

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES

Thursday, April 26, 2012

Action on Minutes	76
Report of Governance and Ethics Committee	76
Report of Committee on Construction	76
Report of Committee on Operations	77
Report of World Trade Center Redevelopment Subcommittee	77
Report of Nominating Committee	77
Report of Special Meeting of Committee on Operations	77
Election of Officers	78
Audit Committee Annual Report	79
Governance and Ethics Committee Annual Report	81
John F. Kennedy International Airport – Replacement of Certain 5-Kilovolt Power Feeders Serving the Navigational Aid System – Planning Authorization	83
Comprehensive Review of Agency Non-Core/Mission Critical Assets	85
Board Policy on Employee Contributions toward Healthcare Benefits	86
Board of Commissioners Security Resolution	87
The World Trade Center – Authorization of Lease and Sublease Agreements for Development and Operation of Rooftop Broadcasting and Communications Facility at One World Trade Center	94
Tribute to Ernesto L. Butcher	103

MINUTES of the Annual Meeting of The Port Authority of New York and New Jersey held Thursday, April 26, 2012 at 225 Park Avenue South, City, County and State of New York

PRESENT:

NEW JERSEY

Hon. David Samson, Chairman
 Hon. Raymond M. Pocino
 Hon. Anthony J. Sartor
 Hon. David S. Steiner

NEW YORK

Hon. Scott H. Rechler, Vice-Chairman
 Hon. Jeffrey H. Lynford
 Hon. Jeffrey A. Moerdler

Patrick J. Foye, Executive Director
 William Baroni, Jr., Deputy Executive Director
 Darrell B. Buchbinder, General Counsel
 Karen E. Eastman, Secretary

Heavyn-Leigh American, Associate Board Management Support Specialist, Office of the Secretary
 Susan M. Baer, Director, Aviation
 Steven J. Coleman, Deputy Director, Media Relations
 Stephanie E. Dawson, Acting Chief Operating Officer
 John C. Denise, Audio Visual Supervisor, Marketing
 Gretchen P. DiMarco, Special Assistant to the Deputy Executive Director
 Michael P. Dombrowski, Cinematographer, Public Affairs
 John J. Drobny, Director, Security Projects, Office of the Chief Operating Officer
 Daniel D. Duffy, Senior Business Manager, Office of the Secretary
 Michael G. Fabiano, Chief Financial Officer
 Michael A. Fedorko, Director, Public Safety/Superintendent of Police
 Michael B. Francois, Chief, Real Estate and Development
 Cedrick T. Fulton, Director, Tunnels, Bridges and Terminals
 Lash L. Green, Director, Office of Business Diversity and Civil Rights
 Glenn P. Guzi, Senior External Affairs Representative, Government and Community Affairs
 Linda C. Handel, Deputy Secretary
 Mary Lee Hannell, Director, Human Resources
 Andrew T. Hawthorne, Director, Marketing
 Anthony Hayes, Manager, Media Planning, Media Relations
 Alan H. Hicks, Principal Marketing Analyst, Marketing
 Mark D. Hoffer, Director, New Port Initiatives, Port Commerce
 Sara Beth Joren, Associate Information Officer, Media Relations
 Robert A. Joseph, Police Officer
 Justine Karp, Assistant Information Officer, Media Relations
 Kirby King, Director, Technology Services
 Louis J. LaCapra, Chief Administrative Officer
 Cristina M. Lado, Director, Government and Community Affairs, New Jersey
 Richard M. Larrabee, Director, Port Commerce
 John H. Ma, Chief of Staff to the Executive Director
 Lisa MacSpadden, Director, Media Relations
 Stephen Marinko, Esq., Law
 Ron Marsico, Assistant Director, Media Relations, Public Affairs
 Michael G. Massiah, Director, Management and Budget
 Daniel G. McCarron, Comptroller

James E. McCoy, Manager, Board Management Support, Office of the Secretary
 Anne Marie C. Mulligan, Treasurer
 Toni L. Munford, Principal Records Management Officer, Office of the Secretary
 Patrick O'Reilly, Senior Advisor to the Chairman
 Ann O'Rourke, Assistant Director, Government and Community Affairs
 Hunter Pendarvis, Public Information Officer, Media Relations
 Paul A. Pietropaolo, Corporate Information Security Officer, Office of the Secretary
 Jared Pilosio, Staff External Relations Representative, Government and Community Affairs
 Steven P. Plate, Deputy Chief, Capital Planning/Director, World Trade Center Construction
 Richard Rebisz, Senior External Relations Representative, Government and Community Affairs
 Alan L. Reiss, Deputy Director, World Trade Center Construction
 Shane Robinson, Staff External Affairs Representative, Government and Community Affairs
 Rosalie Siegel, Manager, External Environmental Programs, Office of Environmental Policy and Compliance
 Brian W. Simon, Director, Government and Community Affairs, New York
 Gerald B. Stoughton, Director, Financial Analysis
 Robert A. Sudman, Director, Audit
 Ralph Tragale, Assistant Director, Public Affairs, Aviation
 David B. Tweedy, Chief, Capital Programs
 I. Midori Valdivia, Principal Financial Analyst, Executive Director's Office
 Lillian D. Valenti, Director, Procurement
 Sheree Van Duyne, Manager, Policies and Protocol, Office of the Secretary
 David M. Wildstein, Director, Interagency Capital Projects, Office of the Deputy Executive Director
 Christopher R. Zeppie, Director, Office of Environmental Policy, Programs and Compliance
 Peter J. Zipf, Chief Engineer

Guests:

Regina Egea, Director, Authorities Unit, Office of the Governor of New Jersey

Speakers:

Murray Bodin, Member of the Public
 Margaret Donovan, Twin Towers Alliance
 Richard Hughes, Twin Towers Alliance
 Marc Matsil, The Trust for Public Land
 David Tate, Boy Scouts of America

The public meeting was called to order by Chairman Samson at 12:54 p.m. and ended at 1:30 p.m. The Board met in executive session prior to the public session. Commissioner Steiner was present for a portion of the public session.

Action on Minutes

The Secretary submitted for approval Minutes of the meetings of March 29, 2012. She reported that copies of these Minutes were delivered to the Governors of New York (in electronic form) and New Jersey (in paper form) on March 30, 2012. She also reported that on April 6, 2012 the matters beginning on pages 45 and 76 of the March 29, 2012 Special Committee on Operations Minutes, as transmitted to the Governors, were withdrawn from consideration for the purposes of gubernatorial review, to allow for further consideration by the Board of Commissioners, specifically and limited to page 49, paragraph “D” and page 77, paragraph 4. She also reported that the matter appearing on page 29 of these same Minutes has been corrected to reflect that the authority for the Audit Committee to review and approve the Port Authority’s Financial Statements is pursuant to Article VIII, Section F(4) of the By-Laws.

The Secretary reported further that the time for action by the Governors of New York and New Jersey expired at midnight on April 16, 2012. Whereupon, the Board unanimously approved the Minutes of the meetings of March 29, 2012, including the Minutes of the special meeting of the Committee on Operations.

The Secretary also reported on an administrative conforming change to the By-Laws to replace all references to “Freedom of Information Policy” with “Freedom of Information Code” to reflect the Port Authority’s adoption of a Freedom of Information Code, which replaced the existing Freedom of Information Policy.

Report of Governance and Ethics Committee

The Governance and Ethics Committee reported, for information, on matters discussed in public session at its meeting on April 26, 2012, which included annual reviews pursuant to the By-Laws, and the report was received.

Report of Committee on Construction

The Committee on Construction reported, for information on matters discussed in public session at its meeting on April 26, 2012, which included discussion of an item that authorizes a project for the rehabilitation, widening and extension of Runway 4L-22R at John F. Kennedy International Airport, and a project for the rehabilitation of the upper level spans of the New Jersey Anchorage and Hudson Terrace at the George Washington Bridge, and the report was received.

Report of Committee on Operations

The Committee on Operations reported, for information, on matters discussed and action taken in public and executive sessions at its meeting on April 26, 2012, which included discussion and approval of an agreement to acquire a conservation easement on a portion of a property located in Staten Island, New York, as part of the Hudson-Raritan Estuary Resources Program, and discussion of an item that authorizes the review of non-core-mission Port Authority assets, and discussion of matters involving ongoing negotiations or reviews of contracts or proposals, and the report was received.

Report of World Trade Center Redevelopment Subcommittee

The World Trade Center Redevelopment Subcommittee reported, for information, on matters discussed in public and executive sessions at its meeting on April 26, 2012, which included discussion of several contracts and agreements in connection with the continued development of the World Trade Center site, and discussion of matters involving ongoing negotiations or reviews of contracts or proposals, and matters related to the purchase, sale, or lease of real property, or securities where disclosure would affect the value thereof or the public interest, and the report was received.

Report of Nominating Committee

During the course of the meeting, the Nominating Committee submitted its report, and the report was received and is included with these minutes.

Report of Special Meeting of Committee on Operations

In view of the absence of a quorum for the Board to act on certain matters to be considered at its meeting on April 26, 2012, consistent with the Port Authority's By-Laws, a special meeting of the Committee on Operations was held. At the meeting, the Committee acted for and on behalf of the Board on certain matters included on the agenda for the Board meeting. A copy of the minutes of the special meeting of the Committee on Operations held on April 26, 2012 is included with these minutes.

ELECTION OF OFFICERS

Chairman Samson announced that, in accordance with the provisions of the By-Laws, the election of officers was in order.

Commissioner Sartor, as Chair of the Nominating Committee, submitted the following report:

"On behalf of the Nominating Committee, I desire to report that at its meeting held earlier today, in accordance with the provisions of Article VII of the By-Laws, the Committee, by unanimous action, submits the nominations for election to the offices of Chairman and Vice-Chairman of The Port Authority of New York and New Jersey of Commissioners David Samson and Scott H. Rechler, respectively. By unanimous action, the Committee also submits the nominations of Patrick J. Foye as Executive Director, William Baroni as Deputy Executive Director and Darrell Buchbinder as General Counsel of the Port Authority. By unanimous action, the Committee also submits the nominations of Karen E. Eastman as Secretary, Michael G. Fabiano as Chief Financial Officer, Daniel G. McCarron as Comptroller and Anne Marie Mulligan as Treasurer."

Pursuant to the foregoing report, Commissioners Lynford, Moerdler, Pocino, Rechler, Samson, Sartor and Steiner voting in favor, the following were unanimously elected as officers of the Port Authority: Commissioner David Samson as Chairman, Commissioner Scott H. Rechler as Vice-Chairman, Patrick J. Foye as Executive Director, William Baroni as Deputy Executive Director, Darrell Buchbinder as General Counsel, Karen E. Eastman as Secretary, Michael G. Fabiano as Chief Financial Officer, Daniel G. McCarron as Comptroller and Anne Marie Mulligan as Treasurer. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

AUDIT COMMITTEE ANNUAL REPORT

Commissioner Steiner, as Chair of the Audit Committee, submitted the following report:

In accordance with the By-Laws, the Chair of the Audit Committee periodically reports on the activities of the Audit Committee. The Committee consists of Commissioners Moerdler, Lynford and Sartor, in addition to myself.

Since last April, the Audit Committee has met five times. Senior Port Authority financial, audit, investigative, governance and legal staff, as well as representatives of the Audit Committee's outside counsel and our independent auditors, regularly attend these meetings. Consistent with the Audit Committee's policy that the independent auditors and members of the Audit Committee have direct and unrestricted access to each other, a portion of each meeting is held with only outside counsel and the independent auditors present.

Our Committee reviews, in detail, the Authority's audited financial statements prior to their release and makes such other inquiries in connection with the audited financial statements, as it considers appropriate. The Committee has reviewed and determined to be satisfactory Deloitte & Touche's performance with respect to the 2011 audit process. The independent auditors have advised us that they encountered no difficulties during the course of their audit, including restrictions on the scope of work or access to required information, and that there were no disagreements with staff in connection with the preparation of the 2011 consolidated financial statements. We appreciate the leadership efforts in this context provided by Chief Financial Officer Michael Fabiano, and Comptroller Daniel McCarron.

The Audit Committee is also responsible for the retention of the Authority's independent auditors. Last year, the Committee directed a publicly advertised solicitation process and, after due deliberation, which focused heavily on the pros and cons of auditor rotation, the Committee determined that KPMG LLP should be retained as independent auditors for the year ending December 31, 2012.

On behalf of the Audit Committee, I would like to take this opportunity to acknowledge and thank Deloitte and Touche for its many years of service as the Port Authority's external auditor during which time they have been a valued and trusted advisor to the Audit Committee. I would also like to take a personal privilege and thank one individual in particular. David Jones has served in various capacities on the Deloitte team over the years and his professionalism, dedication and personal integrity have been appreciated by all those with whom he has worked, and I am personally grateful for his unfailing commitment and sage advice.

We were pleased to learn that, for the 27th consecutive year, the Port Authority has been awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for its 2010 Comprehensive Annual Financial Report, which is the highest form of recognition in governmental accounting and financial reporting.

The Committee continues to be actively engaged with staff in the ongoing implementation of an agency-wide enterprise risk management program to identify, address and mitigate various business risks. Recognizing the importance of enterprise risk management to effective and efficient management, the Committee convened a special meeting in July 2011 to

evaluate the program in detail. We are pleased with the progress to date, and commend the staff for the proactive manner in which enterprise risk management is being integrated into the agency's business processes and business risks are being identified and managed. It is imperative to the continued success of this effort that staff and the Board continue to work together on moving this program forward.

The Audit Committee also oversees the Internal Audit function within the Port Authority. The Institute of Internal Auditors performed a peer review of the Internal Audit function and the Port Authority's Internal Audit department received the highest rating. The Chief Audit Executive was singled out for the proactive role he has played in the progress Internal Audit has made. Attributable, in part, to the increased coordination between the Audit Committee and the Internal Audit function, the report is positive and noted that the "IA activity is well-structured and progressive." In particular the draft report notes that "recent efforts to implement an Enterprise Risk Management process throughout the [Port Authority], and direction to the Internal Audit activity to implement a program focused on business process improvement are very positive steps in providing good governance." One area in which Internal Audit devoted resources was the overall effectiveness of the Port Authority's real estate and leasing function and, as a result, significant changes designed to increase efficiencies and produce savings are underway in that area.

The Audit Committee also reviews reports of audit results prepared by the Audit Department, reports prepared by the Office of Inspector General and accounts receivable reports prepared by the Treasury Department. In addition, as Chair of the Audit Committee, I review the expense reports of the Executive Director and members of the Board for conformance with established agency expenditure and reimbursement guidelines.

The Committee recognizes the strengths, talent and commitment of our financial and investigative professionals, who facilitate the Audit Committee's oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems and accounting, auditing, and financial reporting processes.

The Committee believes that reasonable processes and controls are in place to mitigate business risk, and there is a reasonable basis for the Board to have a high level of confidence in the professional and ethical conduct of Port Authority personnel.

GOVERNANCE AND ETHICS COMMITTEE ANNUAL REPORT

Commissioner Sartor, as member of the Governance and Ethics Committee, submitted the following report:

The Governance and Ethics Committee reports periodically on the activities of the Committee. At the present time, the Committee consists of Commissioners Bauer, Schuber and Silverman, in addition to myself.

Pursuant to Section VIII (G) of the Port Authority's By-Laws, the Governance and Ethics Committee has oversight of questions relating to the development of, and compliance with, governance and ethics principles of the Port Authority.

The Committee ensures that the Board and staff are familiar with and committed to the ethics principles and programs that have been adopted by the Port Authority and assists the Board in fulfilling its oversight responsibility relating to the Port Authority's compliance with legal and regulatory requirements.

The Committee continues to work under its Charter that was established in 2008, which is consistent with best corporate practices approaches for governance committees, which translates the Committee's By-Law responsibilities into an action plan for Committee activities that is divided into three broad areas of oversight, including governance, ethics and compliance.

During 2011, the Governance and Ethics Committee met three times.

Consistent with By-Law requirements, the Committee reviewed and discussed ethics policies for staff and Commissioners.

The Committee discussed matters that included review of legal and regulatory requirements and a discussion on corporate trends in governance. The Committee has been kept apprised of the agency's Enterprise Risk Management Program.

The Committee also received a report from Inspector General Robert Van Etten, and is confident that the Office of Inspector General continues to be independent and free from interference in the conduct of its responsibilities.

In accordance with the By-Laws, the Committee conducted a number of annual reviews including the review and evaluation of the performance of the Board and its members, the effectiveness of the Board's Committees, and the Executive Director's performance, as well as a review of the independence and objectivity of the members of the Board and its Committees. The Committee is confident that the Board and its Committees are operating in an efficient and independent manner and that the Executive Director is effectively managing the operations of the Port Authority consistent with policies established by the Board.

The Governance and Ethics Committee is dedicated to working with the Audit Committee to ensure the matters and trends identified in audit reports and the Office of

Investigations are addressed in a way that fosters compliance with legal and regulatory requirements.

The Committee believes that reasonable processes and controls are in place to ensure the integrity of staff and the Board, that there is a reasonable basis for the Board to have a high level of confidence in the professional and ethical conduct of Port Authority personnel, and that the Port Authority is conducting its business in a manner that ensures public confidence.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – REPLACEMENT OF CERTAIN 5-KILOVOLT POWER FEEDERS SERVING THE NAVIGATIONAL AID SYSTEM – PLANNING AUTHORIZATION

It was recommended that the Board authorize planning work, at an estimated total cost of \$1 million, to advance the design for the replacement of the 5-kilovolt power feeders, specifically, power feeders CAA1, CAA2 and CAA3, that serve the Federal Aviation Administration's (FAA) Navigational Aid System (NAVAIDS) for Runways 4L-22R and 4R-22L and the eastern ends of Runways 13L-31R and 13R-31L at John F. Kennedy International Airport (JFK), as well as the addition of a fourth power feeder to serve as a back-up power source for NAVAIDS in this area of the airport, in order to maintain the feeders serving NAVAIDS in a state of good repair and enhance system reliability.

NAVAIDS is crucial for the operation of an airport, because the system provides critical information necessary for pilots to operate aircraft safely, and it is required for an airport to maintain FAA operating certifications. Under existing agreements with the FAA, the FAA is responsible for operating and maintaining the NAVAIDS equipment, and the Port Authority is responsible for providing the necessary infrastructure to power the equipment.

Power feeders CAA1, CAA2 and CAA3 were installed at JFK prior to 1960 and have exceeded their useful life. These feeders serve Runways 4L-22R and 4R-22L and the eastern ends of Runways 13L-31R and 13R-31L at JFK. In addition, power feeder CAA2 currently serves as a back-up in the event of a failure of either of the other two feeders. The proposed planning authorization would support the design of a project for the replacement of the three existing feeders, as well as provide for the installation of an additional feeder, which would serve primarily as a back-up power source in the event of failure of any of the primary feeders. The replacement project also would provide for the installation of associated new ductbanks and manholes within the Aeronautical Operation Area, which would house the new power feeders.

The planning effort would include expert professional engineering services, including a field inspection and survey, evaluation of proposed infrastructure improvements to increase efficiency and reliability, preliminary design, construction staging and cost estimating.

An application would be submitted to the FAA to recover eligible costs through the Airport Improvement Program (AIP). Any amounts not recoverable through the AIP would be fully recoverable through the flight fees at JFK.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino, Rechler, Samson and Sartor voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that planning work, at an estimated total cost of \$1 million, to advance the design for the replacement of the 5-kilovolt power feeders, specifically, power feeders CAA1, CAA2 and CAA3, that serve the Federal Aviation Administration's Navigational Aid System (NAVAIDS) for Runways 4L-22R and 4R-22L and the eastern ends of Runways 13L-31R and 13R-31L at John F. Kennedy International Airport, as well as the addition of a fourth feeder to serve as a back-up

power source for NAVAIDS in this area of the airport, in order to maintain the feeders serving NAVAIDS in a state of good repair and enhance system reliability, be and it hereby is authorized; 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 action with respect to contracts for professional and advisory services and such other contracts and agreements as may be necessary to effectuate the foregoing planning work, pursuant to authority granted in the By-Laws or other resolution adopted by the Board; and it is further

RESOLVED, that the form of all documents and agreements in connection with the foregoing planning work shall be subject to the approval of General Counsel or his authorized representative.

COMPREHENSIVE REVIEW OF AGENCY NON-CORE/MISSION CRITICAL ASSETS

It was recalled to the Board that in August 2011 the Governors of New York and New Jersey directed the Commissioners to commence a comprehensive audit of the Port Authority, focusing on both a financial audit of the Port Authority's 10-year Capital Plan, to reduce its size and cost, and a review of the Port Authority's management and operations to find ways to lower costs and increase efficiencies.

It was further recalled that in a letter to both Governors dated September 19, 2011, the Chairman of the Port Authority outlined a plan to comply with their direction, which among other things included a commitment to establish new priorities and evaluate potential alternative revenue and capital sources for the Port Authority in order to further lower costs and increase efficiencies within the Authority.

In furtherance of these efforts, a Special Committee of the Board of Commissioners was assembled to conduct this comprehensive review of the agency and consultants have been retained to support the review, which resulted in the issuance of the 2012 Phase I Navigant Report (Navigant Report) earlier this year.

One of the areas highlighted in the Navigant Report concerned Port Authority involvement in areas outside of its core transportation mission and related mission critical businesses dedicated to the movement of goods and people throughout the Port District. The Report questioned the Port Authority's involvement in an array of real estate and other non-core mission critical assets, including the Port Authority Teleport in Staten Island, New York and the Newark Legal and Communications Center in Newark, New Jersey, noted the significant impact of these assets on the agency's operating budget and resources, and recommended further evaluation to determine the Port Authority's continued involvement in these areas. Based on this preliminary assessment conducted by Navigant, it is the Board's desire that the Executive Director and Deputy Executive Director undertake a review of all real estate and other non-core/mission critical assets, beginning with the Port Authority Teleport and the Newark Legal and Communications Center.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino, Rechler, Samson and Sartor voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Board hereby directs and authorizes the Executive Director and Deputy Executive Director to take all actions required to review non-core mission critical and non-transportation facilities including, and beginning with, the Port Authority Teleport and the Newark Legal and Communications Center.

BOARD POLICY ON EMPLOYEE CONTRIBUTIONS TOWARD HEALTHCARE BENEFITS

Consistent with the policies of the States of New York and New Jersey, it is the policy of this Board that all employees, whether represented or non-represented, pay a fair share of the cost incurred by the agency to provide employee healthcare benefits.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino, Rechler, Samson and Sartor voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that it is the Board's policy that all employees, whether represented or non-represented, pay a fair share of the cost incurred by the agency to provide healthcare benefits; and it is further

RESOLVED, that it continues to be the intent of the Board that The Port Authority of New York and New Jersey and Port Authority Trans-Hudson Corporation negotiate to achieve that result for represented staff, consistent with contributions required of non-represented employees.

BOARD OF COMMISSIONERS SECURITY RESOLUTION

It was recalled that at its meeting of May 28, 2011, the Board of Commissioners approved a contractual arrangement whereby The Chertoff Group was retained to perform a top-to-bottom study of The Port Authority of New York and New Jersey's management of security and agency-wide security operations. On the basis of its initial review and preliminary findings, The Chertoff Group was retained for an additional six months at a Board meeting on December 8, 2011.

Pursuant to its study of the agency, and drawing on a wide range of similar studies and analyses dating back to 1953, The Chertoff Group has recommended that the Board direct:

- (1) the establishment of an empowered, standalone Security Department within the Port Authority that encompasses all security and safety functions, programs, resources, and personnel currently resident in Line Departments or other functional elements of the agency insofar as practical;
- (2) the selection and appointment of a Chief Security Officer (CSO) to direct all elements within the Security Department, to assume personal responsibility and accountability for its performance, and to be granted such powers and authorities necessary and sufficient for the successful accomplishment of this mission;
- (3) the establishment of full operational control of the Port Authority Police Department (PAPD) by the Security Department;
- (4) the amendment of such governance documents as necessary to ensure the successful establishment and ongoing operation of the Security Department as proposed herein; and
- (5) the revision of the Port Authority's mission statement to incorporate security and safety as a permanent agency-wide priority;
- (6) the assignment of Executive Director Patrick Foye and Deputy Executive Director William Baroni with responsibility to establish the Security Department, to select the CSO, and to direct this transition with all deliberate speed; and
- (7) the establishment of a temporary transition team to support the execution by Executive Director Patrick Foye and Deputy Executive Director William Baroni of this resolution.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino, Rechler, Samson and Sartor voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Board directs the creation of a Security Department at the earliest possible date, but in no event later than September 30, 2012, with centralized control over all security and safety functions, programs, resources, and

personnel. Executive Director Patrick Foye and Deputy Executive Director William Baroni shall propose specific measures to implement this direction at subsequent meetings of the Board; and it is further

RESOLVED, that the Executive Director shall, after consultation with the Board, appoint an individual as the first CSO of The Port Authority of New York and New Jersey. This individual is to be identified through a nationwide search and shall be selected solely on the basis of merit. The CSO shall have significant leadership and executive experience in public safety and security (see full job description in Attachment A). The CSO shall be granted full executive authority over all subordinate functions and personnel within the Security Department (subject to the authority of the Executive Director); and it is further

RESOLVED, that the Board shall amend the Port Authority mission statement to reflect the permanent priority of security and safety to the agency. Executive Director Patrick Foye and Deputy Executive Director William Baroni shall propose specific language for this amendment with all deliberate speed; and it is further

RESOLVED, that the PAPD shall be incorporated within the Security Department; and it is further

RESOLVED, that the Board directs the establishment of a transition team to support and implement the direction of Executive Director Patrick Foye and Deputy Executive Director William Baroni related to the establishment of the Security Department and the selection of a CSO. The transition team shall be comprised of a combination of select Port Authority employees and external subject matter experts. The transition team shall consist of working groups (see Attachment B) and shall have full, unfettered, and prompt access to all Port Authority property, personnel, information, and documents, notwithstanding any previous resolution or instruction of the Board; *provided* that appropriate notification is made to the Chairman and Vice-Chairman of the Board of Commissioners; and it is further

RESOLVED, that the Board authorizes the Executive Director to execute contracts and make available such funds as necessary to ensure the success of this transition and the establishment of the Security Department; and it is further

RESOLVED, that Executive Director Patrick Foye and Deputy Executive Director William Baroni shall direct the transition and that, subject to this authority, The Chertoff Group, shall oversee the day-to-day affairs of the transition team, select the members of the working groups, and synchronize and integrate their work; and it is further

RESOLVED, that Executive Director Patrick Foye and Deputy Executive Director William Baroni shall make arrangements to provide the transition team with adequate office space and administrative support in or immediately adjacent to 225 Park Avenue; and it is further

RESOLVED, that the Port Authority shall indemnify and hold harmless The Chertoff Group and other external parties involved in this transition to the fullest extent lawful from and against any and all claims, losses, damages, liabilities (or actions in respect thereof), costs, and expenses as incurred arising out of, or related to, (1) any contractual arrangement the Port Authority may have with them, whether now existing or executed in the future and/or (2) the work, services, activities, appointments, designations, delegations, proposals, recommendations, directions, arrangements, mandates, amendments, and other matters described in these resolutions; and the Executive Director is hereby authorized and directed to establish Indemnification Agreements with The Chertoff Group and external parties involved in this transition (such Agreements to be in a form satisfactory to the parties) to implement the matters set forth in this resolution; and it is further

RESOLVED, that Executive Director Patrick Foye and Deputy Executive Director William Baroni shall oversee communications with other government agencies, the media, and internal and external stakeholders related to this transition, as appropriate; and it is further

RESOLVED, that Executive Director Patrick Foye and Deputy Executive Director William Baroni shall, until completion of the transition, keep the Board fully informed of the transition's progress at each Board meeting.

RESOLVED, that all current employees of the Port Authority with current security, safety, or law enforcement duties and responsibilities shall continue to fulfill these duties and responsibilities without interruption and pursuant to their current reporting mechanisms until these reporting mechanisms are formally adjusted by the Board in a separate resolution. The Board anticipates that this adjustment shall coincide with the establishment of the Security Department and the appointment of the CSO.

ATTACHMENT A

POSITION: Chief Security Officer
COMPANY: The Port Authority of New York and New Jersey
LOCATION: New York, NY

PURPOSE OF ROLE:

The Chief Security Officer (CSO) will serve as the chief executive of the newly created Security Department within the Port Authority of New York and New Jersey (PANYNJ). The CSO will be responsible for developing, implementing, providing assistance, and auditing the security programs across the agency, including all Line Departments and the Port Authority Police Department (PAPD). The position will report functionally to the Executive Director, and will work in close coordination with other Senior Executives at PANYNJ headquarters in New York City.

KEY AREAS OF RESPONSIBILITY:

- Oversee all aspects of the newly created Security Department; supervise, direct, and control the PAPD, Office of Emergency Management (OEM), security capital program, security technology program, and training unit (including Police Academy).
- Direct all Security Department staff, including but not limited to, counsel, finance and administration, intergovernmental affairs, human resources, intelligence, and program analysis; subject to articulable merit-based criteria.
- Develop and implement a security strategy across all facilities and Line Departments; develop and impose security regulations on Line Departments and tenants and ensure compliance with governmental security mandates (e.g., TSA, USCGS, CBP, etc.).
- Build and implement a PANYNJ-wide cyber security program.
- Manage all Security Department and PAPD headquarters and administrative functions.
- Develop and implement new hiring and promotion plan for PAPD in accordance to applicable law.
- Oversee development of comprehensive policy and procedural manual for PAPD.
- Accountable to Board of Commissioners for site self-assessment and annual audit data to monitor effectiveness; conduct security reviews, internal self-assessments, and audits.
- Prepare periodic reports for Board of Commissioners.
- Advise Executive Director and Deputy Executive Director on risk mitigation strategies and security solutions.
- Administer all current security-related capital and technology contracts.
- Engage and manage security providers and subcontractors.
- Serve as primary liaison with regional law enforcement and public safety officials.
- Develop and conduct informal and formal security-related training for all Line Departments and employees, both sworn and civilian.

MINIMUM QUALIFICATIONS AND SKILLS REQUIREMENTS:

- Advanced degree in criminal justice, law, security management, social science, or related field, or commensurate experience.
- Minimum of ten (10) years of total experience within the security, military, or law enforcement communities with minimum of five (5) years executive experience with security programs and initiatives in the public sector.

- Minimum of five (5) years of infrastructure protection or transportation security experience.
- Senior-level corporate security/private sector experience.
- Eligible for Top Secret/Special Compartmented Information security clearance from the FBI.
- Thorough understanding of regional public safety forces and structures.
- Strong public speaking skills, with excellent presence when briefing management on security program plans and activities.
- Excellent written and speaking communications skills at all levels of management.
- Ability to effectively deal with and manage individuals from diverse professional backgrounds.
- Ability to review, analyze, and extract data from various sources.
- Intelligent, persuasive, and articulate leader with ability to communicate security-related concepts to a broad range of technical and non-technical individuals.
- Proficient with MS Office as well as various communications devices used in the public safety field; experience with cyber security programs a plus.
- Ability to function independently, under pressure, and perform multiple security-related duties with minimal supervision or guidance.

Appointment of the CSO will conform to Bulletin #12-02.

ATTACHMENT B

The working groups will initially be organized as follows:

- *Organization and Non-Represented Workforce:* The Organization and Non-Represented Workforce Working Group will recommend a table of organization for the Security Department, including a new, more flexible and efficient force structure for the PAPD; a by-name list of current Port Authority employees to be transferred into the Security Department; and a list of new human resources requirements for the Security Department that cannot be filled by transferred current employees.
- *Represented Workforce:* The Represented Workforce Working Group will be responsible for making recommendations with regard to a) drafting modifications to the Labor Relations Instruction and b) determining the feasibility and, if possible, developing new contracts for the four police unions to allow the CSO to effectively manage and gain operational control over the PAPD and to implement a new, more flexible and efficient force structure for the PAPD.
- *Integrity Control:* The Integrity Control Working Group will conduct a detailed review of, and make specific recommendations for the improvement of, the Security Department's integrity control and internal affairs programs.
- *External Search:* The External Search Working Group will make recommendations to the Board with regards to candidates for CSO and other senior-level positions within the Security Department, including new civilian leadership positions as well as sworn PAPD leadership positions that cannot, in the view of Executive Director Patrick Foye and Deputy Executive Director William Baroni, be filled internally; provided that final selections will be made by the Executive Director in consultation with the Board or its designees.
- *Technology, Capital, and Procurement:* The Technology, Capital, and Procurement Working Group will conduct an audit of all security-related and cyber security-related technology, capital, and procurement programs; and will make specific recommendations on the realignment of these programs so that they may be comprehensively and exclusively subordinated to the CSO.
- *Administration:* The Administration Working Group will oversee all administrative aspects of the transition, and make recommendations with regard to office space, fleet, equipment, administrative support functions, etc.
- *Budget:* The Budget Working Group will develop and make recommendations regarding the method and scope of financial resources reassignment to the new Security Department and put in place a post-handover unified budget.
- *Legal:* The Legal Working Group will provide legal services to the transition team necessary to support, and implement the direction of, Executive Director Patrick Foye

and Deputy Executive Director William Baroni. In addition, this Working Group will develop detailed legal analyses related to the availability of alternative security and law enforcement models at Port Authority facilities and on Port Authority property for recommendation to Executive Director Patrick Foye and Deputy Executive Director William Baroni.

- The working groups will work in parallel, present findings, and make specific proposals related to their assignments to the Board. The work of the transition team will conform to Bulletin #12-02.

THE WORLD TRADE CENTER – AUTHORIZATION OF LEASE AND SUBLEASE AGREEMENTS FOR DEVELOPMENT AND OPERATION OF ROOFTOP BROADCASTING AND COMMUNICATIONS FACILITY AT ONE WORLD TRADE CENTER

In furtherance of the continuing discussions with the Board concerning its desire to reduce the Port Authority's exposure to additional capital costs in connection with the continuing redevelopment of the World Trade Center site, and to otherwise maximize the value of the One World Trade Center building ("1 WTC") to the Port Authority, it was recommended that the Board authorize certain rooftop leases (the "Rooftop Leases") for the purpose of leasing portions of the 1 WTC rooftop, together with ancillary space in the 1 WTC building, to an affiliate of The Durst Organization (such affiliate, "Durst") for the purpose of developing and operating a broadcasting and communications facility (the "1WTC Rooftop Facility").

The Rooftop Leases allow the Port Authority to meet the key objective of replacing the broadcast and communications facility at the World Trade Center that was destroyed in the terrorist attacks on September 11, 2001 without the need for any substantial investment of capital by the Port Authority. The Rooftop Leases will separate the 1WTC Rooftop Facility from the balance of 1 WTC owned by Tower 1 Joint Venture LLC ("1WTC Joint Venture"), the joint venture between the Port Authority and the Durst Organization which requires the Port Authority to pay for all of the costs to construct 1 WTC and complete the initial leasing of the building. The recommended transaction provides for Durst to pay all of the costs to construct, develop and lease the 1WTC Rooftop Facility while giving the Port Authority the opportunity to receive a substantial long-term rental stream from use of the 1 WTC rooftop.

Durst is being recommended to develop and operate the 1WTC Rooftop Facility because, among other reasons, Durst has relevant development, operation and management expertise based on the ownership and operation by a Durst affiliate of a comparable broadcast and communications facility located on the rooftop of the 48-story building located at Four Times Square ("4TS Rooftop Facility"). The 4TS Rooftop Facility utilizes state-of-the-art "plug and play" technology that requires a larger initial capital investment to offer maximum efficiency and flexibility to broadcasters. The same "plug and play" technology will be used by Durst for the 1WTC Rooftop Facility, with the entire investment in "plug and play" technology being funded by Durst. The Rooftop Leases would allow the joint marketing of the 1WTC Rooftop Facility and the 4TS Rooftop Facility as primary and back-up facilities, which would be a unique feature in the New York City broadcast market, one expected to give the 1WTC Rooftop Facility a competitive edge over its competitors.

The annual percentage rent that would be paid by Durst to the Port Authority reflects this business arrangement and would be set up to align Durst's and the Port Authority's interests and equally incentivize Durst to attract licensees to either or both facilities. After an initial lease-up period, a percentage rent would be set based on the Port Authority's share of 1WTC Rooftop Facility revenue over the total revenue of the pooled broadcast facilities (1WTC Rooftop Facility and 4TS Rooftop Facility) and would be calculated as described below in the Summary of Proposed Documents for the 1WTC Roof Sublease.

Among the Port Authority's key objectives in developing the proposed transaction with Durst were:

- Replacing the World Trade Center broadcast facility that was destroyed in the terrorist attacks of September 11, 2001 and creating a potential long-term revenue stream for the Port Authority.
- Obtaining private capital to construct, develop and lease the 1WTC Rooftop Facility and thereby reducing the Port Authority's exposure to additional capital requirements for the World Trade Center redevelopment.
- Acquiring best-in-class private sector expertise to develop and operate the 1WTC Rooftop Facility with a partner who has significant expertise in this specialized area.
- Improving the economic competitiveness of the 1WTC Rooftop Facility by marketing the 1WTC Rooftop Facility with the 4TS Rooftop Facility as a jointly managed combination of primary and backup broadcast antenna facilities that will be unique in the market.

Description of the Rooftop Leases:

The Rooftop Leases would consist of a two-tiered lease-and-sublease arrangement. First, WTC Tower 1, LLC ("Net Lessee"), the subsidiary of the 1WTC Joint Venture that leases the 1 WTC site from the Port Authority, would lease portions of the 1 WTC rooftop (including the communications rings and the right to install antennas on part of the spire) and ancillary areas within 1 WTC (the "Premises") to a new entity that is wholly owned by the Port Authority ("PA Roof Subsidiary") under a roof lease agreement (the "Over Lease"). The Over Lease to the PA Roof Subsidiary would provide for the PA Roof Subsidiary to pay rent in the amount of \$1 per annum plus reimbursement to the Net Lessee for certain pass-through costs (of utilities and building services). Second, PA Roof Subsidiary would sublease the same Premises to Durst under a roof sublease agreement (the "Roof Sublease"). Under the Roof Sublease, Durst would be required to market, lease, operate, maintain, repair and develop the 1WTC Rooftop Facility consistent with standards for comparable broadcast and communications facilities. Durst's rent under the Roof Sublease would be as described below. The Rooftop Leases would provide for Net Lessee and PA Roof Subsidiary to reserve certain rights for use of the 1WTC Rooftop Facility by public agencies and 1 WTC space tenants, at no cost or expense other than incremental costs arising from such use.

Once the 1WTC Rooftop Facility is operational, Durst and its affiliates would operate both the 1WTC Rooftop Facility and the 4TS Rooftop Facility. It is anticipated that this would allow the two facilities to be marketed together as complementary primary (1 WTC) and backup (4TS) locations to allow for leveraging of marketing and management resources. The Roof Sublease would provide for 1 WTC and 4TS to be marketed together and for revenues from the two facilities to be pooled together for purposes of determining Roof Sublease rent.

Summary of Proposed Documents

The Rooftop Leases would be effectuated through the Over Lease and the Roof Sublease (the "Operative Documents"), together with such other ancillary agreements as are necessary. The following is a description of the Operative Documents.

Roof Sublease. The following is a summary of key elements of the Roof Sublease:

Parties, Term

The sublessor under the Roof Sublease would be PA Roof Subsidiary, and the sublessee would be Durst. The term of the Roof Sublease would commence prior to the commencement of broadcast operations at the Premises and would expire on July 14, 2100, one day prior to expiration of the term of the net lease for 1 WTC.

Premises; Construction of Initial Improvements

The Premises would consist of a portion of the rooftop of 1 WTC (including three (3) communications rings and the right to install antennas on part of the architectural spire), together with certain other space at 1 WTC including (a) approximately 17,000 square feet of mechanical space on the upper floors of 1 WTC, including mechanical space to be created by Durst between certain floors, for electric transformers, transmission equipment, and other ancillary uses, (b) space for emergency generator(s) to be installed and operated on the Podium/6th floor of 1 WTC, (c) space for fuel storage in the sublevels, and (d) use of designated portions of the roof and designated risers, conduits and fuel lines contained in 1 WTC. Durst would pay for the entire capital investment needed to construct the 1 WTC Rooftop Facility and supporting infrastructure in the Premises. Construction of the spire and communications rings would be completed as part of the 1 WTC base building construction as planned.

Rent

The rent payable to the Port Authority by Durst under the Roof Sublease would, after an initial lease-up period, be (x) a percentage of the gross revenue generated by the Premises and the 4TS Rooftop Facility minus (y) the Port Authority's share of expenses and capital amortization with respect to the 1WTC Rooftop Facility. More specifically, the percentage rent payable under the Roof Sublease would be calculated as follows:

After the Premises are fully stabilized, the rent payable to the Port Authority by Durst under the Roof Sublease would be calculated by applying a percentage, fixed at stabilization, to the pooled gross revenue generated by the Premises and the 4TS Rooftop Facility. From this gross amount, the Port Authority's share of the expenses to operate the Premises and the amortization of capital investment would be deducted. The Port Authority's percentage of pooled revenue would be calculated, as of stabilization, as follows :

- The Port Authority would receive credit for a share ("PA 1WTC Percentage") of gross revenue from the Premises, equal to 65% of the first \$8 million in gross revenue from the Premises and 55% of the gross revenue from the Premises in excess of \$8 million, divided by the total amount of gross revenue from the Premises.
- The PA 1WTC Percentage would then be multiplied by the revenue from the Premises, net of capital amortization.
- The resulting amount would be divided by the sum of the gross revenue from the Premises, net of amortization, plus the gross revenue from 4TS, to determine the Port Authority's percentage rent share of pooled revenue from both locations ("PA Pooled Rent Percentage").

- When the amortization of Durst's initial capital investment ends in year 20, the PA Pooled Rent Percentage would be recalculated after removing the effect of amortization.
- In making this calculation, the 4TS Rooftop Facility revenue would be deemed to be the amount of revenue from antenna licenses at 4TS based only on antenna licenses existing as of the date the Sublease is executed with the contractual escalations from those licenses assumed through stabilization of the 1WTC Rooftop Facility. This methodology prevents 4TS's share from being increased by licenses that result from its association with 1 WTC and discourages Durst from directing new licensees to the 4TS Rooftop Facility instead of the Premises.

The annual rent payable to the Port Authority for the Premises under the Rooftop Sublease would be the PA Pooled Rent Percentage multiplied by the gross revenue generated by the Premises and the 4TS Rooftop Facility minus the Port Authority's share of expenses and capital amortization with respect to the 1WTC Rooftop Facility.

As an additional protection, if a broadcaster has primary and backup antennas at the 1WTC Rooftop Facility and the 4TS Rooftop Facility, respectively, then the amount payable from each location would be adjusted for purposes of the rent calculation, if necessary, so that the amount attributable to the Premises would be at least 1.6 times the amount attributable to 4TS from such license.

The proposed sharing of the revenue and expenses from the 1WTC Rooftop Facility reflects a revenue-sharing arrangement comparable to other market broadcast/antenna deals in New York City and throughout the country that compensates the broadcast/antenna operator for its role in designing, constructing, leasing and managing the broadcast/antenna facility. The treatment of capital expenditures funded by Durst and, in certain limited circumstances also by the Port Authority, are to be separately amortized and repaid as set forth below.

Before the Premises are fully stabilized, the Port Authority would be paid an interim rent based on the PA 1WTC Percentage of gross revenue from the Premises, less 65% of expenses and capital amortization.

Recalculation of Percentages

In the event that the 4TS Rooftop Facility loses a substantial share of broadcasters to a new competitive facility, as described in the Operative Documents, the Port Authority would have the ability to recalculate its percentage of the pooled revenue to reflect the fact that more of the pooled revenue is being generated at the 1WTC Rooftop Facility. Durst would have the right to restore its percentage of pooled revenue by restoring the number of broadcasters at 4TS. In addition, if Durst were to open a competing broadcast and communications facility, the Port Authority would have the right to either add that facility to the pooled revenue (in which case its percentage of revenue and other rent-related calculations would be adjusted) or to buy-out Durst's interest in the Roof Sublease at fair market value or to hire a third party to manage the 1WTC Rooftop Facility.

Initial Capital Expenditures

The initial capital investment by Durst is currently estimated to be approximately \$34 million, and would include reimbursement to the Port Authority for certain base building

structural enhancements made by the Port Authority for purposes of accommodating the 1 WTC Rooftop Facility. Durst may increase the budget as necessary to construct the 1WTC Rooftop Facility, but the Port Authority would have the right to approve any increases in Durst's initial capital investment that cause the budget to exceed \$40 million and either party would have the right to terminate the Roof Sublease if the initial capital investment is projected to exceed \$60 million. Durst's capital investment would be amortized over 20 years with 7.5% interest, except that first generation licensing costs, such as any third-party brokerage fees or equipment purchased for a specific antenna licensee, would be funded by Durst, would accrue interest at 7.5%, and would be repaid out of the first available cash flow. The Port Authority's share, 65%, of the amortization of initial capital and repayment of first generation licensing costs would be paid to Durst only from available net cash flow, with such amortization payments to reduce the amount of rent that would otherwise be payable to the Port Authority under the Roof Sublease. To the extent that the Port Authority's share of annual cash flow is insufficient to pay these amounts, such unpaid amount would carry forward to the next year, earning interest at 7.5% per year, so that no out-of-pocket outlays would be required by the Port Authority.

Future Capital Expenditures

There is not anticipated to be any initial capital expenditures by the Port Authority to construct, equip, or market the broadcast and communications facility, or to negotiate antenna licenses. The Port Authority would have the right to approve 5 and 10 year capital plans and budgets, which may provide for the funding of capital reserves. Any future capital improvements would be paid from available cash flow or reserves. To the extent there are insufficient cash flow or reserves pursuant to an approved capital budget, future capital investments at the 1WTC Rooftop Facility after the initial investment would be funded by the Port Authority and Durst in proportion to their share of 1 WTC expenses and amortized over the useful life of the improvements with interest at a rate equal to comparable term U.S. Treasury Bonds plus 400 basis points. Amortization payments would be made out of cash flow, and to the extent not so paid would continue to accrue at the same rate of interest. The Port Authority would have approval rights over such capital investments, through its approval of the capital budgets or otherwise.

To the extent not funded by cash flow or reserves pursuant to an approved capital budget, future capital expenses paid pursuant to the terms of a specific antenna license agreement after the first generation of licenses would be funded by the Port Authority and Durst in proportion to their respective shares of pooled revenue, with such costs to be amortized over the term of the applicable antenna license agreement at a market rate of interest based on the nature of the investment and the credit of the Antenna Licensee. To the extent not otherwise already approved as part of a capital budget, the Port Authority would have approval rights over such expenses if the expenses exceed 15% of the base rent payable under such license agreement during the initial term thereof. Any amounts funded out of pocket by the parties would be amortized as described above, repaid to the extent of available cash flow and would continue to accrue to the extent there is insufficient cash flow.

The Port Authority would not be responsible for any capital or operating expenses of the 4TS Rooftop Facility (other than possible expenditures with respect to specific antenna licenses as described herein), and Durst would be required to maintain and operate that facility to the same standard as the 1WTC Rooftop Facility as described below.

Acceleration of Amortization

In the event that the useful life of any capital improvement funded by Durst or by Durst and the Port Authority together is deemed to have been shortened, either due to a change in technology, a default by the applicable Antenna Licensee, a loss of Antenna Licensees or otherwise such that the projected future gross revenue would be insufficient to pay amortization of such capital improvement in the future, then, in order to incent the parties to make new capital investments and maintain the Premises as a premier broadcast and communications facility, Durst would have the ability to accelerate the amortization period applicable to such capital improvement, to the extent of available cash flow.

Common Area Expenses/Taxes/PILOT

The Port Authority and Durst would not be responsible for a share of overall World Trade Center common area maintenance expenses or for 1 WTC common area maintenance expenses or for tax or PILOT expenses, but would be responsible for reimbursement without markup for building services that are provided to the Premises.

Audit Rights

The Port Authority would have the right to audit all of Durst's books and records with respect to the Premises and the relevant portions of Durst's books and records with respect to the 4TS Roof Premises, subject to certain standard limitations set forth in the Roof Sublease. In addition, the Port Authority would have the ability to review relevant portions of the space leases at 4TS to ensure that any 4TS space tenants who have ancillary uses of the 4TS Rooftop Facility are in fact ancillary users, rather than antenna licensees mischaracterized as space tenants.

Maximizing Income

In order to allow Durst to license the Premises for the full term, thereby maximizing the percentage rent paid to the Port Authority, the Roof Sublease would require Durst to continue leasing activities throughout the term, rather than winding down near the end of the term. At the end of the term, any in-place antenna licenses would be assigned to the Port Authority and the Port Authority would have the benefit of 100% of the post-expiration 1WTC Rooftop Facility revenues. As such, the Port Authority would be responsible for post-expiration portion of leasing costs and capital expenses related to such licenses, which costs would be amortized over the initial term of the applicable license. Similarly, to the extent that the Port Authority funds any capital expenses under antenna licenses at 4TS, Durst would reimburse the Port Authority for the post-expiration portion of such capital expenses, which would also be amortized over the initial term of the applicable license.

Permitted Use

Use of the Premises would be restricted to licensing space by Durst for actual broadcast and communications end-users ("Antenna Licensees"), and Durst would be required to market, lease, operate, maintain, repair and upgrade the Premises for purposes of the installation, maintenance and operation of antennas and related equipment and technology for the broadcasting and receiving of radio, television, information, communications and other signals and transmissions including, without limitation, all similar uses now or hereafter developed and/or used by comparable facilities now or in the future, all in a manner that is consistent with

standards for trophy office buildings that have comparable broadcast facilities (“Communications Use”). Net Lessee would retain rights for space tenants to install and operate antennas ancillary to their space leases at 1 WTC and the Port Authority would have rights for it and other designated public agencies to install and operate antennas within the Premises. Net Lessee would retain rights to use portions of the Premises and to allow third parties to use the same, provided such uses are not Communications Uses and do not interfere with the Communications Use.

Recapture and Termination Rights

If it were determined that the 1WTC Rooftop Facility does not generate at least \$2 million (escalated by the Consumer Price Index) of annual revenue net of expenses and amortization of capital expenses, then the Port Authority would have the right to terminate the Roof Sublease. If the Port Authority exercises such termination right, there would be a termination payment based on the parties’ respective unamortized capital investments at each other’s locations and a payment by the Port Authority of the amount, if any, by which the net present value of Durst’s share of gross revenue from the Premises exceeds the Port Authority’s share of gross revenue from other pooled locations. The net present value would be calculated based on the reasonably projected annual net gross revenue for the balance of the lease term based on the licenses then in place and a discount rate equal to comparable term Treasuries plus 400 basis points. Each party would have the right to terminate the Roof Sublease if the budget for the initial improvements exceeds \$60 million, and Durst would have the right to terminate the Roof Sublease if Durst is not successful in obtaining a satisfactory number of commitments from broadcasters during an initial marketing period. The Port Authority would also have the right to terminate the Roof Sublease for certain defaults by Durst and to buy-out Durst at fair market value if it opened a competing facility.

Assignment, Subleasing and Licensing Rights

Until the stabilization of operations at the 1WTC Rooftop Facility, Durst would only have the right to assign its interest in the Roof Sublease to Durst family affiliates. In addition, after initial stabilization of operations, Durst would have the right to assign its interest in the Roof Sublease only as part of a sale of the entire broadcast business operated by Durst and its affiliates, provided that the assignee meets certain minimum requirements provided in the Roof Sublease. Durst would also have the ability to mortgage its leasehold interest subject to maximum LTV and minimum DSCR requirements, the loan being from an institutional investor, and other requirements set forth in the Roof Sublease. Durst would have no other rights to assign, or to sublease all or any portion of the Premises, but would have rights to enter into license agreements with Antenna Licensees, provided that the license agreements are on a form approved by the Port Authority, the identity of users is subject to security review and approval, and Durst has satisfied other requirements set forth in the Roof Sublease. The Port Authority would have rights to assign and transfer its interest in connection with a sale of 1WTC and otherwise as set forth in the Operative Documents.

Additional Port Authority Rights

In addition to the approval rights described above with respect to Antenna Licensees, capital budgets and capital expenditures, the Port Authority would have the right to approve: any contracts between Durst and its affiliates; any management or marketing costs that are allocated between the pooled facilities; any structural alterations to the Premises; and the identity of any

third party engaged by Durst to manage the 1 WTC Rooftop Facility. As with all leases for 1 WTC, Port Authority Quality Assurance Division would have jurisdiction over all construction. In the event that Durst defaults under the Roof Sublease and such default is not cured by Durst and does not entitle the Port Authority to terminate the Roof Sublease, then the Port Authority would be entitled to exercise self-help to cure such default. If such default was caused by the gross negligence or willful misconduct of Durst, then Durst would be solely responsible for the costs and expenses incurred by the Port Authority in exercising such self-help remedies; otherwise, such costs and expenses would be shared in accordance with the expense sharing ration for the 1WTC Rooftop Facility.

Casualty

In the event of any material casualty, either party may elect to terminate the Roof Sublease. If the Port Authority elects to rebuild 1 WTC, Durst may elect to reinstate the Roof Sublease for the remainder of the term.

Security for Performance of Durst Obligations

Prior to the completion of the initial capital improvements, Durst's obligation to fund the initial capital investment under the Roof Sublease would be guaranteed by the Durst JV Member's interest in the 1 WTC Joint Venture or other security acceptable to the Port Authority.

Failure to Deliver Timely

In the event that, for reasons other than force majeure, delays caused by Durst or by Durst's base building changes, the Port Authority does not deliver the Premises to Durst to complete its initial improvements by an outside date to be specified in the Operative Documents, then the Port Authority would be responsible for delay or termination damages payable to Antenna Licensees as a result of such delay under Antenna License provisions approved by the Port Authority. Durst would be obligated to mitigate any delay damages, including offering temporary antenna locations at the 4TS Rooftop Facility. In addition, if the Port Authority does not deliver the Premises to Durst to complete its initial improvements by an outside date, not earlier than January 1, 2017, to be specified in the Operative Documents, then Durst shall have the right to terminate the Roof Sublease and the Port Authority would be obligated to reimburse Durst for all of its costs and expenses incurred in connection with the 1WTC Rooftop Facility.

Dispute Resolution

All disputes under the Roof Sublease would be resolved by binding arbitration, using the same procedures as applicable to the 1WTC Joint Venture. Certain disputes would be resolved by baseball arbitration, as described in the Roof Sublease.

Over Lease

The Over Lease would generally track the Roof Sublease. The following is a summary of certain aspects in which the Over Lease would differ from the Roof Sublease:

Parties; Term

The lessor under the Over Lease would be Net Lessee, and the lessee would be PA Roof Subsidiary. The term of the Over Lease would commence at the same time as the Roof Sublease, and would expire on July 15, 2100, one day after expiration of the Roof Sublease.

Permitted Use

The permitted use would be the same as the Roof Sublease, except that Port Authority would not be obligated under the Over Lease (as Durst is under the Roof Sublease), to market, lease, operate, maintain, repair or upgrade the Premises.

Rent, Related Provisions

The rent payable by the Port Authority under the Over Lease would be \$1 per annum plus reimbursement of certain pass-through costs (of utilities and building services). The Over Lease would not include provisions regarding amortization of capital improvement costs, or similar matters that relate to the Roof Sublease's provisions respecting rent.

Pursuant to the foregoing report, the Board adopted the following resolution, with Commissioners Lynford, Moerdler, Pocino, Rechler, Samson and Sartor voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that the Executive Director and his designated representatives be and they each hereby are authorized, for and on behalf of the Port Authority, to take any and all action pertaining to the development, financing, construction and operation of the broadcast and communications facilities at One World Trade Center, in coordination with such facilities at 4 Times Square, consistent with the foregoing report to the Board, including the execution of leases 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 leases, contracts, agreements and documents, as may be necessary in connection therewith; and it is further

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

TRIBUTE TO ERNESTO L. BUTCHER

The Board of Commissioners, upon the retirement of Chief Operating Officer Ernesto L. Butcher, unanimously adopted the following resolution.

WHEREAS, from the time he joined The Port of New York Authority in August 1971 as a Management Trainee through his service as Chief Operating Officer of The Port Authority of New York and New Jersey, Vice President and Secretary of Port Authority Trans-Hudson Corporation, and Vice President and Secretary of the New York and New Jersey Railroad Corporation, Ernesto L. Butcher has been a distinguished and dedicated public servant; and

WHEREAS, over his more than 40-year career, Ernesto L. Butcher has held progressively more responsible positions throughout the Port Authority, including General Manager of the George Washington Bridge; Manager of the Port Authority Bus Terminal; Assistant Director of Operations, Tunnels, Bridges and Terminals Department; Deputy Director, General Services Department; Deputy Director, Interstate Transportation Department; Director, Tunnels, Bridges and Terminals, and Deputy Executive Director for Operations; and

WHEREAS, since his appointment as Chief Operating Officer in 1999, Ernesto L. Butcher has been responsible for the operation of the Port Authority's line businesses in Aviation; Port Commerce; Tunnels, Bridges and Terminals; and the PATH rail system, as well as having oversight over the Public Safety Department; he oversaw the effectuation and advancement of critical capital transportation projects in the region, including the implementation of E-ZPass[®] toll collections at tunnel and bridge crossings, acquisition of Stewart International Airport, PATH's modernization program, various airport terminal and port facility projects, as well as numerous security projects and initiatives since September 11, 2001 to ensure the safety and security of Port Authority facilities and the traveling public; and

WHEREAS, as Chief Operating Officer during the terrorist attacks of September 11, 2001, Ernesto L. Butcher was instrumental in leading staff and World Trade Center visitors and tenants to safety, without regard to his own personal safety, and in the aftermath of the attacks was a beacon of hope and courage through his steady presence and calm demeanor, providing leadership and guidance in the efforts to recover and rebuild, providing comfort for the survivors, and becoming in the eyes of staff a transcendent force, rising above the tragedy and chaos of that terrible day; and

WHEREAS, on September 11, 2001, Ernesto L. Butcher led the senior staff of the Port Authority in establishing a command center in Jersey City within hours of the attacks, so that other Port Authority facilities could reopen and become operational immediately, while at the same time coordinating efforts with local, state and federal agencies; and

WHEREAS, over the course of his career, Ernesto L. Butcher has also implemented numerous important initiatives in each of the positions he has held, including exact toll lanes at the George Washington Bridge; the transformation of the Port Authority Bus Terminal, which included a homeless outreach program; and a safety program for the Tunnels, Bridges and Terminals Department; and

WHEREAS, from its inception in 1980 until 2005, Ernesto L. Butcher served on the Port Authority Ethics Board, ensuring the highest standards of employee integrity for which this agency is known, and has given tirelessly of his time and talent to provide sound guidance and advice to staff and to encourage the development of staff throughout the agency; and

WHEREAS, Ernesto L. Butcher has received numerous honors and awards, including a Doctor of Laws (Hon.) from Bloomfield College in New Jersey, as well as awards from the Essex County Club, the YMCA of Northern and Central New Jersey, the East Orange Community Development Corporation, the Harlem YMCA, the Senate and General Assembly of New Jersey, the State of New Jersey, and the Office of the Manhattan Borough President; and he was inducted into the Hunter College Alumni Hall of Fame in 2003; and

WHEREAS, Ernesto L. Butcher, in addition to his Port Authority responsibilities, has served on, or is presently serving on, the Board of Visitors of the University of Pittsburgh; the Board of Trustees of Bloomfield College; the Board of Calvary Hospital in the Bronx; the Boards of JUMP (Joint Urban Manpower Program); Aljira, the Tri-City Peoples Corporation (Newark); the Eagle Academy Foundation, Inc.; and the International Bridge, Tunnel and Turnpike Association; and was a Peace Corps volunteer in Korea for two years after graduation from college; and

WHEREAS, in 2006, the Board of Commissioners awarded Ernesto L. Butcher the Howard S. Cullman Distinguished Service Medal, the highest award for service given by the Port Authority to a Port Authority employee who has performed the most outstanding service, for his exemplary leadership performance, his integrity and dedication to a career in public service, which has benefited not only the Port Authority but also the entire region it serves; and

WHEREAS, in 2002, Ernesto L. Butcher received the Exceptional Service Team Award as a member of the Port Authority Executive Level September 11th Crisis Team for his extraordinary level of service, effort and accomplishment during the aftermath of the terrorist attacks on the World Trade Center on September 11, 2001;

NOW, therefore, be it

RESOLVED, that the Commissioners of The Port Authority of New York and New Jersey do hereby express to Ernesto L. Butcher, upon his retirement from Port Authority employment, their sincere appreciation for his service to the agency and the region it serves; and it is further

RESOLVED, that the Board of Commissioners hereby directs that this resolution be suitably engraved and presented to Ernesto L. Butcher as a token of the high esteem in which he is held by the Board and staff alike.

Whereupon, the meeting was adjourned.

Secretary