Tower; and (vi) Port Authority Board approval.

MOA No. 3 provides that the Amended and Restated Lease would provide for the following key terms: 489,043 usable square feet above-grade (plus 3,742 usable square feet below-grade and additional below grade space for parking and other needs to be negotiated); an initial term of 20 years firm (with 12 successive 5-year renewal terms, exercisable upon 12 months prior notice, at a rate to be negotiated); an initial base rent to be negotiated based on the following components (with a “cap” on the final rent of \$59.05 per rentable square foot) -- core and shell costs related to the premises (less \$345,652,122 attributable to an allocation under the Port Authority’s property damage insurance for the former Six World Trade Center), a return to the Port Authority on GSA’s proportionate share of the Freedom Tower land cost, building operating and maintenance expenses and insurance, World Trade Center site-related operating and maintenance costs, GSA’s tenant

improvements allowance, and payment-in-lieu-of-taxes attributable to the Freedom Tower; a change in base rent over the term subject to future negotiation; pass-throughs over a base amounts in operating expenses and payments-in-lieu-of-taxes (except GSA will pay for its own electricity); 425 parking spaces, utilizing an “in and out” configuration (with approximately 162 within the World Trade Center site); and a tenant improvements allowance of \$68.95 per usable square foot (to be amortized within rent) for hard and soft costs (plus an additional allowance, upon GSA’s request, in an amount not to exceed \$30 per usable square foot, to be amortized through increased rent).

NYS Office of General Services

On September 6, 2006, the Port Authority and the State of New York, acting through the Commissioner of General Services (“OGS”), executed a non-binding term sheet outlining the major business terms of a proposed lease at the Freedom Tower (the “OGS Lease”). Unless and until a definitive lease agreement is executed, neither party is bound. The OGS term sheet also provides that the OGS Lease is subject to the applicable approval processes of each party.

Under the OGS term sheet, OGS will lease approximately 415,000 contiguous rentable square feet on mid-level floors served by the same elevator bank (with the options (i) to lease up to an additional 600,000 rentable square feet under the same terms if exercised by December 31, 2007, and (ii) within 90 days after lease execution, to increase or decrease the space (in full floor increments) by up to 10 percent); an initial term of 15 years (subject to annual appropriations) (with renewal terms of 5 or 10 year periods, upon 36 months prior notice, not to exceed an aggregate renewal period following the initial term equal of 35 years, at 95 percent of then-current fair market rental rate taking into account 100 percent of the prevailing market concessions); at a base rent of \$58.50 per rentable square foot for years 1-5 (\$65.50 for years 6-10 and \$73.36 for years 11-15); pass-throughs over a base amount (except OGS will pay for its own electricity); subject to construction milestones to be finalized in the lease, an OGS one-time right to terminate; a landlord termination right for all or a portion of the lease on the 10th anniversary of rent commencement; an OGS contraction right of up to 10 percent on the 5th and 10th anniversaries of lease commencement and the 5th anniversary of any 10 year renewal period commencement; 40 parking spaces, to be located no more than 3 blocks from the Freedom Tower, at a most-favored-nation rate; and, in addition to a base building completion obligation, a tenant improvement allowance of \$60.00 per rentable square foot (to be amortized within rent) for hard and soft costs (plus an additional allowance, in an amount not to exceed \$90 per rentable square foot, to be amortized into the rent if used).

Metropolitan Television Alliance License and Lease

On September 20, 2006, the Metropolitan Television Alliance LLC (“MTVA”), a joint venture of nine member television stations (WABC, WNET, WNYW, WPXN, WCBS, WNBC, WNJU, WPIX and WWOR), entered into a non-binding term sheet with the Port Authority. The MTVA and its constituent stations are to lease approximately 60,655 rentable square feet of space in the 89th and 90th floors of the Freedom Tower for broadcast facilities, along with certain other areas in the Freedom Tower for support facilities, and would be granted a license to use the antenna tower on top of the building. Individual stations will lease a portion of the space, and there will be

common space leased by MTVA. Under the lease MTVA would make an upfront payment of \$20 million due 30 days after completion of landlord's work on the space and mast, and pay rent for a 30 year term, plus two 10 year extension options, starting at \$10 million per year and escalating by 10 percent in years 6, 11, and 16, and by 3.5 percent in year 21 and each year thereafter. Rent would commence at the earlier of 8 months after broadcasting begins and 12 months after substantial completion and delivery of landlord's work. MTVA and the Freedom Tower net lessee would each receive 50 percent of gross service revenues, except that the Freedom Tower net lessee would be entitled to 100 percent of any rent paid by any additional television broadcasters using the antenna and MTVA would be entitled to 100 percent of any "buy in" from the additional broadcasters for costs of the tenant improvements and antenna paid for by MTVA. The Freedom Tower net lessee would pay a brokerage commission pursuant to a separate agreement.

Infrastructure Costs

There are significant common infrastructure components (building structures and systems) to be shared among the various commercial, transportation, memorial and cultural facilities that are necessary to complete the redevelopment of the World Trade Center site. Responsibility for funding of these common infrastructure components is to be shared by various project sponsors and other stakeholders, as described below. The common infrastructure scope at the World Trade Center site includes design and construction of the central electrical and mechanical systems, underpinning of the New York City Transit 1/9 subway line at the World Trade Center site, service roadways and ramps, vehicles security center modifications and utility connections, and security facilities. Other infrastructure projects include streets and sidewalks and associated site civil utilities, rock excavation, and SPI parking area base building systems.

Total infrastructure costs for the entire World Trade Center site are currently estimated at \$1.529 billion, of which \$321 million is related to the PATH Transportation Hub project and will be reimbursed by the Federal Transit Administration ("FTA"), leaving a balance of \$1.208 billion. Of this amount, other sources totaling \$664 million have been identified from the Port Authority, SPI, the Metropolitan Transportation Authority of the State of New York, LMDC and the City, as well as \$361 million from the FTA under a "Letter of No Prejudice" which would release certain reserves being held by the FTA until completion of various FTA funded projects within budget, including the PATH Transportation Hub project. Thus, a balance of \$183 million remains unfunded, primarily attributable to the proposed West Bathtub access, security improvements during construction, and East Bathtub turnover acceleration.

Regional Transportation Program Offset

In a letter dated June 29, 2006 to the Port Authority, the Governor of the State of New York confirmed that the Port Authority's expenditure of \$250 million in connection with the construction of the Freedom Tower (exclusive of insurance proceeds pertaining to the Freedom Tower) would offset the Port Authority's entire commitment for the State of New York under the Port Authority's Regional Transportation Program, superceding the Governor's July 19, 2005 letter pertaining to the allocation of funds from this Program for certain security features of the

Freedom Tower. The letter also indicated that this Program offset would be effective at such time as the transactions reflected in the Conceptual Framework are approved by the Board of Commissioners.

Certain Environmental Matters

In January 2004, LMDC released a Draft Generic Environmental Impact Statement (“DGEIS”) for the World Trade Center Memorial and Redevelopment Plan (the “Plan”) and in April 2004 the Final Generic Environmental Impact Statement (“FGEIS”) for the Plan. In June 2004, LMDC published the Record of Decision (“ROD”) for the Plan and adopted the General Project Plan (“GPP”) for the LMDC’s World Trade Center Memorial and Cultural Program. Implementation of the Plan began with the formal groundbreaking for the Freedom Tower on July 4, 2004. Preliminary design and engineering work led to certain adjustments and refinements in the GPP, which were analyzed in an Environmental Assessment (“EA”) released for comment in April 2005 (“2005 EA”). That 2005 EA concluded that the environmental impacts for the Plan with such refinements would not differ significantly from those set forth in the FGEIS; LMDC approved the refinements, in May 2005 and issued a Finding of No Significant Impact (“FONSI”). Continuing design and engineering work for the Freedom Tower, particularly in response to security concerns expressed by the New York City Police Department, led to revisions to the Freedom Tower design. A Technical Memorandum considering the potential environmental impacts resulting from those changes was prepared in September 2005. That Technical Memorandum concluded that there would be no significant adverse impacts from the design changes and, accordingly, that there was no need to supplement or amend the FGEIS or the ROD, or take any other further action.

As planning and implementation of the Plan have advanced, and because the approved Plan was generic, preliminary design and engineering have led to certain further adjustments and refinements based on coordination with other agencies and entities, as well as market, design and financial considerations. In the summer of 2006, LMDC prepared an EA (“2006 EA”) to document and assess the potential environmental impacts of changes in the planning, engineering, design, and construction of the World Trade Center site since the 2005 EA and Technical Memorandum. Specifically, the 2006 EA addressed certain Plan changes; modifications to the Memorial design; a reduction in the proposed use of river water-cooling on the World Trade Center site; and certain revisions to the construction staging and phasing of components of the Plan. On September 7, 2006, LMDC issued a FONSI on the proposed further refinements to the Plan.

In July 2005, the Board authorized an Energy Services Program Agreement with the New York Power Authority (“NYPA”) pursuant to which NYPA may undertake and finance projects at Port Authority facilities designed to reduce energy costs and/or provide significant environmental benefits. Staff has now negotiated a Memorandum of Understanding with NYPA, the New York Energy Research and Development Authority (“NYSERDA”) and the World Trade Center Memorial Foundation with respect to certain World Trade Center environmental and energy commitments for the Freedom Tower, Tower 5 and public spaces, including, NYPA’s agreement to finance up to \$30 million in certain energy efficiency capital costs and 1.2 megawatts of fuel cell

capacity in the Freedom Tower, as well as a commitment by the Port Authority to obtain Leadership in Energy and Environmental Design certification from the U.S. Building Council for the core and shell of the Freedom Tower and Tower 5 and certain commitments to purchase renewable energy attributes from NYPA.

LMDC and City Agreements Pertaining to the Implementation of the Conceptual Framework

In May 2003, the Board authorized, and the Port Authority subsequently entered into, a memorandum of understanding with LMDC under which the Port Authority committed to the implementation of the Plan. As part of that commitment, in December 2003, the Port Authority required the net lessees of the office and retail components of the World Trade Center, in connection with their lender repayment transactions, to agree to the amendment of their net leases to adjust and reconfigure their net leased premises. That amendment permits the rebuilding of the World Trade Center site in accordance the Plan.

In February 2006, the Port Authority entered into a Memorandum of Understanding (“February 2006 MOU”) establishing a schedule for completing the allocation of the property interests identified in accordance with the Plan. In the February 2006 MOU, the Port Authority, LMDC and the World Trade Center Memorial Foundation acknowledged a multi-step phased process, and that the effectuation of the transactions contemplated in this process would be subject to various future approvals, actions and events that may affect the scope and timing of such phases.

Pursuant to the February 2006 MOU and the World Trade Center Redevelopment Agreement entered into between the Port Authority and the City on November 24, 2004, the Port Authority, the City and the LMDC will be required to execute a series of documents to effectuate the land transfers necessary for the Plan. Such agreements will include an agreement among the City, the Port Authority and LMDC, requesting that LDMD facilitate a series of land transfers intended to result in the Port Authority obtaining title to land necessary to implement the Plan, and the City obtaining title to certain surface rights of realigned streets within the World Trade Center site. In connection with the land transfers the Port Authority would indemnify LMDC against claims relating to its actions facilitating the land transfers and reimburse any costs related to the land transfers. LMDC will also amend the GPP to cover certain property interests in certain sub-surface portions of the adjoining City streets and privately owned land for tie-back easements and/or certain property interests to accommodate the construction of the slurry walls required. Such tie-back easements may be acquired by the Port Authority through the LMDC or directly from the respective property owners, to the extent necessary for the construction slurry walls in connection with the redevelopment of the World Trade Center.

In connection with the land transfer agreements, the Port Authority would also indemnify the title insurance company providing title insurance with respect to the net leased properties and SPI, against any claim or loss caused and /or arising out of the property transfers referenced above. Additionally, in a separate letter the City would also acknowledge that the City would neither object to nor take any action to prevent any of the leasing and/or construction by SPI or

the Port Authority on the basis that the City holds or may hold fee title to certain property located at the World Trade Center site.

In consideration for the Port Authority's agreement to eliminate an enclosed galleria on Cortlandt Street, the City has agreed to transfer, subject to certain use restrictions, the property interests in the Cortlandt Street and Dey Street rights-of-way. Additionally, to compensate the Port Authority for loss of retail value as a result of the elimination of the galleria the City will provide certain credits in an amount of approximately \$34 million to be applied toward the Port Authority's PILOT payments, as adjusted to take account of certain matters relating to the City's space lease in Tower 4. Additionally, the agreement will allow the development of Tower 5 to be increased by 100,000 square feet, so that the amount of developable space for Tower 5 will be 1.3 million square feet.

With respect to continuing planning for the redevelopment of the World Trade Center site, the City and the Port Authority will also enter into an agreement providing for the City to continue meet and confer to revise the World Trade Center commercial design guidelines and the for the City's continuing role in review and consideration of building and open space design issues and the development of a site-wide streetscape and open space plan for the World Trade Center site.

WTC Retail LLC

In connection with the December 2003 acquisition of the retail net lessee by the Port Authority from Westfield, Westfield retained certain rights of first offer in connection with the future development of the retail components of the World Trade Center. On the basis of discussions among the Port Authority, SPI and Westfield, it was concluded that Westfield's rights of first offer could not be resolved on a mutually satisfactory basis sufficient to permit the Port Authority and SPI to pursue a sale of the retail net lessee to SPI under the Conceptual Framework. Under the Mutual Release described below, SPI will have released any rights to lease or own any retail space at the World Trade Center or to own the lessee of any such space.

Amendments to Net Leases and Related Documents

Net Leases

There will be five separate Amended and Restated Agreements of Lease, one for each of the Freedom Tower, Tower 2, Tower 3, Tower 4, and the retail areas, as well as a new Agreement of Lease for Tower 5 (collectively the "Net Leases"). The "Net Lessees" of each of the Net Leases would be as follows: (i) 1 World Trade Center LLC, an entity to be acquired from SPI by the Port Authority, as net lessee of the Freedom Tower and Tower 5; (ii) 2 World Trade Center LLC, 3 World Trade Center LLC and 4 World Trade Center LLC (the "SPI Net Lessees"), entities controlled by SPI, as net lessees of Towers 2, 3, and 4, respectively; and (iii) WTC Retail LLC, an entity owned by the Port Authority (the "Retail Net Lessee"). The Net Leases would set forth the operating and management responsibilities of each Net Lessee with respect to the "Net Leased Properties," including the obligation to construct the new towers and redeveloped retail

portions, as applicable. The term of each Net Lease would be 99 years from the original commencement in 2001. In essence, while the 2001 net leases are amended to effectuate the implementation of the Conceptual Framework, the overall rights, obligations and remedies established in the 2001 net leases are being left intact to the greatest extent possible.

Each Net Lessee would pay to the Port Authority: (i) base rent, graduated over the term of the Net Lease; (ii) a percentage of gross revenues from the Net Leased Property; and (iii) with respect to the Net Leases for the Freedom Tower and Towers 2, 3, 4 and 5, Additional Base Rent. Additional Base Rent, in the case of the SPI Net Leases is payable over a 40 year period commencing on January 1, 2017 and in the case of the Freedom Tower and Tower 5 Net Leases, is payable commencing on the date a space tenant first begins paying rent over a 30 year period from August 1, 2001. Additional Base Rent is payable to the Port Authority to the extent cash flow is available after the payment of all other rentals, operating expenses, certain reserves and monthly capital costs and, in the case of the SPI Net Leases, debt service on SPI's financing for each Tower (but not in excess of approximately \$3 billion in total aggregate amount of Liberty Bonds and construction mezzanine/junior loans for Towers 2, 3 and 4). In the event Additional Base Rent is not paid, such amounts are to accrue interest at a rate equal to (i) 10 percent per annum and (ii) in the case of the SPI Net Leases only, 12 percent while any construction mezzanine/junior loans are outstanding.

In the case of the SPI Net Leases, on the occurrence of a capital event, the Port Authority would receive a 15 percent participation in the capital event, determined on a tower-by-tower basis, payable from the date that the Completion Guaranty described below is released. The Port Authority would receive its participation until it shall have received \$193 million, except as set forth below, together with 8 percent interest commencing on January 1, 2006, and compounded annually, and thereafter, the Port Authority would receive a 5 percent participation in any capital events. SPI may prepay all or any portion of the \$193 million prior to December 31, 2016, without accrued interest.

Each Net Lessee would make semi-annual payments-in-lieu-of-taxes to the Port Authority equal to the Net Lessee's allocated share of the payment due to the City in lieu of taxes pursuant to the terms of the 1967 agreement between the Port Authority and the City (the "PILOT Agreement"), and, with respect to space tenants, an amount equal to the escalations in real estate taxes that would be payable if the Net Leased Properties were owned by a non-governmental entity, less escalations determined under the PILOT Agreement. If it is determined that real property taxes are payable with respect to the Net Leased Properties, the Port Authority would be responsible for the payment of all such amounts, which the Net Lessees would be entitled to offset against rent if they make such payments on behalf of the Port Authority. Additionally, the Port Authority would take whatever actions were required to prevent a foreclosure or forfeiture of the Net Lessees' leasehold estate and/or the Port Authority's fee interest in any part of the World Trade Center as a result of a real property tax lien.

The Net Lessees would have an obligation to pay the Port Authority an amount equal to the Port Authority's obligation to NYPA for the quantity of electricity purchased by the Port Authority and made available to the Net Lessees (whether or not each World Trade Center space tenant paid all or any part of the bills rendered to it by the Net Lessees), and, pursuant to applicable statutes, a cost recovery charge attributable to the Port Authority's investment in the site-wide electrical

distribution system, as well as Port Authority's operation and maintenance expenses, plus an allowance for general and administrative costs.

The Net Lessees would construct the buildings (or retail components in the case of the Retail Net Lease) and, in the case of the SPI Net Leases and the Retail Net Lease, this construction would be in accordance with the Master Development Agreement described below. Additionally, the SPI Net Lessees could not assign the Net Leases prior to substantial completion of the applicable building to an entity who is not a "Qualified Developer." In the case of the Freedom Tower and Tower 5, the Port Authority and the respective Net Lessee would agree to development terms in the future.

Prior to exercising any termination rights for a Net Lessee default under the SPI Net Leases, the Port Authority would be obligated to commence a declaratory judgment and obtain a final non-appealable judgment confirming such default. Prior to "Substantial Completion" of Towers 2, 3 and 4, a construction default under the SPI Net Leases could only occur by reason of a default under the Completion Guaranty.

In the event the Port Authority decides to sell to a non-governmental entity its fee interest in any of the Net Leased Properties subject to an SPI Net Lease, the applicable SPI Net Lessee would have a right of first offer to purchase the fee interest.

The SPI Net Lessees would receive, at no additional charge, a designated subsurface area of the World Trade Center for parking for its tenants and other occupants at Towers 2, 3 and 4.

Each Net Lessee would maintain its Net Leased Property and comply with building, health and fire codes, security guidelines and rules and regulations established by the Port Authority and amended from time to time ("Port Authority Manual"). Unless the New York City Building Code or other municipal safety codes or regulations are subsequently modified, any increased costs caused by modification of the Port Authority Manual, in excess of each Net Lessee's allocable share of \$1 million of capital costs in each 10-year period and in excess of each Net Lessee's allocable share of \$1 million per year of operating expenses, are to be borne by the Port Authority. The Net Lessees would also be required to maintain reasonable levels of property damage/loss of revenue insurance coverage, including builders' risk coverage during construction and terrorism coverage, for the Net Leased Properties. The Port Authority would continue to maintain its statutory jurisdiction and oversight with respect to (i) compliance with applicable building codes, subject to existing agreements with the City; (ii) compliance with fire, environmental, and health codes; (iii) the operating integrity, when constructed, of the elevator/escalator systems, electrical and mechanical systems, and the structural integrity of the World Trade Center; (iv) the administration of the Primary Distribution Center for electrical distribution; and (v) Port Authority police. Additionally, the Port Authority would provide sufficient staff and resources, following Substantial Completion of the Net Leased Properties, to satisfy various code compliance and inspection functions.

The Net Lessees would be required to comply with the office tenant eligibility criteria set forth in the bi-State enabling legislation authorizing the development of the World Trade Center by the Port Authority. The Net Lessees could install accessory/tenant identification and advertising signage on the exterior of the buildings in a manner consistent with that permitted by zoning regulations in New York City. The SPI Net Lessees would be prohibited from installing any public television

broadcasting equipment on their Net Leased Properties. In the event the SPI Net Lessees install non-television broadcasting equipment, the Port Authority would be entitled to 50 percent of all revenues derived from such equipment, less the unamortized cost of installing the equipment plus interest.

Trademark License Agreements

On July 24, 2001, The World Trade Centers Association (“WTCA”) entered into Trademark License Agreements with the Net Lessees, which granted the Net Lessees the right to use the trademarks “WORLD TRADE CENTER” and “WTC” in their corporate names and building addresses. On the same day, the Port Authority also entered into Trademark License Agreements with the Net Lessees, which granted the Net Lessees the right to use certain service marks, including the “Twin Towers” service mark, in connection with operations at the premises. These Trademark License Agreements from the WTCA and the Port Authority would be amended to reflect the reconfiguration of the World Trade Center site, new address designations therein and changes in the Net Lessees’ corporate names since July 24, 2001. Also, SPI would assign to the Port Authority the trademark “Freedom Tower”.

Agreement for Purchase and Sale of Membership Interests (“PSA”)

The Port Authority is to purchase from SPI 100 percent of the membership interests of 1 World Trade Center LLC, which will construct and be the net lessee of the Freedom Tower and Tower 5.

The PSA would generally contain representations and warranties and other provisions which are customarily found in agreements for the purchase and sale of ownership interests in a continuing legal entity such as a limited liability company. SPI’s representations to the Port Authority will cover such matters as title to the membership interests, existing contractual obligations (both written and oral), leases and lease-related correspondence, litigation and the like.

The result of the PSA is to provide that 1 World Trade Center LLC will own all Freedom Tower assets, subject only to Freedom Tower liabilities. All Freedom Tower rights and property and all Tower 5 rights and property of any SPI affiliates will be owned and controlled by 1 World Trade Center LLC and no other Silverstein entity. Certain specified claims by 1 World Trade Center LLC relating to the events of September 11, 2001 are to be excluded from the sale and retained by SPI. Generally, 1 World Trade Center LLC will continue to be bound by existing contracts, leases and the like reflected in disclosure exhibits attached to the PSA. All prorations between SPI and the Port Authority are to be based on obligations incurred/accrued as of October 1, 2006, whether or not billed, except for two specified pre-closing construction commitments relating to foundation excavation and steel with approximate costs of \$14.5 million which would be the continuing responsibility of 1 World Trade Center LLC and the Port Authority.

World Trade Center Properties LLC (“Guarantor”) will guarantee prorations and liabilities of Seller. Guarantor is the indirect owner of 100 percent of the membership interests in all three SPI Net Lessees. Audited balance sheets of Guarantor for 2003, 2004, and 2005, and a detailed verbal description of Guarantor’s ownership of the SPI Net Lessees are included in the PSA. The PSA

also requires a limited certification from Guarantor's accountants.

Liabilities for damages from breaches of most representations and warranties would be capped at \$15 million and would survive closing for 12 months. Liabilities related to proration and certain state and local tax matters arising through closing would be guaranteed indefinitely (subject to the normal statutes of limitations) and will not be subject to any maximum amount. In the event that any payments are required with respect to such tax matters, the Port Authority will reimburse SPI for 43.5 percent of any amounts paid post-closing.

Incremental Security Agreement – Assignment and Assumption Agreement

The Incremental Security Agreement, an August 2, 2005 agreement relating to the funding for security enhancements pursuant to which the Port Authority agreed to pay certain increased costs for the safety and security of the Freedom Tower, is to be assigned to 1 World Trade Center LLC.

Tishman Contract

The SPI Net Lessees entered into a General Contractor Agreement dated September 10, 2003 with Tishman Construction Corporation for the redevelopment of the World Trade Center site. By a Second Amendment to be entered into, 1 World Trade Center LLC and each of the other Net Lessees are to agree among themselves and with Tishman to create separate obligations for each Tower and to eliminate any cross-liabilities. Additionally, the Port Authority (for 1 World Trade Center LLC) and Tishman are currently negotiating a Third Amendment to establish the rights and responsibilities of the parties relative to the construction solely of the Freedom Tower. The Third Amendment will seek to establish a process for Tishman to perform construction management services for the Freedom Tower project, identify Tishman's fee, set the amount of contingency and allowable uses of contingency, and establish Tishman's role, allowable general conditions costs, bidding requirements, bonding requirements, payment terms, insurance obligations, indemnity obligations and Tishman's liability limits.

After closing, the Port Authority would advance Freedom Tower construction activities with Tishman at an estimated amount of \$30 million through the end of 2006. The purpose of this effort is to ensure the continuation of construction activities without interruption. Such construction activities will also protect the Port Authority from additional costs for delay, and any mobilization or de-mobilization penalties or additional escalation costs. These initial construction activities are primarily focused on bringing the Freedom Tower up to grade.

SOM Contract

The Port Authority is currently negotiating the terms of an agreement for architectural services for the Freedom Tower between 1 World Trade Center LLC and Skidmore, Owings & Merrill LLP (“SOM”). SOM is the architect that has been working with SPI on the design of the Freedom Tower (and certain master plan services). Although SOM and other design and engineering consultants have performed significant services relating to the Freedom Tower for SPI, there have never been any signed agreements for those services.

After closing, the Port Authority would advance the design activities with SOM and other key design consultants for the estimated amount of \$20 million through the end of 2006. The purpose of this effort is to support the Freedom Tower project and key construction activities to maintain a continuous design effort. These design activities are essential to supporting the continuous construction and at the same time mitigating any impact costs that may be generated by a lack of a continuous design effort.

East Reciprocal Easement and Operating Agreement

The Port Authority, the Retail Net Lessee and the SPI Net Lessees would enter into a new Second Amended and Restated Reciprocal Easement Agreement for the area known as the East Bathtub (“East REOA”). The Reciprocal Easement and Operating Agreement for the balance of the World Trade Center site is a separate agreement to be known as the “West REOA.” The East REOA would establish a Net Lessees’ association (“NLA”) as the vehicle to operate, manage and maintain the building systems and areas common to the Retail Net Lessee and the SPI Net Lessees, directly or through a property manager. The NLA, comprised of the SPI Net Lessees and the Retail Net Lessee, would be controlled by SPI interests for so long as SPI interests lease a majority of the square footage comprising the East REOA Properties.

The East REOA would: (i) grant the easements necessary to enable the operation of the common areas of the certain East Bathtub common properties and the property occupied by the Retail Net Lessee and the SPI Net Lessees; (ii) provide for the allocation of costs of common building systems and other services provided by the NLA; (iii) establish certain paramount rights of the Port Authority and certain Port Authority responsibilities as a governmental entity; (iv) establish a cost allocation methodology and auditing procedures; (v) provide for compliance with security standards, the bi-State enabling legislation authorizing the development of the World Trade Center by the Port Authority, and applicable Federal and state statutory and constitutional law with respect to continuous expressive activity directed to the public; (vi) provide general easements to the Port Authority to allow public access to certain common areas; (viii) provide for the sponsorship of public events and the rights of the Retail Net Lessee to use the common areas including the sidewalks and Cortlandt and Dey Streets; and (ix) provide for the payment of a monthly contribution for site-wide ongoing operating and capital expenditures by the SPI Net Lessees, beginning three years after substantial completion of Towers 2, 3, and 4, equal to \$0.80 per rentable square foot of leased space in the buildings, such amount to increase by the Consumer Price Index every year commencing September 1, 2008. If occupancy of any of the three buildings thereafter drops below 50 percent, a minimum contribution (calculated by applying 50 percent of the greatest amount of rentable square feet ever leased in that building to

the multiple then in effect) would be payable with respect to that building until 50 percent occupancy is restored. The NLA would implement capital projects that the NLA believed to be desirable in connection with the East REOA common areas. The East REOA would provide for remedies enforceable by the NLA in the event of a default thereunder by the SPI Net Lessees and the Retail Net Lessee. The parties to the East REOA would agree to use commercially reasonable efforts to correct, amend or modify the East REOA and the allocation of costs, expenses and services if necessary to achieve the intent of the parties to the East REOA. The East REOA would maintain the same rights of purchase by the Net Lessees and the Retail Net Lessee in the event of the privatization of the World Trade Center site that existed in 2001.

West Reciprocal Easement and Operating Agreement

A separate West REOA would be entered into for the World Trade Center site, other than Towers 2, 3 and 4, and the St. Nicholas Greek Orthodox Church at the World Trade Center.

The terms and provisions to be used in the East REOA are also to be utilized, to the extent applicable, in the West REOA in order to provide for uniform standards and procedures for all components of the World Trade Center. The West REOA is also to provide for the operation of the Central Chiller Plant, Operations Control Center, Vehicle Security Centers, common corridor, plaza and street areas (including passageways to Battery Park City), and other common facilities. The costs to maintain and operate the common facilities, in excess of the contributions to be made by the SPI Net Lessees, are to be shared by the parties to the West REOA in accordance with a cost sharing formula to be determined based on estimated usage and other factors. The West REOA would be subject to amendment as appropriate as additional World Trade Center site stakeholders become parties to the agreement.

Site Access Agreement

The general provisions of site access exhibit attached to the Conceptual Framework have been modified and included in the Master Development Agreement.

Freedom Tower Development Agreement

1 World Trade Center LLC is to enter into a Freedom Tower Development Agreement with Silverstein Freedom Tower Development LLC (“Silverstein Development”), an affiliate of SPI which is currently 100 percent owned by Larry A. Silverstein. A development fee will be fixed at \$21.5 million, payable in monthly installments of \$500,000, starting as of October 1, 2006. The fee would not be adjusted for any future changes or events, including cost increases or decreases, project changes, or construction delays. Silverstein Development would make itself available only as and when specifically requested by the Port Authority. The Port Authority would agree not to retain any other “fee developer” to provide comprehensive development management services for the Freedom Tower, although the Port Authority would have the right to engage third-party consultants to provide and assist with architectural, engineering, construction, environmental, leasing, property management and other services necessary for the

development, construction and operation of the Freedom Tower Project. Under the Freedom Tower Development Agreement, the Port Authority has a prior approval right over any official public announcements by Silverstein Development with respect to the Freedom Tower Project. The Freedom Tower Development Agreement contains mutual indemnifications of the parties; and, in the event that the Port Authority is unable to name Silverstein Development as an additional insured under the Port Authority's liability insurance program, the Port Authority would also indemnify Silverstein Development to the same extent that it would have been covered under such program.

Master Development Agreement

The Port Authority and the Net Lessees are to enter into a Master Development Agreement (the "MDA") to provide for the development responsibilities, obligations and rights of the various parties.

Construction Obligations

The MDA would provide for certain East Bathtub improvements to be constructed pursuant to the East Bathtub space allocation concept design, which includes certain below-grade and above-grade improvements. The East Bathtub improvements are to be constructed jointly by the Port Authority, PATH the SPI Net Lessees and the Retail Net Lessee as provided in an East Bathtub roles and responsibilities matrix (the "Matrix") within the time periods set forth in a Master Development Schedule (the "Master Development Schedule"). The Master Development Schedule also provides for the development schedule for the Retail Net Lessee's development project, the PATH Transportation Hub project and the development of the Towers. The MDA would provide for cooperation and coordination by the parties according to their responsibilities for certain work, recognizing that the East Bathtub improvements are to be undertaken concurrently and are integrally intertwined with each other physically, structurally, operationally, programmatically or otherwise. In addition, an entity may construct some of the East Bathtub improvements at the request of another based on a reimbursement of actual trade costs plus a mark up of 1.65. The mark up is 1.75 if the entity not only builds the project but also completes the design.

The MDA would provide that the Port Authority will develop (or cause to be developed) any hotel uses at the World Trade Center site and that any hotel uses in Towers 2, 3 and 4 would be subject to the consent of the SPI Net Lessees. Under the MDA, the Port Authority would contribute \$100 million to the World Trade Center Memorial Foundation to be applied to the Memorial's construction costs, but the MDA would not include provisions dealing with its construction. The MDA would provide that the Retail Net Lessee will be entitled to lease at least 430,000 gross leasable square feet of retail space constructed within the East Bathtub, subject to adjustment in connection with the completion of the planning for certain elements of the East Bathtub. The retail project will be constructed above grade and below grade.

The MDA would provide that the Port Authority shall develop Tower 1 (approximately 2.6 million gross square feet) and Tower 5 (approximately 1.3 million gross square feet) on a scope

and schedule determined by the Port Authority. The SPI Net Lessees would develop Tower 2 (approximately 2.3 million gross square feet of above-grade usable office floor area, excluding lobby, mechanical space, retail and restaurant uses and broadcast facilities (“Office Tower Area”), Tower 3 (approximately 2.1 million gross square feet of Office Tower Area) and Tower 4 (approximately 1.8 million square feet of Office Tower Area), on a schedule described below, with the total Office Tower Area of Towers 2, 3 and 4 not to exceed nor be materially less than 6.2 million square feet. Towers 2, 3 and 4 are to be constructed by the SPI Net Lessees so that substantial completion of the Towers is achieved on or before December 31, 2011 with respect to Towers 3 and 4, and June 30, 2012 with respect to Tower 2, in each case subject to a one-year extension at the option of the SPI Lessees (the “SPI Expected Completion Dates”). The SPI Expected Completion Dates are subject to “Unavoidable Delay”, essentially certain events outside the control of the SPI Net Lessees, including Port Authority fault and breaches of the various agreements that have an impact on the construction schedule.

The MDA would provide for the Port Authority to turn over to SPI Sites 3 and 4 (except for parcels on the west side of each site required to perform 1/9 subway underpinning and other work) by December 31, 2007, and Site 2 (except for parcels on the west side of each site required to perform 1/9 subway underpinning and other work) by June 30, 2008. The retained parcels will be turned over to SPI by the Port Authority, with respect to Site 4 on June 30, 2008 and with respect to Sites 2 and 3 by December 31, 2008. At turnover the sites and parcels will have been excavated by the Port Authority to elevation 240. In the event that the Port Authority fails to meet any of the turnover dates (as adjusted for Unavoidable Delay), the Port Authority will be obligated to pay liquidated damages in the total cumulative amount of \$300,000 per day until all turnover failures are cured. Any liquidated damages received by SPI will be applied by SPI to project costs for Towers 2, 3 and 4.

Under the Guaranty of Completion, the Port Authority has the right to foreclose upon the membership interests and cash proceeds of the SPI Net Lessees in the event that any SPI Net Lessee fails to substantially complete its Tower by the applicable SPI Expected Completion Date, as extended by Unavoidable Delay. After such a completion event of default, the Port Authority may foreclose upon the SPI Net Lessees’ membership interests and certain cash collateral, to the extent that it obtains a final non-appealable determination in a judicial proceedings that such failure to complete has occurred, and such failure to complete shall not have been cured through substantial completion of the applicable Tower at any time prior to such final determination.

Site Access

The MDA would provide for the Port Authority to manage and maintain the facilities for access to the construction areas, including applicable security procedures, and the allocation of expenses for general repairs to, and removal of snow from, the vehicular roadways used by SPI Net Lessees. The location of construction roadways, access gates, and loading areas for cranes and hoists is subject to further discussion and resolution with SPI.

Collateral Documents

Guaranty of Completion - A Guaranty of Completion (“Guaranty”) would be executed by World Trade Center Properties, LLC (“Guarantor/Pledgor”), which is the owner of the membership interests in three holding entities (“Holding LLCs”) that own the membership interests in the three SPI Net Lessees. The Guaranty would include provisions providing for the Port Authority to enter into an intercreditor / creditor-type agreement with any lender providing financing for Towers 2, 3 and 4 (“Tower Lender”) which will address the exercise by the Port Authority of its rights and security interests. The Port Authority will agree to pay-off any financing provided by a Tower Lender as a condition to exercise of its rights and security interests provided that the SPI Net Lessees agree to cooperate with the Port Authority and the Tower Lender to find an alternative to pay-off the debt provided that any guaranty by Larry A. Silverstein or an affiliated entity is returned as part of that alternative.

Collateral Assignment of Membership Interests - The Collateral Assignment of Membership Interests (“Collateral Assignment”) would provide for the pledge and grant to the Port Authority of a security interest and lien on all right, title and interest in and to all limited liability company interests, membership interests and other ownership interests of Guarantor/Pledgor in each of the SPI Net Lessees and is to be executed by Guarantor/Pledgor and the Holding LLCs. The Collateral Assignment provides that upon a completion event of default, the Port Authority has the right to transfer to and designate any person to whom the pledged equity interests in the SPI Net Lessee are to be sold and transferred and to exercise all rights as a secured creditor under the Uniform Commercial Code. In addition to the pledge and security interest granted in the membership and ownership interests in the SPI Net Lessees, the Collateral Assignment also serves to grant a pledge and security interest to the Port Authority in and to certain capital proceeds of a syndication, refinancing or other capital transaction with respect to the equity or debt of the SPI Net Lessees or any of Towers 2, 3, and 4, and in proceeds of a sale or other capital event with respect to any of Towers 2, 3 and 4 that are received by Guarantor/Pledgor or the Holding LLCs (the “Proceeds”). Any Proceeds are to be deposited in a pledged account pursuant to the Security Agreement and held as further security for the obligations of the SPI Net Lessees under the Guaranty. The Proceeds may be used to pay debt service on any financing to be retired and to pay costs to complete development and construction of the Towers pursuant to the development budgets for the Towers. In addition, any capital proceeds which are received directly by the SPI Net Lessees or other Silverstein affiliates and which are disbursed by a lender or other financing source shall not be subject to the lien of the Port Authority, but are required to be used only for expenses in connection with the development and construction of Towers 2, 3 and 4 on the Sites.

Deposit Account and Security Agreement - The Deposit Account and Security Agreement (“Security Agreement”) would provide for establishing not later than the date that any Proceeds have been received by the Guarantor/Pledgor and the Holding LLCs a reserve account (the “Account”) for deposit of the Proceeds which are subject to the lien of the Port Authority as described above and a pledge of this Account to the Port Authority as security for the obligations under the Guaranty.

Infrastructure Improvements

The MDA would require that the SPI Net Lessees make a contribution of \$140 million toward

common infrastructure costs and that the Retail Net Lessee be responsible for \$147 million toward common infrastructure costs. The MDA would provide the cost allocation methodology and responsibility of the Port Authority/PATH and the Retail Net Lessee for reimbursement of costs of certain building core and shell in the podiums, the responsibility of PATH for its share of certain infrastructure and Transportation Hub costs and other costs that are the responsibility of the Port Authority.

The MDA would include certain commitments by the Port Authority to prepare the East Bathtub for commercial development by SPI, including required site turnover dates and conditions. This commercial infrastructure work is in addition to the installation of slurry walls and soil excavation for the East Bathtub being performed under the PATH Transportation Hub project, and would include East Bathtub rock excavation, temporary structures to support the additional excavation, permanent support structures under the 1/9 subway line, as well as additional construction logistics, general conditions, and contractor accelerations associated with this work.

In order to expedite and accelerate this work to meet the East Bathtub site turnover dates (that are subject to liquidated damages payable to SPI as described above), it is presently expected that the Port Authority would utilize certain existing design and construction contractors that are already in place at the World Trade Center site and mobilized to perform similar work on immediately adjacent projects. Such acceleration would require an increase in the contract authorizations for Phoenix Constructors and the Downtown Design Partnership, currently working on the PATH Transportation Hub project, and an increase in a current agreement with Metropolitan Transportation Authority.

The MDA would provide that the Port Authority is responsible for creating the core and shell structure to enable future build-out of a specific demised area for SPI's parking. The plan for implementation of this structural work is currently being developed, and may identify certain portions of work that would be most expeditiously performed by SPI.

Budgets and Financing

The MDA would contain a preliminary development budget for the Towers 2, 3 and 4 and the SPI Net Lessees will be required to provide the Port Authority with updated development budgets and details of financing for the Towers for informational purposes.

Insurance Proceeds and Procurement

The MDA would provide for the allocation and use of insurance proceeds previously collected or to be collected in the future as outlined in the Conceptual Framework. The new allocation to the Retail Net Lessee of insurance proceeds is 8.9 percent, the new allocation to the SPI Net Lessees is 56.5 percent and the new allocation to 1 World Trade Center LLC is 34.6 percent. All insurance proceeds held in the existing insurance escrows are to be deposited into the sub-accounts in those escrow accounts in the foregoing percentages and all future insurance proceeds collected after the date of execution of the MDA are to be deposited into such sub-accounts in accordance with the foregoing allocated percentages. Withdrawals from the sub-account attributable to the SPI Net Lessees shall not exceed a \$60 million annual limit increased by up to

\$10 million per year (to no more than \$70 million) to the extent required to enable the SPI Net Lessees to pay certain expenses associated with development of the World Trade Center site, and management fees equal to approximately \$10 million per annum (up to \$50 million cap for the five-year period commencing July 1, 2007). Any withdrawal from a Net Lessee's insurance escrow sub-account will require the approval and countersignature of the Port Authority.

The insurance provisions of the MDA would provide that if any party, by its actions in connection with its obligations under the MDA, diminishes or impairs the insurance proceeds expected to be received by any of the other parties in the foregoing percentages, such party shall be obligated to make the other parties whole and restore to the respective sub-accounts of the other parties the amount by which such proceeds have been diminished or impaired by the actions of such party.

Indemnification

The MDA would contain mutual indemnifications of the parties with respect to performance of their respective construction work on the World Trade Center site and their use or occupancy of any property within the World Trade Center site. In the event that the Port Authority is unable to name the SPI Net Lessees as an additional insured under the Port Authority's liability insurance program, the Port Authority would also indemnify the SPI Net Lessees to the same extent that that they would have been covered under such program.

Disputes

Other than disputes arising from completion of Towers 2, 3 and 4 by the SPI Net Lessees, the MDA would contain a dispute resolution procedure for any dispute, claim or controversy arising under the MDA. Prior to any arbitration, the parties are required to attempt, for a period of ten business days, beginning upon the date of delivery of a dispute notice, to use good faith efforts to resolve such dispute. If the dispute is not resolved by senior executives of the Port Authority and the SPI Net Lessees within that time, then either party has the right to commence an expedited arbitration procedure which is binding and conclusive upon the parties. The three arbitrators shall be selected by the parties to the MDA or, if they cannot agree, by the Institute for Conflict Prevention and Resolution.

Closing True-Up

At the closing there would be a true-up among the Port Authority, 1 World Trade Center LLC, the SPI Net Lessees and the Retail Net Lessee to reflect the economic substance of the various agreements, as if the closing had occurred on October 1, 2006.

Space Leases in Tower 4

Port Authority Space Lease

The Port Authority is to enter into a space lease (the "Space Lease") with 4 World Trade Center

LLC, under which the Port Authority would rent approximately 600,000 square feet of office space (anticipated to be floors 22 through 36) in Tower 4 (the "Premises"). The Port Authority would have the option to lease one-third of any sub-grade space in Tower 4 available to office tenants, although only minimal amounts of sub-grade space are expected to be available. In addition, the Port Authority would be provided with an exclusive position at the lobby security desk and space in the sublevels to install emergency generators if so desired.

The initial term of the Space Lease would be 30 years, and the Port Authority would have four consecutive five-year renewal options at 95 percent of fair market rent. Fixed rent for the office space would be \$59 per rentable square foot for the first year, increasing by \$1 per rentable square foot in each of years two through five, by \$4.50 per rentable square foot in year 6 (for the ensuing five year period), and then increasing by approximately ten percent for each successive five-year period during the initial term of the lease. In addition to fixed rent, the Port Authority would also pay a proportionate share of real estate taxes/PILOT to the extent that they are applicable and certain operating expenses over a base year.

4 World Trade Center LLC would be obligated to deliver the Premises to the Port Authority upon substantial completion of the core and shell of Tower 4 for Port Authority to perform the interior tenant fit-out in the Premises. The Space Lease would provide for an initial free rent period of 12 months for the Port Authority to complete construction of the interiors as well as a cash contribution from 4 World Trade Center LLC of \$45 per rentable square foot towards the Port Authority's construction costs, currently estimated to be \$125 per rentable square foot. The Port Authority would be entitled to compensation (including additional free rent) if 4 World Trade Center LLC has not delivered the Premises to the Port Authority by the deadline, subject to certain grace periods. In addition, in the event that 4 World Trade Center LLC does not meet certain milestones with respect to the construction of Tower 4 or does not deliver the Premises within nine months following the 48-month deadline, subject to certain grace periods for unavoidable delay, the Port Authority would have the right to terminate the Space Lease.

The Port Authority would have the right to increase the size of the Premises leased under the Space Lease by up to four full floors in Tower 4 at any time during the first 18 months after the execution of the Space Lease (and thereafter for an additional 18 months if such floors remain available) at fair market rent. The Port Authority would also have a right of first offer throughout the term of the Space Lease for up to four additional floors at fair market rent, as well as the right to sublease space from other tenants in Tower 4 if 4 World Trade Center LLC does not have additional space available to lease to the Port Authority. In addition, 4 World Trade Center LLC would be required to lease available space in Tower 4 to the Port Authority on a temporary basis at fair market rent. The Space Lease permits the Port Authority to sublease up to 25,000 rentable square feet to WTCA (or any successor organization) on such terms as the Port Authority determines.

City Space Lease

The City has advised that it has reached substantial agreement with 4 World Trade Center LLC, for a space lease option to be exercised by 4 World Trade Center LLC, under which the City would lease approximately 600,000 square feet of office space in Tower 4.

Mutual Release

The Port Authority, PATH, 1 World Trade Center LLC and the Retail Net Lessee (the "PA Parties") would enter into a Mutual Release Agreement with the SPI Net Lessees, 1 WTC Holdings LLC, 2 WTC Holdings LLC, 3 WTC Holdings LLC, 4 WTC Holdings LLC, World Trade Center Properties LLC, Silverstein Properties, Inc., Silverstein WTC Facility Manager LLC, WTC Redevelopment LLC, Silverstein WTC Mgmt. Co. LLC, Silverstein WTC Properties LLC, Silverstein WTC LLC, Silverstein Freedom Tower Development LLC, 2/3/4 WTC Redevelopment LLC, Spring World Inc., Spring WTC Holdings Inc., WTC Investors, LLC, and the Net Lessee Association (the "Silverstein Parties").

The Mutual Release would provide for the dismissal with prejudice of all litigation between the PA Parties and the Silverstein Parties and, except as noted below, for the release of all known claims existing as of the closing with respect to (i) the Conceptual Framework, (ii) the use of property and business interruption insurance, (iii) the collection or distribution of property damage and business interruption insurance, (iv) responsibility for and damages resulting from the events of September 11, 2001, (v) delays in, interference with, or payment for work performed by the PA Parties or the Silverstein Parties, respectively, in connection with the redevelopment of the World Trade Center, (vi) delays in or interference with the construction, design or development of the portions of the World Trade Center to be constructed by the PA Parties or the Silverstein Parties, respectively, (vii) costs and expenses associated with the design, development, construction, maintenance, security or site operations at the World Trade Center, (viii) expenses incurred in collecting insurance proceeds relating to the events of September 11, 2001, (ix) reconfiguration of the Central Chiller Plant, and (x) 1 World Trade Center LLC, Freedom Tower, and Tower 5, as well as certain other matters. The Mutual Release also makes clear that the Silverstein Parties do not have any liability with respect to 1 World Trade Center LLC or the Freedom Tower, except as set forth in the PSA. The Mutual Release specifically preserves all claims under the agreements that would be signed at the closing, claims for failure to procure liability insurance, all claims for defense, contribution, and indemnity for personal injury, property damage, wrongful death, and business interruption claims arising out of the events of September 11, 2001, all claims that must be preserved for purposes of subrogation to maintain insurance coverages, all claims that belong to Westfield and its affiliates as prior owner of WTC Retail LLC, and any other claims not expressly released by the Mutual Release. The releases contained in the Mutual Release also benefit individuals who are shareholders, officers, directors, commissioners, members, partners, managers, employees, beneficiaries, successors and assigns of the PA Parties and the Silverstein Parties and holding companies in the Silverstein ownership structure, subject to the condition that the release of any individual (or holding company) is rendered void if such individual (or holding company) brings a claim that the PA Parties or the Silverstein Parties, as applicable, have agreed to release.

The Mutual Release would further provide that claims that may be made by the PA Parties for expenses incurred in coverage disputes and collection actions for liability insurance (including environmental insurance) may only be made for losses arising after the execution of the Mutual

Release, and then only up to \$5 million, unless the liability limitation provisions of the Air Transportation Safety and Stabilization Act are invalidated.

Inducement Resolutions

On July 11, 2006, the New York City Industrial Development Agency and on July 14, 2006, the State of New York, allocated Liberty Bonds totaling \$2.593 billion to the net lessees of Towers 2, 3 and 4, and the New York City Industrial Development Agency allocated \$702 million of Liberty Bonds to the net lessee of the Freedom Tower and WTC Retail.

Clarification of the Status of the Net Lessees' Insurance Claims

On April 28, 2006, May 15, 2006 and June 7, 2006 the insurers participating in the net lessees' World Trade Center insurance coverage were requested to provide a confirmation that the essential elements of the transaction outlined in the Conceptual Framework would not in any way alter any of the obligations of the insurers under the net lessees' insurance coverage, and in particular, would not constitute an impermissible assignment or otherwise reduce, bar or limit the insurance recovery. With the exception of Swiss Re, TIG and Twin City, the insurers failed to provide any assurances that the implementation of the Conceptual Framework would not have an impact on their obligations.

On June 26, 2006, the Port Authority, the SPI and WTC Retail LLC instituted an action in the Supreme Court of the State of New York, New York County (the "State Court"), against Allianz, Gulf, IRI, Royal, Travelers, Wausau and Zurich, seeking a judicial declaration with respect to the effect of the Conceptual Framework on the insurers' obligations. The declaratory judgment action did not include those insurers who either have (i) confirmed that there will be no effect (Swiss Re, TIG and Twin City) or (ii) have been adjudged in Phase I of the net lessees' insurance litigation to provide only one per occurrence limit and have paid their full limit (Copenhagen Re, Federal, Great Lakes Re, Houston Casualty, Lexington, Lloyds, QBE, and Wurttembergische). Based on the Phase I and Phase II jury verdicts, currently on appeal, the remaining full exposure (excluding prejudgment interest) of the insurer-defendants is: Allianz - \$552.5 million, Royal - \$252.8 million, Travelers - \$187.5 million, Gulf - \$130 million, IRI - \$237.2 million, Wausau - \$62.9 million and Zurich - \$53.3 million.

On June 28, 2006, IRI, with the consent of the other insurer-defendants, removed the action to the United States District Court for the Southern District of New York (the "Southern District"). The removal to the Southern District, at least temporarily, divested the State Court of jurisdiction over the action. IRI's theory for the removal was premised on the exclusive grant of jurisdiction to the Southern District under the Air Transportation Safety and System Stabilization Act of 2001. However, that jurisdiction applies only where resolution of the underlying claim requires an adjudication of an issue of law or fact that concerns the events of September 11, 2001. On June 30, 2006, the Port Authority moved in the Southern District for remand of the case back to State Court, which was granted on August 3, 2006. Additionally, on August 11, 2006, the Southern District denied the motion of Royal, joined by Travelers, Gulf, and Wausau, asking the Southern District to

enjoin the declaratory judgment action pending in the State Court. A further insurer-defendant's motion to dismiss the State Court action was argued in State Court on August 23, 2006; the Court reserved decision.

At the present time, of the original seven insurer-defendants, IRI, Wausau and Zurich have provided acceptable confirmations and stipulations agreeing to their dismissal from the action have been executed and presented to the State Court. The declaratory judgment action continues against the four remaining insurer-defendants, Allianz, Royal, Travelers and Gulf. These insurer-defendants have a remaining full cumulative exposure (excluding prejudgment interest) under the net lessees' insurance coverage of approximately \$1.1 billion.

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Resolutions for adoption.

THE WORLD TRADE CENTER – IMPLEMENTATION OF CONCEPTUAL FRAMEWORK

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that, except to the extent set forth in specific resolutions adopted on September 21, 2006 in connection with the implementation of the Conceptual Framework (approved by the Board on April 26, 2006), the Executive Director and his designated representatives be and they each hereby are authorized, for and on behalf of the Port Authority, in each case subject to prior review by the World Trade Center Site Planning Subcommittee, to take any and all action to effectuate the redevelopment of the World Trade Center consistent with the foregoing report to the Board, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith, except that any such contracts, agreements or other documents to be entered into with the General Services Administration, the State of New York, acting through the Commissioner of General Services, and/or the Metropolitan Television Alliance LLC, with respect to Freedom Tower, shall be subject to approval of the Board, and it is further

RESOLVED, that the form of all contracts and agreements, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

**THE WORLD TRADE CENTER – AMENDMENT OF CONTRACT WTC-284.458
WITH PHOENIX CONSTRUCTORS**

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Pocino, Silverman, Sinagra and Steiner voting in favor; none against; Commissioners Genova and Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into amendments of certain existing contracts and agreements necessary to implement East Bathtub infrastructure construction activities, including modifications to Contract WTC-284.458 for Construction Manager/General Contractor services with Phoenix Constructors (Phoenix), to provide for an increase in an estimated amount of \$150 million in the allowance for optional work, from \$350 million to \$500 million, to enable Phoenix to procure subcontractors for this work; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take any and all action to effectuate the foregoing, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith; and it is further

RESOLVED, that the form of all contracts and agreements, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

THE WORLD TRADE CENTER – INCREASE IN CONTRACT FOR PROFESSIONAL SERVICES WITH DOWNTOWN DESIGN PARTNERSHIP

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to increase by an estimated amount of \$10 million the authorization under an existing contract with the Downtown Design Partnership (DDP) pursuant to which DDP is to provide architectural and engineering services in connection with the implementation of East Bathtub infrastructure construction activities; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take any and all action to effectuate the foregoing, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith; and it is further

RESOLVED, that the form of all contracts and agreements, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

THE WORLD TRADE CENTER – INCREASE IN COST REIMBURSEMENT AGREEMENT WITH METROPOLITAN TRANSPORTATION AUTHORITY CAPITAL CONSTRUCTION AND NEW YORK CITY TRANSIT

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to increase by an estimated amount of \$15 million the authorization under an existing agreement with the Metropolitan Transportation Authority Capital Construction Company and New York City Transit (NYCT) providing for reimbursement of costs to be incurred by NYCT related to the disruption of subway operations in connection with the Port Authority's work to underpin the NYCT No. 1/9 Subway Line at the World Trade Center site; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take any and all action to effectuate the foregoing, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith; and it is further

RESOLVED, that the form of all contracts and agreements, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

THE WORLD TRADE CENTER – RETENTION OF SKIDMORE, OWINGS & MERRILL LLP TO PROVIDE FREEDOM TOWER ARCHITECTURAL SERVICES

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Sartor, Silverman, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement (after 1 World Trade Center LLC is acquired by the Port Authority) with Skidmore, Owings and Merrill (Skidmore) under which Skidmore is to provide continued architectural and design activities in connection with construction of the Freedom Tower through December 2006, in an estimated amount of \$10 million, and facilitate payments to other consultants in an estimated additional amount of \$10 million; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take any and all action to effectuate the foregoing, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith; and it is further

RESOLVED, that the form of all contracts and agreements, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

THE WORLD TRADE CENTER – RETENTION OF TISHMAN CONSTRUCTION CORPORATION TO PROVIDE FREEDOM TOWER CONSTRUCTION SERVICES

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Blakeman, Chasanoff, Coscia, Ferer, Gargano, Genova, Pocino, Silverman, Sinagra and Steiner voting in favor; none against; Commissioner Sartor recused:

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an amendment of the existing agreement between Tishman Construction Corporation (Tishman) and 1 World Trade Center LLC (after 1 World Trade Center LLC is acquired by the Port Authority), pursuant to which Tishman is to provide construction services in connection with the construction of the Freedom Tower, in an estimated amount of \$30 million, substantially in accordance with the terms and conditions outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to take any and all action to effectuate the foregoing, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith; and it is further

RESOLVED, that the form of all contracts and agreements, in each case, in connection with the foregoing shall be subject to the approval of General Counsel or his authorized representatives.

CONFIDENTIAL ITEM

This matter shall remain confidential until agreed to otherwise by the parties involved.

Whereupon, the meeting was adjourned.

Secretary