

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES OF SPECIAL BOARD MEETING

Thursday, August 26, 2010

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MINUTES of the Special Meeting of The Port Authority of New York and New Jersey held Thursday, August 26, 2010 at 225 Park Avenue South, City, County and State of New York

PRESENT:

NEW JERSEY

Hon. Anthony R. Coscia, Chairman
 Hon. Virginia S. Bauer
 Hon. Raymond M. Pocino
 Hon. Anthony J. Sartor

NEW YORK

Hon. Stanley E. Grayson, Vice-Chairman
 Hon. H. Sidney Holmes III
 Hon. Jeffrey A. Moerdler

Christopher O. Ward, Executive Director
 William Baroni, Jr., Deputy Executive Director
 Darrell B. Buchbinder, General Counsel
 Karen E. Eastman, Secretary

Susan M. Baer, Director, Aviation
 A. Paul Blanco, Chief Financial Officer
 John C. Denise, Audio Visual Supervisor, Public Affairs
 Gretchen P. DiMarco, Special Assistant to the Deputy Executive Director
 Michael G. Fabiano, Acting Chief Technology Officer
 Michael A. Fedorko, Director, Public Safety/Superintendent of Police
 Michael B. Francois, Chief, Real Estate and Development
 Jennifer Friedberg, Public Information Officer, Media Relations
 Kevin N. Georges, Leadership Fellow, Human Resources
 Richard Gladstone, Director, World Trade Center Redevelopment
 Glenn P. Guzi, Senior External Affairs Representative, Government and Community Affairs
 Linda C. Handel, Deputy Secretary
 Alan H. Hicks, Senior Public Information Officer, Public Affairs
 Mark D. Hoffer, Director, New Port Initiatives, Port Commerce
 Kara E. Hughes, Senior External Relations Client Manager, Government and Community Affairs
 Howard G. Kadin, Esq., Law
 Kevin J. Kirchman, Director, Marketing and Special Events
 Cristina M. Lado, Director, Government and Community Affairs
 Conor Lanz, Special Assistant to the Executive Director
 Francis J. Lombardi, Chief Engineer
 Ronald Marsico, Assistant Director, Media Relations, Public Affairs
 Sanjay S. Mody, Advisor to the Chairman
 Anne Marie C. Mulligan, Treasurer
 Diane Paonessa, Associate Board Management Support Specialist, Office of the Secretary
 Steven P. Plate, Director, World Trade Center Construction
 Stephen H. Sigmund, Chief, Public and Government Affairs
 Gerald B. Stoughton, Director, Financial Analysis
 Robert A. Sudman, Acting Comptroller
 David B. Tweedy, Chief, Capital Programs
 Lillian D. Valenti, Director, Procurement
 Sheree Van Duyne, Manager, Policies and Protocol, Office of the Secretary
 Philippe Visser, Assistant Director, World Trade Center Redevelopment
 Andrew S. Warshaw, Chief of Staff to the Executive Director

David M. Wildstein, Director, Interagency Capital Projects, Office of the Deputy Executive Director

Guest:

Deborah Gramiccioni, Director, Authorities Unit, Office of the Governor of New Jersey

Speakers:

Catherine Hughes, NYC Community Board #1

The public meeting was called to order by Chairman Coscia at 11:09 a.m. and ended at 11:17 a.m. The Board met in executive session prior to the public session.

Action on Minutes

The Secretary submitted for approval Minutes of the meetings of August 5, 2010. 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 August 6, 2010. She reported further that the time for action by the Governors of New York and New Jersey expired at midnight on August 20, 2010.

Whereupon, the Board unanimously approved the Minutes of the meetings of August 5, 2010.

The Secretary also reported that the actions set forth on pages 9 through 34 of the Minutes of the Special, Interim Committee on Operations meeting of August 5, 2010, in connection with the issuance of Port Authority Special Project Bonds were also approved for purposes of the public approval provision of Section 147(f) of the Internal Revenue Code of 1986 and the regulations with respect thereto, upon expiration of the gubernatorial review period.

THE WORLD TRADE CENTER – EAST SIDE SITE DEVELOPMENT PLAN – AUTHORIZATION OF AGREEMENTS AND RELATED DOCUMENTS

It was recalled to the Board that on March 25, 2010, the States of New York and New Jersey, the City of New York (“NYC”), the Port Authority, and the Silverstein net lessees of Towers 2, 3 and 4 (“SPI”) announced the outline of a proposed development plan for the east side of the World Trade Center site (the “Development Plan”). The Development Plan, which was the result of discussions among SPI, the Port Authority, NYC, the State of New York (“NYS”) and the State of New Jersey (“NJ”) with respect to the financing and construction of Towers 2, 3 and 4, provided for the immediate restoration of the east side of the World Trade Center site to at least street level, substantial completion of Tower 4 (“T4”) by 2013, the phase-in of Tower 2 (“T2”) and Tower 3 (“T3”) over time, and the continued progress of all other World Trade Center public projects.

The Development Plan follows closely the plan outlined on March 25, 2010. It continues to ensure the immediate restoration of the eastern portion of the site, secures a long-term revenue stream for the Port Authority and shares the development risk among all stakeholders. Specifically, T4 continues to be supported by the Port Authority’s credit; T3 continues to be a market-driven real estate deal with private-market triggers that, if achieved, qualify the tower for additional, capped public support shared by the Port Authority, NYC and NYS; and T2 continues to be a scope-driven effort to support the Transportation Hub and bring the structure to grade while deferring tower construction until market demand allows it to proceed without further public financial support.

The Development Plan is intended to strike an important balance between the redevelopment goals of, and the financial risks and rewards between, the public and private sector stakeholders at the World Trade Center site in a manner that would allow for the orderly, phased development of the eastern portion of the site while responding practically to the changing economic and real estate market environments.

In striking that balance, the Development Plan caps a two-year effort to restructure, rationalize and, above all, provide a renewed level of certainty over the development of the east side of the World Trade Center site.

This effort began with a Port Authority-led comprehensive assessment of the public projects at the World Trade Center site, leading in October 2008 to the “World Trade Center Report: A Roadmap Forward,” which detailed a series of solutions that jumpstarted the construction progress at the World Trade Center site and led to a more realistic set of schedules and budgets.

While the 2008 Report provided greater certainty over the delivery of the site’s public projects, it did not address what was emerging as another major challenge to the site’s progress – the redevelopment of the office space which had been destroyed on 9/11. The Development Plan was designed to address this next challenge.

Each stakeholder shared a major interest in coming together around a new realistic plan. For the Port Authority, without a new plan, the future rental and retail revenue that helps fund the region’s transportation infrastructure would be lost and – because of its structural and mechanical dependency on Towers 2 and 3 – the WTC Transportation Hub would be massively

delayed. For SPI, without a new plan, it could be forced to suspend the development of its three planned towers after years of effort and the expenditure of substantial resources. And for NYC, NYS and NJ, without a new plan, the World Trade Center -- the economic engine for Lower Manhattan and the entire region -- would remain a hole in the ground, leaving the promise of a rebuilt Downtown unfulfilled. In the face of this reality, and after a dispute resolution process had run its course, the stakeholders came together around a new Development Plan.

At its core, the Development Plan is designed to provide a baseline level of certainty -- certainty over what will be built, how it will be paid for, and when it will be delivered.

That starts with a premise that the private office space should be phased in, as opposed to being built all at once. The Development Plan advances the smallest of SPI's three towers, T4, which already has lease commitments of approximately 1.2 million square feet of space, provides for T3 to move forward only after proving it is economically viable by hitting certain private-market triggers, and provides for the largest of SPI's three towers, T2, to move forward only when the market demand exists and without public subsidy.

In order to provide certainty that this phased approach will work and that the east side of the site can be restored immediately, it was essential that SPI commit all of its remaining financial assets to the development of T4 and T3 (as opposed to dividing the resources among all three towers), including all of the remaining insurance proceeds, all liquidated damages previously paid by the Port Authority, and its entire allocation of New York Liberty Bonds ("Liberty Bonds") (approximately \$2.593 billion in total). This ensures that construction of the T3 podium is fully funded and allows the Port Authority, without unreasonable risk, to backstop the Liberty Bonds on T4, the amount of which is significantly reduced because of SPI's allocation of T4 insurance proceeds. At the same time, it was essential that the Port Authority agree to a revised net lease rent schedule with respect to T3 and T2 so the above-market rents that were maintained in the 2006 Port Authority/SPI transaction (the "2006 Transaction") for T3 and T2 would not prevent SPI from ever getting its towers out of the ground (thus stunting the Port Authority's ability to realize any future rent revenue). Finally, in order to provide certainty that the site will be fully restored, it was necessary for the Port Authority to provide a capped amount of funding for the construction of the T2 site to street level, given that all of SPI's T2 insurance proceeds were now being devoted to making T3 and T4 more economically viable.

In the end, this new Development Plan builds only what the stakeholders can finance with certainty today: T4 backed by Port Authority credit; a T3 podium funded by existing insurance funds; and T2 to street level funded initially by existing Port Authority funds. Everything built beyond that will be driven by market demand and a capped amount of future public support, thereby significantly reducing the public sector's risk going forward. This phased approach evolved as a result of significant changes in the real estate and capital markets following the adoption of the 2006 Transaction, when it became clear that the capital sources and uses for all three towers no longer matched up and the towers could not be reasonably built all at once.

The chief features of the proposed transaction include the following:

Tower 4:

- Continued construction of T4 by SPI, currently expected to be substantially complete in 2013.
- Continued and uninterrupted rent payable to the Port Authority under the T4 Net Lease at current levels, with the existing T4 rent escalation moved back 2 years from 2017 to 2019 (with a land value currently estimated by the Port Authority at approximately \$220 per square foot).
- Construction and lease-up of T4 to be funded by total financial sources of approximately \$1.813 billion, including approximately \$1.365 billion of proceeds from Liberty Bonds, approximately \$363 million of insurance proceeds (including amounts previously expended by SPI for T4's development and construction, rent, fees and administrative costs), and approximately \$85 million of insurance proceeds previously allocated to T2 and currently earmarked for T4 net lease rent.
- Efficient execution of Liberty Bonds financing, where the Port Authority provides credit support for a portion of the debt service not covered by the rent payable by NYC under the City T4 Space Lease (defined below).
- Additional support by the Port Authority for a capped amount of construction cost overruns prior to substantial completion, a capped amount of leasing cost overruns for first generation leases, a capped amount of capital expenditures for necessary maintenance and repairs, and building operating shortfalls including debt service.
- Prior to receiving any profit from building operations or capital events, the obligation of SPI to repay any such amounts advanced by the Port Authority (together with interest at 7.5% per annum, compounded semi-annually, over a 40 year term) out of the net cash flow and net capital event proceeds from both T4 and T3.
- Increased participation to the Port Authority in connection with capital event proceeds equal to 17.5% starting from the first dollar of net capital event proceeds received from time to time, as opposed to a long-term participation of 5% under the terms of the 2006 Transaction.
- Significantly reduced costs of borrowing resulting from Port Authority credit support, which in turn serves to reduce Port Authority support obligations and allows the project to make net lease rent payments to the Port Authority under the T4 Net Lease in keeping with the current rent schedule.

Tower 3:

- Immediate construction of the T3 podium by SPI, with the construction of the T3 office tower to follow on the condition that SPI achieves certain private-market triggers for leasing and financing (pre-lease 400,000 square feet of the office tower at

a minimum average rent of at least \$60 per rentable square foot for the first five years of the term, which \$60 figure shall be increased by CPI commencing in 2012, and raise \$300 million of private, unsupported equity and/or mezzanine debt).

- Continued and uninterrupted net lease rent payable to the Port Authority of amounts proportional to the phasing of T3 construction, with restoration of rent to at least the full 2010 level in the event SPI builds the T3 office tower.
- Construction and lease-up of T3 to be funded by total financial sources of approximately \$2.352 billion, including approximately \$978 million of proceeds from Liberty Bonds, approximately \$401 million of taxable bonds, \$300 million of proceeds of either unsupported third party mezzanine debt (which is currently anticipated to be comprised of Liberty Bonds) or SPI equity or any combination thereof, \$210 million of capital contributions provided by NYS and NYC, approximately \$404 million of insurance proceeds (including amounts previously expended by SPI for T3's development and construction, rent, fees and administrative costs), approximately \$9 million of estimated earnings on the bond proceeds, and approximately \$51 million of insurance proceeds previously allocated to T2 and currently earmarked for T3 rent.
- \$159 million of reallocated T2 insurance proceeds as a "first loss" source of funds for Construction Overruns (as defined below).
- \$390 million of "backstop" support provided by the Port Authority, NYS and NYC, to the extent necessary and only after all of the T3 Escrowed Fees (as defined below) have been used in full, for a capped amount of construction cost overruns prior to substantial completion, a capped amount of leasing cost overruns for first generation leases, and a capped amount of building operating shortfalls including debt service.
- Significantly reduced costs of borrowing resulting from the public sector backstop, which in turn serves to enhance the overall project economics by providing reduced risk with respect to the use and repayment of the public sector backstop.

Cash Trap for Tower 3 and Tower 4.

- The "trapping" of all building profits – net cash flow and net capital event proceeds from T3 and T4 -- and certain T3 fees (as specified below) until all public sector support is repaid (with the exception of the capital contributions from NYS and NYC for T3).
- During the cash trap period, building profits deposited into the cash trap may only be used for certain limited items as specified below, including debt service on the third-party, unsupported, subordinated mezzanine debt (without this exception, SPI would have no ability to raise such mezzanine debt from investors, and thus no ability to achieve this T3 private market trigger).
- The termination of the cash trap only when the T3 public sector backstop is terminated and all amounts advanced thereunder are repaid, all T4 Port Authority

support payments have been repaid, and, in respect of T4 only, so long as a 1.25x minimum debt service coverage ratio is achieved for T4.

- The cash trap ensures that (i) project cash flow from T3 and T4 is protected first for necessary building purposes, then to repay the public support payments, and only then to SPI, and (ii) SPI has a significant incentive to refinance and remove all of the public sector backstops from T3 and T4, as well as to pay back any Port Authority TSPs (as defined below) on T4.

Audit Rights for Tower 3 and Tower 4.

- The Port Authority would have the right to review, inspect, copy and perform audits from time to time (but not more than once every 12 months) on the books, accounts and records of the SPI net lessee with respect to the development, construction and operation of T3 and T4 with respect to the accounts maintained in connection with the Liberty Bonds and the cash trap (including the disbursement of proceeds of Liberty Bonds, deposits to and disbursements from the accounts, and the activity in the operating accounts of the SPI net lessee) at such time as the TSA (as defined below) for each tower is effective.
- The Port Authority would also have the right to conduct a third-party audit every three years in order to verify that building systems are being properly maintained.

Tower 2:

- Immediate construction by SPI to bring the T2 site to at least street level under a plan that has been jointly developed by the Port Authority and SPI in order to satisfy the mechanical and structural needs of the WTC Transportation Hub while preserving flexibility for the future development of the T2 office tower when the market demand exists.
- The insurance currently allocated to T2 of approximately \$295 million (including amounts previously expended by SPI for development, construction, rent and administrative costs) would be used first to fund up to \$85 million of T4 net lease rent, up to \$51 million of T3 net lease rent, and the remainder (approximately \$159 million) toward a completion guaranty fund for T3 and, upon release of the completion guaranty fund for T3, for use in connection with T4.
- No public support for the future T2 office tower. Tower financing and construction would be driven solely by market demand.

Construction Partnership.

- SPI and the Port Authority would jointly develop a plan to better coordinate and integrate their construction teams and schedules given all of the interrelated work on the east side of the World Trade Center site.

- The construction partnership would include a more formal process of information-sharing, schedule development and implementation, as well as reciprocal mechanisms and an expedited arbitration process relating to delay and mitigation to provide investors, lenders and tenants with a reasonable certainty of timely project delivery.
- While the rights for either party to make a claim for damages would continue to exist, no provision would be made for “liquidated damages” or any type of new financial consequence resulting from a delay in any milestone date.

The Development Plan is to be effected through various agreements and related documents. As discussions concerning the implementation of the Development Plan continued among the Port Authority, SPI, NYC, NYS and NJ, the proposed structure was established, which is reflected in the below summary of the principal provisions of the transaction agreements and related documents.

This structure offers a modest improvement to the capital capacity impact on the Port Authority discussed with the Board in March 2010, costing the agency less than previously anticipated. The capital capacity impact is now projected to be \$1.173 billion to \$1.323 billion through 2016. The higher amount of this range is based on a “worst-case” assumption that the entire \$200 million Port Authority T3 backstop would be drawn down as part of the use of the \$390 million total public sector T3 backstop should T3 be built above the podium level. The full impact of the Development Plan has already been accounted for in the Port Authority’s capital plan and will not result in any further deferment of agency projects.

T4 Bond Support Agreement

The Port Authority and SPI would enter into two companion agreements -- a T4 Bond Support Agreement (the “T4 BSA”) and a T4 Tenant (Net Lessee) Support Agreement (the “T4 TSA”). Together, these agreements would provide for certain direct financial support by the Port Authority for the development of T4, the terms of repayment of that support required of SPI, and the rights and remedies of the Port Authority in the event of an SPI default thereunder. The T4 BSA would be executed by the Port Authority and 4 World Trade Center LLC, an SPI –related entity.

Purpose of T4 BSA.

The construction and lease-up of T4 is to be funded by application of total financial sources equal to approximately \$1.813 billion, including approximately \$1.365 billion of proceeds from Liberty Bonds, approximately \$363 million of insurance proceeds (including amounts previously expended by SPI for T4’s development and construction, rent, fees and administrative costs), and approximately \$85 million of insurance proceeds previously allocated to T2 and currently earmarked for T4 net lease rent. It is expected, based on currently prevailing capital markets conditions, that the Liberty Bonds financing for T4 would be a 40 year fixed rate financing with a 10 year call protection period, interest only for the first 15 years, and amortization on a self-liquidating basis over the remaining 25 years. The final terms of the Liberty Bonds financing would be subject to the approval of the Port Authority. The terms of the Liberty Bonds financing (the most significant source of funding) are significantly improved by the reliance of the bondholders on the credit of the Port Authority and the rentals from the City T4 Space Lease for the regularly scheduled payments of interest and principal under the Liberty

Bonds. Under the T4 BSA, the Port Authority would agree to make when due Bond Support Payments ("BSPs") to the Trustee on behalf of the bondholders in an amount equal to the difference between the scheduled semi-annual principal and interest payments under the T4 Liberty Bonds less the rent payable (whether or not paid) by NYC under the City T4 Space Lease (plus a nominal amount, if any, for the reasonable and customary fees, costs and expenses of the Trustee as specified in the Liberty Bonds Indenture). SPI would assign the T4 BSA to the Trustee under the T4 Liberty Bonds financing. SPI would also assign to the Trustee SPI's right, title and interest to collect rent directly from NYC under the City T4 Space Lease. By allowing bondholders to rely on the credit of the Port Authority and the rentals from the City T4 Space Lease to assure payment of the entire debt service due under the Liberty Bonds, an efficient and cost-effective financing for the development of T4 can be achieved, which ultimately reduces the Port Authority's risk of draws under the T4 TSA.

Reimbursement of T4 Bond Support Payments.

In order to limit the exposure to the interest rate volatility of the capital markets, while at the same time provide the equivalent of traditional floating rate financing of a typical construction loan, the T4 Liberty Bonds would be issued with a fixed interest rate, and the Port Authority would provide SPI with the economic equivalent of an "on-market swap" providing SPI with fixed interest rate of 3 percent (intended to simulate the estimated floating rate interest rate during such period) for 5 years, at an estimated cost to the Port Authority of approximately \$136 million. To effectuate the swap, at the T4 Liberty Bonds closing, SPI would cause to be deposited in trust with the Trustee, from the proceeds of the Liberty Bonds, a capitalized interest reserve in an aggregate amount equal to the product of the par amount of the Liberty Bonds, multiplied by 3%, multiplied by 3 years. The capitalized interest reserve account would be invested by the Trustee in those investments permitted under the Indenture for the Liberty Bonds' proceeds, and all investment income accruing on the capitalized interest reserve account and be used to pay interest on the Liberty Bonds. The issue price of the Liberty Bonds would not exceed par without the prior approval of the Port Authority.

Commencing on the first bond payment date, the Trustee would apply the funds on deposit in the capitalized interest reserve account to pay scheduled interest due on the Liberty Bonds until the capitalized interest reserve account is completely expended (whereupon the Port Authority's obligation to pay interest would commence). Any payments of debt service under the Liberty Bonds made by the Port Authority (rather than from the capitalized interest reserve account) through and including the sixth bond payment date will not constitute BSPs.

For the period commencing on the seventh bond payment date and ending on the tenth bond payment date, on each bond payment date the Port Authority would be entitled to reimbursement for any payments of debt service under the Liberty Bonds in an amount equal to the product of the par amount of the Liberty Bonds multiplied by 1.5%. Any shortfall (i.e., to the extent not covered by building net cash flow) in such reimbursement obligation would constitute a BSP.

From and after the eleventh bond payment date (the point at which the "swap" period ends), on each bond payment date the Port Authority would be entitled to reimbursement for any payments of debt service under the Liberty Bonds in an amount equal to the product of the par amount of the Liberty Bonds multiplied by the full stated rate of interest on the Liberty Bonds.

Any shortfall (i.e., to the extent not covered by building net cash flow) in such reimbursement obligation would constitute a BSP.

All BSPs would be reimbursed to the Port Authority by SPI pursuant to the terms of the T4 TSA, together with interest calculated at the rate of 7.5% per annum compounded semi-annually, as described under "Repayment of T4 Tenant Support Payments".

Unconditional Nature of T4 Bond Support Payments.

The Port Authority's agreement to make payments under the T4 BSA would be absolute, in the nature of a direct payment letter of credit issued by a financial institution, without any right of counterclaim, setoff, deduction or defense whatsoever.

Risks Associated with City T4 Space Lease.

On March 7, 2008, SPI, as landlord, and NYC, as tenant, entered into an Option Agreement and Indenture of Lease pursuant to which, upon exercise of the option, portions of T4 would be leased to NYC (the "City T4 Space Lease"). In order to reduce the building's risk to the Port Authority, however, NYC has agreed to enter directly into a space lease (as opposed to an SPI option that would need to be exercised to have the City T4 Space Lease take effect). The City T4 Space Lease would contain a termination option for SPI if SPI finds alternative creditworthy tenants at better economics by December 31, 2012, a provision designed to allow SPI to improve the building's economics with private sector tenants as dictated by market demand. To effectuate this, SPI would have the right to procure one or more tenants in replacement of NYC provided that (i) the net effective fixed rent (inclusive of brokerage commissions) payable by such replacement tenants, in the aggregate and regardless of whether less space than demised under the City T4 Space Lease is leased to replacement tenants, is equal to or greater than the net effective rent payable under the City T4 Space Lease, (ii) each replacement tenant has a rating of BBB or greater or, if a law firm, is one of the American Lawyer Top 100 Law Firms, or otherwise for which SPI has obtained a letter from an independent accounting firm or investment bank stating that such replacement tenant has the same or better ability to meet its obligations under the proposed space lease and its other financial obligations generally as a BBB rated entity, (iii) each replacement lease is for a term of at least 15 years, (iv) each replacement lease provides for no greater than 12 months of free rent, and (v) is otherwise on terms not materially less favorable to the landlord than the City T4 Space Lease. In such event, such space would be considered speculative space in the building subject to the Port Authority's "wrap" of such speculative space, regardless of the existence of any tenants therein. These standards would also apply before SPI could exercise any right of recapture upon a proposed subletting or assignment by NYC.

As described above, the Port Authority's obligations with respect to debt service under the Liberty Bonds financing is limited to the portion thereof not otherwise payable by NYC under the City T4 Space Lease. In no event would the Port Authority be responsible to the bondholders for any shortfall in a debt service payment arising from a default by NYC in paying its T4 rent. Accordingly, the Port Authority would not take any credit risk with respect to NYC's default in the payment of its rent. Furthermore, under the terms of the T4 TSA, all rental revenue (other than the rent payable under the City T4 Space Lease) would be pledged to the Port Authority and applied to operating expenses, Construction Overruns, Leasing Overruns (as defined below), and to reimbursement of all outstanding TSPs, all before any advances under the

T4 TSA. In the event of a default by NYC in paying its T4 rent, SPI or the Trustee would be entitled to enforce its rights to collect such rent under the City T4 Space Lease.

In order to shift the economic risks associated with the City T4 Space Lease away from the Liberty Bondholders, and thereby reduce the interest rate premium that would be attributable to that lease for the most efficient financing possible, the Port Authority would agree to “wrap” certain City T4 Space Lease risks (including, without limitation, a termination by NYC due to a failure by SPI to complete construction, an abatement of rent due to a casualty or condemnation, the lack of a fixed rent commencement date, a termination as a result of a casualty which prevents the premises from being rebuilt as and when required under the City T4 Space Lease (which, depending on the scope of the casualty, generally ranges from 9 to 20 months), or that available rent loss insurance (required under the T4 Net Lease) does not cover the period during which rent may abate on account of a casualty or condemnation). In essence, the Port Authority would be taking a relatively remote risk rather than facing a “guaranteed” higher cost over the life of the Liberty Bonds due to higher interest rates demanded by the bond market to cover any perceived risk, and thus an increased likelihood of draws against the T4 TSA.

To reduce risk to the Port Authority of this "wrap," NYC agreed to certain changes to the City T4 Space Lease as follows:

- With respect to the topping out of structural steel, the deadline would be December 31, 2017, which is 5 years after the scheduled milestone date is projected to be met.
- With respect to the substantial completion of basic construction, the deadline would be June 30, 2018, which is 5 years after the scheduled milestone date is projected to be met.
- With respect to the substantial completion of Tenant’s Initial Alterations, the deadline would be the later of (x) 21 months after delivery by NYC of final plans or (y) June 30, 2019, which is 5 years after the scheduled milestone date is projected to be met.

The extension of the lease termination options is significant. In order for the Port Authority to realize this risk, SPI would have to deliver T4 five years later than scheduled. From a construction perspective, T4 is already past the most complicated foundation phase of construction with the core and steel several stories above grade. According to SPI’s construction schedules, the building continues to be on schedule to be delivered to NYC as planned, resulting in the reduced likelihood of a delayed NYC rent commencement.

To reduce risk to the Port Authority with respect to a casualty or condemnation that affects the rent payable by NYC under the City T4 Space Lease, SPI will be required under the T4 TSA to expand the business interruption insurance coverage currently required under the T4 Net Lease such that interruption of fixed rent under all space leases at T4 is insured for a minimum period of 36 months in the aggregate, including any extended periods of indemnity.

Term of T4 BSA.

The T4 BSA and the obligations of the Port Authority thereunder would terminate upon the earliest to occur of: (a) the final payment (at maturity or prepayment in the event of a refinancing) being made under the T4 Liberty Bonds (the term of which cannot exceed 40 years); or (b) the occurrence of any refinancing transaction involving all of the Liberty Bonds.

Special T4 Rights of the Port Authority.

During the term of the T4 BSA, the Port Authority would have the rights: (a) to take any action to cure defaults by SPI under the Liberty Bonds, including the right to take all actions necessary with respect to construction and operation of T4; (b) to access and use proceeds of the Liberty Bonds (and proceeds of all pledged collateral accounts) if required to enforce its rights to complete or cause the completion of T4 upon failure of SPI to do so and to exercise its rights under the collateral assignment of certain development documents and completion guaranties; and (c) to the extent of the bonds supported by the T4 BSA, to direct the Trustee to take all actions which the bondholders would be permitted to direct under the Indenture including the right to direct the method of conducting any actions required or authorized to be taken by the Trustee and the right to elect, request, direct, assign or give notice with respect to exercise of any remedies, power and directions under or referred to in the Indenture and any financing documents (however, the Port Authority will not have the right to consent on behalf of the bondholders to any change in the terms, conditions or other provisions pertaining to payment of debt service on, or redemption or retirement of, the Liberty Bonds, changes to the security for the Liberty Bonds, or changes to the manner, source or extent to which the Liberty Bonds are payable or secured).

Execution of T4 BSA.

As provided in the companion T4 TSA, and subject to the conditions precedent therein, the Port Authority would not actually execute the T4 BSA until the closing of the sale/remarketing of SPI's T4 Liberty Bonds (i.e., the financial closing, which is currently anticipated to occur in October, 2010).

T4 Tenant Support Agreement ("T4 TSA")

Like the T4 BSA, the T4 TSA also would be executed by the Port Authority and 4 World Trade Center LLC, an SPI-related entity.

Purpose of T4 TSA.

The T4 TSA would provide for (a) the reimbursement by SPI to the Port Authority of all BSPs made by the Port Authority under the T4 BSA, (b) financial support for a capped amount of construction cost overruns prior to substantial completion, a capped amount of leasing cost overruns for first generation leases, a capped amount of capital expenditures for necessary maintenance and repairs, and building operating shortfalls including debt service (such payments being known as Tenant Support Payments or TSPs), and (c) the reimbursement by SPI to the Port Authority of all TSPs made by the Port Authority under the T4 TSA, all as described below.

Execution of T4 TSA.

The T4 TSA would be executed along with all of the other transaction documents (except for the T4 BSA) prior to the financial closing of the T4 Liberty Bonds; however, the financial obligations of the Port Authority under the T4 TSA would not commence unless and until the date of continued satisfaction of certain conditions precedent, including: (a) the closing of the sale/remarketing of the T4 Liberty Bonds (the financial closing); and (b) the delivery to and approval by the Port Authority of: (i) a fully executed GMP Construction Contract based upon 90% bid trades and subcontracts; (ii) an approved development budget; (iii) approved final plans and specifications; (iv) an approved leasing plan; (v) a collateral assignment to the Port Authority of all construction related contracts, licenses, permits and other assets in connection with construction of T4; (vi) a leasehold mortgage on SPI's leasehold interest in T4, securing payments made by the Port Authority under the T4 TSA (which would include all BSPs under the T4 BSA); and (vii) a lockbox agreement establishing various pledged collateral and holding accounts (i.e., the cash trap accounts) to service the T4 TSA and T3 TSA.

T4 Tenant Support Payments.

In addition to the BSPs to be made under the T4 BSA, given that the Port Authority would have a direct risk if the building is not performing or operating efficiently, the Port Authority would agree to fund as TSPs a capped amount of overruns for construction costs, tenant improvement costs/leasing commissions, capital expenditures for necessary maintenance and repairs, and certain other costs.

T4 Construction and Leasing Overruns. During construction of T4, determination of the Port Authority's obligation to fund Construction Overruns and Leasing Overruns would be made based on the approved development budget. The approved development budget would have a line item for Hard Construction Costs ("Hard Costs") and a line item for Tenant Improvement Costs/Leasing Commissions combined ("Leasing Costs"). The "Construction Overrun Cap" would be 5% of the line item for Hard Costs (approximately \$61 million as of this date). The "Leasing Overrun Cap" would be 5% of the line item for Leasing Costs (approximately \$11 million as of this date). The Port Authority would be obligated to fund, via the approved development budget and the T4 TSA, all Hard Costs incurred by SPI in excess of the line item for Hard Costs after SPI has exhausted all of the proceeds of the Liberty Bonds, all remaining insurance proceeds and other amounts allocated to the development of T4, trapped fees of SPI under the T3 TSA (in the event all or any portion of them moves to the T4 side of the cash trap pursuant to the T3 TSA), and its developer's contingency of 10% of the Hard Costs (such excess, a "Construction Overrun") and all Leasing Costs incurred by SPI in excess of the line item for Leasing Costs (such excess, a "Leasing Overrun") (collectively, "Overruns"), but not in excess of the Construction Overrun Cap for Construction Overruns or the Leasing Overrun Cap for Leasing Overruns.

The Port Authority's obligation to fund any Construction Overrun would apply only after any remaining portion of the Completion Deposit (established under the T3 TSA as described below) upon completion of the T3 core and shell is used in full. If any portion of the Completion Deposit is released by the Trustee for use in connection with T4 after substantial completion of the core and shell of T3, that portion would be used first to repay then outstanding advances by the Port Authority on account of T4 Construction Overruns.

In addition, further mitigating risk associated with Construction Overruns, (i) the T4 project is being constructed pursuant to a guaranteed maximum price contract which is based on at least 90% of trade contracts having been bought out, and (ii) SPI's ability (a) to issue scope changes or change orders, (b) to amend the development budget, and (c) to apply the owner's contingency, is limited as further described herein. Additionally, the Port Authority has retained an independent construction auditing firm to review and analyze the T4 development budget, plans and specifications, schedule and other relevant documents and will continue to have a construction auditor monitor the project through substantial completion.

The Port Authority's obligation to fund any Overrun whatsoever would not apply to, and the Port Authority would not be obligated to fund (and SPI would be required to fund or cause to be funded), any Overrun resulting from certain prohibited acts of SPI or a related party to be defined in the TSA ("Prohibited Acts").

The Construction Overrun Cap would not apply to any Construction Overrun caused by the fault of the Port Authority that directly increases SPI's construction costs. Moreover, (a) the Port Authority would be obligated to fund any such Construction Overrun and (b) any Construction Overrun funded by the Port Authority in excess of the Construction Overrun Cap which is later determined by expedited arbitration (as described below) to be (i) subject to the Construction Overrun Cap (i.e., it is determined not to be the fault of the Port Authority) would be repaid by SPI under the T4 TSA, with interest, within 60 days of such determination and any failure to so reimburse the Port Authority would be a material default subject to the remedies set forth in the T4 TSA, or (ii) not subject to the Construction Overrun Cap (i.e., it is determined to be the fault of the Port Authority) would be repaid by application of the proceeds of such arbitration award (with any excess proceeds of such award deposited into the cash trap for T4), and if the amount of the award is less than the amount funded by the Port Authority on account of such Construction Overrun, the shortfall (down to the 5% aggregate cap) would be immediately repaid to the Port Authority by SPI as an Unfunded Expense (described below). The Amended MDA (as defined below in the section entitled "Amended and Restated Master Development Agreement") would contain an expedited process with a single arbitrator and a framed question to determine whether amounts to be paid by the Port Authority are the fault of the Port Authority and therefore whether or not subject to the Construction Overrun Cap. Payment by the Port Authority of any amount requested by SPI would not be deemed in any way to be a waiver of the right to challenge the SPI determination.

The Port Authority's obligation to fund Leasing Overruns up to the Leasing Overrun Cap would be limited to "first generation" lease transactions (i.e., the initial lease-up of the building). The terms of the T4 TSA would allow a funding in excess of the Leasing Overrun Cap only in the case of leases to "creditworthy tenants" when the net effective rent of such leases exceeds the pro forma net effective rent as budgeted pursuant to the approved T4 leasing plan.

Following substantial completion of T4, the Port Authority would not be obligated to fund any Construction Overruns, any Leasing Overruns for "second generation" leases (including any space under the City T4 Space Lease which is re-leased), any Leasing

Overruns for first generation leases when the Leasing Overrun Cap is reached (except as set forth above), or any other amount not expressly described in the T4 TSA.

T4 Operating Deficits. Following substantial completion of T4, the Port Authority would be required to fund building operating deficits in the amount by which gross revenues available from T4 are less than the operating expenses for T4 over the same period. Actual market rate property management fees and actual market rate leasing commissions payable to SPI or its affiliates for actual signed leases only, as provided for in the approved budgets for such expenses, may be paid to SPI or its affiliates in the same manner as such fees and commissions would be paid to a third party providing such services to the building (i.e. they will be paid first from the development budget and then, if such line items are depleted in full, from fundings under the T4 TSA up to the caps set forth therein, to the extent applicable, and then from T3/T4 net cash flow out of the cash trap, except that any such payment out of the cash trap shall be subject in all events to the limitations (including without limitation the 50% cap on funding Unfunded Expenses) set forth in the T3/T4 TSAs). In all cases, SPI would be paid any such fees only as incurred and payable and subject to reasonable Port Authority auditing rights.

To mitigate against an extended period of operating deficits, the Port Authority would have the right to become involved in the leasing of T4, to require SPI to negotiate with certain tenants, and to enter into space leases, in each case if certain conditions are met, as more particularly described herein under "T4 Leasing".

T4 Capital Expenditures. Following substantial completion of T4, the Port Authority would be obligated to fund any capital expenditures for necessary maintenance and repairs in excess of the line item for capital expenditures (or reserves therefor) set forth in the approved development/operating budget for T4. Generally, such capital expenditures would be capital expenditures constituting life-cycle replacements of building components or equipment in a manner consistent with first class office buildings resulting from normal building operations after normal and customary annual maintenance and repair has been performed (excluding any renovations for aesthetic reasons such as lobby or façade renovations). Any such capital expenditure that exceeds \$250,000 (escalated by CPI) would need to be based upon an engineering report and analyses demonstrating that the improvement is necessary and subject to Port Authority reasonable approval. The Port Authority will have the right to conduct a third-party audit every three years in order to verify that building systems are being properly maintained.

Repayment of T4 Tenant Support Payments.

The TSPs which may be advanced by the Port Authority during the term of the T4 TSA would bear interest at the rate (compounded semi-annually) of 7.5% per annum. The TSPs, together with accrued interest thereon, would be required to be repaid on a semi-annual basis to the extent of net cash flow (including the rental revenue from the PA T4 Space Lease) and net capital event proceeds in the cash trap, and, if necessary, in full at the expiration of the term of the T4 TSA. The ability of SPI to use amounts available under the T4 TSA (subject to the limitations described herein) will continue for the entire term of the T4 TSA regardless of any intervening repayments of outstanding T4 TSPs. If there is excess cash in the T4 cash trap at the time the T4 TSA and BSA are terminated,

and the T3 cash trap is still in effect, that excess would be deposited into the T3 holding account for T3 expenses.

Security for Repayment of T4 Tenant Support Payments.

Under the T4 TSA, gross revenues (other than rent relating to the space demised under the City T4 Space Lease, to the extent not subject to the Port Authority “wrap”)) from the operation of T4 (including certain initial deposits and proceeds of capital transactions) would be deposited into a pledged collection and/or holding collateral account under an executed lockbox agreement with a cash management bank (i.e., the cash trap) for the benefit of the Port Authority. All funds in the cash trap from time to time would be utilized to reimburse the Port Authority for all TSPs it has made, and to pay operating expenses and T4 Net Lease rent prior to any requirement of the Port Authority to fund additional TSPs. The pledged collateral accounts would be security for repayment of all TSPs made by the Port Authority. The obligation to repay the TSPs would also be secured by a leasehold mortgage in favor of the Port Authority on the net lessee’s interest in the T4 Net Lease. The Port Authority’s right to exercise self-help remedies, including the right to complete T4, would also be secured by the collateral assignment from SPI of all construction related contracts, licenses, permits and rights.

T4 Unfunded Expenses.

In addition to the above limitations, the Port Authority would have no obligation to fund (and SPI would be required to fund or cause to be funded): (i) costs resulting from Prohibited Acts; (ii) costs incurred outside of the specific agreed-upon parameters (such as the 5% caps described above) or not expressly stated as being funded under the T4 TSA (such as but not limited to second generation leasing costs and non-remedial capital expenditures); and (iii) any of the other Excluded Expenses to be defined in the T4 TSA (which shall include debt service that would otherwise be supported by payments of rent under the City T4 Space Lease) (all such expenses (other than those described in (i) above, which are the sole obligation of SPI) are referred to as "Unfunded Expenses").

Unfunded Expenses would be funded by SPI either (x) with equity or mezzanine debt either from SPI or an SPI related party (broadly defined) or from a bona fide, unaffiliated third party in an arm’s length transaction (a “Third Party Mezzanine Lender”) or (y) by application of up to 50% of the net cash flow accumulating in the T4 cash trap each month prior to each bond payment date (in the aggregate, the “50% Amount”). In the event that SPI obtains either equity or mezzanine debt to fund such Unfunded Expenses, SPI would have the right to apply the 50% Amount toward repayment of such equity or mezzanine debt (subject to the below requirements). To the extent such equity or mezzanine debt is provided by SPI or a related party, interest only on such amount funded would be payable at a rate not to exceed 7.5% per annum until the T4 TSA is terminated. To the extent such equity or mezzanine debt is provided by a Third Party Mezzanine Lender, the interest rate and terms of repayment of such funding would not exceed the then-current market terms (which SPI would in good faith and in a commercially reasonable manner determine by soliciting expressions of interest in providing such equity or debt from at least three (3) third party lenders or investors and selecting the most commercially reasonable alternative).

Development of T4; Scope Changes and Change Orders; Contingency.

SPI would be required to construct T4 in a manner consistent with that of a reasonably prudent developer and be required to use its commercially reasonable efforts to mitigate any development costs in excess of the approved development budget. In no event would SPI be

permitted to make any change in the gross or rentable square footage of the improvements, the overall quality of the improvements, or the general architectural appearance of the improvements.

SPI would not be permitted to modify the approved final plans and specifications without Port Authority consent, except only for: (i) changes required by law or by the Port Authority in its governmental function; (ii) changes required by a tenant if (a) both (1) the aggregate cost of such change (together with the cost of all prior changes) does not exceed 150% of the line item for Tenant Improvements Costs in the approved development budget, and (2) the cost of such change does not exceed 150% of the per square foot budgeted amount for Tenant Improvement Costs for such tenant, or (b) the tenant is a creditworthy tenant and the actual net effective rent for that lease is greater than the pro forma net effective rent based upon the then-current approved Leasing Guidelines; and (iii) changes that, when added together with all prior changes, have a total cost that does not exceed the developer's contingency available for use by SPI at T 4 (which contingency shall be used prior to any support payment by the Port Authority).

SPI would only be permitted to use up to 20% of the developer's contingency without Port Authority approval and be limited to applying the remaining 80% of the developer's contingency proportionately with the level of completion of T4 absent Port Authority approval. Only upon 80% completion of T4, would Port Authority approval not be required for use of any remaining developer's contingency.

The entire developer's contingency would be used by SPI (subject to the limitations above) prior to any request for funding by the Port Authority of any TSPs under the T4 TSA for scope changes and change orders. There would be no restriction on the use of the contractor's contingency under the approved GMP.

Any obligation of the Port Authority to fund scope changes and change orders would be subject to the limitations on funding Construction Overruns described above.

Term of T4 TSA.

The T4 TSA and the obligations of the Port Authority thereunder would terminate, and SPI would be required to repay all outstanding T4 TSPs, plus interest, upon the earliest to occur of: (i) the final payment (at maturity or prepayment in the event of a refinancing) being made under the T4 Liberty Bonds (the term of which cannot exceed 40 years); (ii) the occurrence of any refinancing transaction involving all of the Liberty Bonds; (iii) the occurrence of certain sale and other disposition transactions under the T4 TSA (as described below) and the T4 Net Lease where the Liberty Bonds are repaid in their entirety; or (iv) the expiration or earlier termination of the T4 Net Lease. The T4 TSA would terminate when the T4 BSA terminates, but the T4 BSA would not terminate except in accordance with its terms (see "Term of T4 BSA").

T4 Refinancing.

In order to reduce the exposure of the Port Authority under the T4 TSA and T4 BSA, the Port Authority would have the right, at any time after the date which is five (5) years after expiration of the proposed 10-year call protection period under the Liberty Bonds financing, to propose a plan for refinancing of the Liberty Bonds that allows for termination of the T4 TSA and T4 BSA.

The Port Authority would also have the right to force a refinancing that terminates the T4 BSA and T4 TSA if the capital markets in the future are conducive to providing the same interest rate based solely on the building's credit. Accordingly, SPI would have the obligation to

refinance the Liberty Bonds and terminate the T4 TSA and T4 BSA if certain conditions are satisfied, including, without limitation: (i) the existing Liberty Bonds can be replaced with a new issue or refunding of the Liberty Bonds so that the old issue will no longer be deemed to be outstanding; (ii) the proceeds of the refinancing (which may include Liberty Bonds and/or taxable debt) would be sufficient to refinance the then outstanding balance of the Liberty Bonds, repay the outstanding balance of Port Authority advances under the T4 TSA, pay reasonable and customary third-party costs, and provide for needed reserves; (iii) the interest rate on the refinancing would be equal to or lower than the interest rate on the Liberty Bonds (provided that the Port Authority would have the right to pay any additional interest on the refinancing to satisfy this condition); (iv) the principal amortization period begins no sooner than one year after expiration of the call protection period; (v) the covenants required under the refinancing are not significantly stricter or more burdensome than the covenants under the existing Liberty Bonds financing; and (vi) the other non-economic, material terms and conditions of such refinancing are not materially more burdensome than those under the existing Liberty Bonds financing.

T4 Sales and Dispositions.

To the extent permitted in the T4 Net Lease (generally, transfers to affiliates, transfers which do not change control, transfers of less than half of beneficial ownership, transfers resulting from lenders/equity owners exercising remedies, and transfers resulting from trading public stocks in parent entities, which are known as “permitted exempt transfers”), SPI would be permitted to undertake a sale, disposition or transfer of its leasehold interest in T4 provided that the T4 TSA and T4 BSA are paid off and terminated. The T4 TSA would also prohibit any transaction that would have the effect of shifting building revenue away from the T4 Net Lessee in order to avoid the cash trap. The following is a description of the rights of SPI to undertake a sale, disposition or transfer and keep either or both of the T4 BSA and T4 TSA in effect.

SPI would have the right to sell its leasehold interest in T4, with the T4 BSA remaining in effect and the T4 TSA terminating (except as may be expressly provided below) but only after (i) substantial completion of T4, (ii) achievement of a 1.25x debt service coverage ratio test, and (iii) each of the following conditions (“Special Sale Conditions”) are satisfied: (a) all outstanding payments under the T4 TSA are repaid and all of the Port Authority’s payment obligations under the T4 TSA are terminated (provided that any unfulfilled obligations of SPI, including without limitation the cash trap provisions of the T4 TSA, would continue or, with the consent of the Port Authority, be assumed by the purchaser); (b) the T4 BSA would remain in effect (but the Port Authority would have enhanced remedies for any failure by the purchaser to reimburse the Port Authority, within 10 days, for any BSP thereafter made (as opposed to at the end of the 40-year term), including the right to immediately foreclose its leasehold mortgage on the T4 and related interests and/or terminate the T4 Net Lease (upon giving a notice of termination and without the necessity of complying with any requirements for termination set forth in the current T4 Net Lease), and the T4 TSA would be so amended as a condition to such sale to incorporate all relevant provisions of the TSA that survive alone or as modified; and (c) all remaining net proceeds after repayment of outstanding payments under the T4 TSA would be deposited in the cash trap and used for the benefit of T3, to repay T3 TSPs then outstanding in accordance with the T3 TSA.

SPI would have the right to make a transfer of up to 75% of the Equity Interests (defined in the T4 Net Lease generally as the beneficial ownership of stock, a capital interest or profits interest, the beneficial interest in a trust or any other interest which would be the functional equivalent thereof) in the T4 Net Lessee, with the T4 BSA and T4 TSA remaining in effect, but only if: (a) the net proceeds of the disposition are reinvested in or reserved for T4 or deposited

in the cash trap for the benefit of T3 and T4; and (b) either (i) if a disposition prior to substantial completion of T4 occurs, there is either no Change in Control (as defined in the T4 Net Lease) or a Change in Control occurs but an entity or person that has industry-recognized real estate development experience for projects of the size, nature and complexity comparable to the tower project, who can demonstrate the ability to satisfy the requirements of the lender providing financing for such project, and who otherwise can comply with the requirements of the Port Authority under the Amended MDA and other documents relating to such project (a “Qualified Developer”) continues to control the development of T4 or (ii) if a disposition occurs after substantial completion of T4 that results in a Change of Control such that the net lessee under the T4 Net Lease is other than a Qualified Developer, a 1.0x or greater debt service coverage ratio test is achieved.

SPI would have the right to make a transfer of more than 75% of Equity Interests in the T4 Net Lessee which produces a Change of Control (as such terms are defined in the T4 Net Lease), with the T4 BSA remaining in effect and the Port Authority’s payment obligation under the T4 TSA terminating, but only after (i) substantial completion of T4, (ii) SPI satisfies a 1.25x debt service coverage ratio test for T4, (iii) the Port Authority is granted enhanced remedies for any failure to reimburse the Port Authority for any BSP within 10 days (as opposed to at the end of the 40-year term), including the right to immediately foreclose its leasehold mortgage on T4 and related interests and/or terminate the T4 Net Lease (upon giving a notice of termination and without the necessity of complying with any requirements for termination set forth in the current T4 Net Lease), and the T4 TSA would be so amended as a condition to such sale to incorporate all relevant provisions of the TSA that survive alone or as modified; and (iv) all net proceeds of such Equity Interests transfer are to be used first for the benefit of T4 to repay T4 TSPs then outstanding and then reinvested in or reserved for T4 or deposited in the cash trap for the benefit of T3 and T4.

SPI would have the right to engage in certain initial public offerings that (a) are sponsored by SPI (b) involve either a majority of all of the real properties owned or managed by SPI or substantially all of the office properties owned and managed by SPI and (c) after giving effect to such transaction, the day-to-day management and operations of the public company would be controlled by substantially the same executive management team as existed prior to such transaction (a “Qualifying IPO”), with the T4 BSA and T4 TSA remaining in effect (and the T4 Net Lease would be amended to provide for such a transaction), but only if the net proceeds (including certain proceeds of the sale or liquidation of units (or stock issued upon a conversion of units) issued in connection with the Qualifying IPO) are to be reinvested in T4 or held in the cash trap, and, if the transaction occurs prior to substantial completion of T4, there is either no Change of Control or a Qualified Developer continues to control the development of T4. A Qualifying IPO would not constitute a capital event subject to the participation rights of the Port Authority (similar to the other permitted exempt transfers under the T4 Net Lease). If any property (including T3 or T4) is contributed in connection with a Qualifying IPO, it must be contributed on a property by property and fair market value basis and be accounted therefor on such basis. Any cash proceeds received in exchange for the contribution of T4 would be subject to the cash trap provisions. Upon receipt of OP units in lieu of cash proceeds in exchange for the contribution of T4, such OP units (and any stock issued upon conversion of any OP units) would be “trapped” (e.g., by being held in escrow by an independent party) until sold, and, upon the sale by any party of the OP units or conversion of OP units to stock and sale of said stock, 75% of the cash proceeds from such sale (approximating the tax-reduced value of such sale) would be deposited into the T4 holding account for T4 expenses and applied as net capital proceeds in

accordance with (and subject to the terms of) the T4 TSA (including, without limitation, the cash trap provisions thereof).

T4 Leasing.

In order to give the Port Authority downside protection on building leasing performance, after a certain lease-up period, the Port Authority would have the right to get directly involved in the leasing of the building and require SPI to enter into proposed leases should the building be underperforming in certain circumstances, as follows. Commencing 3 years and 9 months after substantial completion of T4, if at any time the debt service coverage ratio of T4 has been 1.0x or less for the immediately preceding 3 year period, then, until the debt service coverage ratio has been 1.0x or more for a 1 year period, the Port Authority would have the right to have its staff and its consultants and advisors (not involved on a day-to-day basis in the leasing of T1) to attend all leasing meetings/discussions between SPI and its broker, and to receive directly from the broker all market analysis, leasing programs and plans, expressions of interest, and other materials prepared or produced by the broker for SPI in connection with the leasing of T4, as well as either from the broker or from SPI any submissions, expressions of interest or other materials received from or sent to prospective tenants of the building. Also, the Port Authority would be permitted to direct SPI to engage in negotiations with tenants for leases within the approved leasing parameters, provided that CB Richard Ellis would remain the broker of record for the building (unless replaced by SPI) and SPI would remain the organization in charge of leasing to the outside world (subject to the Port Authority's rights). Either party shall have the right to institute a debt service coverage test, and any such test shall be conducted on an actual and retroactive (and not prospective) basis.

At any time after the first 4 years after substantial completion of T4, the Port Authority would have the right to require SPI to enter into a proposed lease if the following conditions are satisfied: (i) the Port Authority does not advertise for space in T4 in any publication, or engage or solicit any broker, with respect to the letting of any space in the building (it being understood that the Port Authority exercising its rights above shall not be deemed to violate this restriction); (ii) the proposal is not for a "second generation" lease unless: (1) 50% of the building is vacant at the time; or (2) the lease is for any portion of the premises originally leased by NYC under the City T4 Space Lease should such lease (or portion thereof) be terminated for any reason (and provided all other conditions set forth herein are satisfied); (iii) the proposed lease consists of at least two (2) contiguous floors of space; (iv) the proposed lease is not for the top five (5) floors at the building, unless the same remains not leased 6 years after substantial completion; (v) the proposed lease provides for a net effective rent at least equal to the pro forma net effective rent (as set forth in the leasing guidelines for T4 as approved by the Port Authority) and the proposed lease is a minimum of 10 years with no extension rights beyond one additional five (5) year period (or a 15-year initial term with no extension rights beyond two additional five (5) year periods) at not less than 95% of fair market rental value for each extension term; (vi) the proposed lease is on the standard form of lease with only changes given to comparable tenants or otherwise reasonably customary; (vii) the proposed lease contains no termination rights (other than standard termination rights for casualty/condemnation and failure to complete work or give possession) and no expansion rights inconsistent with the approved leasing plan; (viii) the proposed lease does not violate the terms of any other leases in the building, provided that SPI gives the Port Authority notice of any lease provisions that might impact vacant space in T4; (ix) the proposed lease contains neither (a) requirements for exterior, interior or lobby signage, other than the building directory or tenant floor signage and signage rights consistent with a substantial

tenant in the building as reasonably approved by SPI, nor (b) requirements for building naming; (x) the proposed lease is not for then-vacant space with respect to which SPI is then in active negotiations with another tenant; (xi) the proposed lease provides for tenant procurement costs which will not be in excess of the approved leasing program (unless the Port Authority agrees to pay for any excess); (xii) the proposed lease does not permit the installation of non-standard tenant installations (e.g., a cafeteria with cooking facilities being non-standard) unless same (A) are paid for by the tenant, (B) do not change the architectural appearance of the building, (C) do not necessitate any redesign or re-engineering of any architectural, structural, mechanical, electrical, life-safety or security aspects of the building; (xiii) the proposed lease contains no material adverse burdens on the building systems or security program (i.e., in each case, exceeding building and system design and specifications); (xiv) the proposed lease is not for retail use; (xv) the proposed lease is not with a proposed tenant which currently leases space in another SPI building; and (xvi) the proposed lease is with a proposed tenant that is (a) reasonably creditworthy, (b) of a reputation and quality consistent with a first class office building in New York City, and (c) not a governmental agency.

In addition, the Port Authority would have other reasonable and customary leasing and related approvals.

T4 Events of Defaults/Remedies.

The following would be Events of Default under the T4 TSA: (i) the failure by SPI to pay to the Port Authority any and all amounts due under the T4 TSA when due, including payments of all outstanding TSPs, and accrued interest thereon, at the expiration of the term of the T4 TSA; (ii) a repudiation by SPI of its obligations under the T4 TSA, or if SPI ceases to do business; (iii) the failure by SPI to substantially complete T4 by the outside date of December 31, 2014; (iv) the occurrence of an event of default under the T4 Net Lease, the leasehold mortgage, the collateral assignment, the lockbox agreement (for the cash trap) or the security interests of the Port Authority in the pledge collateral accounts under the T4 TSA; and (v) an act of insolvency by or against SPI.

Upon the occurrence of an Event of Default, all outstanding balances under the T4 TSA would immediately accelerate and the Port Authority would have the right to take whatever action at law or in equity as necessary or desirable to collect payments then due or thereafter to become due or to compel performance of any obligation, agreement or covenant of SPI, including the right to exercise all rights under the leasehold mortgage and other security interests held by the Port Authority. In addition, the Port Authority would have the rights: (a) to take any action to cure defaults by SPI under the Liberty Bonds, including the right to take all actions necessary with respect to construction and operation of T4; (b) to access and use proceeds of the Liberty Bonds (and proceeds of all pledged collateral accounts) if required to enforce its rights to complete or cause the completion of T4 upon failure of SPI to do so and to exercise its rights under the collateral assignment of certain development documents and completion guaranties; and (c) to the extent of the bonds supported by the T4 BSA, to direct the Trustee to take all actions which the bondholders would be permitted to direct under the Indenture including the right to direct the method of conducting any actions required or authorized to be taken by the Trustee and the right to elect, request, direct, assign or give notice with respect to exercise of any remedies, power and directions under or referred to in the Indenture and any financing documents (however, the Port Authority will not have the right to consent on behalf of the bondholders to any change in the terms, conditions or other provisions pertaining to payment of

debt service on, or redemption or retirement of, the Liberty Bonds, changes to the security for the Liberty Bonds, or changes to the manner, source or extent to which the Liberty Bonds are payable or secured). The foregoing rights and remedies of the Port Authority would be provided for under the Liberty Bonds Indenture and related documentation. In addition to the foregoing, an Event of Default under the T4 TSA would be a default under the T4 Net Lease, entitling the Port Authority to exercise its rights to terminate the T4 Net Lease and the leasehold estate of SPI in the T4 project. In no event would the T4 BSA terminate as a result of an Event of Default under the T4 TSA, except for a concurrent termination as provided in the T4 BSA.

T4 Trapped Funds.

No funds would be released to SPI from the cash trap (except in limited circumstances to pay certain items described herein) unless and until: (i) all T3 TSPs have then been repaid to the Port Authority, and (ii) the T3 TSA is terminated or has expired, and (iii) all T4 TSAs have then been repaid to the Port Authority, and (iv) either (A) the T4 TSA is terminated or has expired or (B) a 1.25x minimum debt service coverage ratio (DSCR) test is achieved. The DSCR test helps ensure that T4 is economically viable before SPI can withdraw net cash flow from the cash trap, thus mitigating to a certain extent future potential draws against the T4 TSA. The DSCR test would be conducted annually, on a rolling basis, as of the first day of each calendar year after substantial completion of T4 (or at the time of any capital event). The DSCR test would be met when the applicable DSCR is projected to be achieved, by reasonably sufficient and detailed supporting documentation, for the immediately succeeding 3 calendar years. The DSCR test would be based on projected revenue and projected expenses for the applicable 3-year period. If the DSCR test and other conditions are met, then net cash flow would be permitted to be released from the cash trap for the first year of the applicable 3-year period until the next annual DSCR test is performed the following year. If, at the time of the next or any subsequent DSCR test, the DSCR is less than required, then net cash flow again would be subject to the cash trap, which would continue in effect unless and until a subsequent annual DSCR test is met. The procedure would be repeated so long as the T4 TSA remains in effect.

T3 Tenant Support Agreement ("T3 TSA")

The T3 TSA would be executed by the Port Authority and 3 World Trade Center LLC, an SPI-related entity. Under the T3 TSA, the Port Authority would provide full funding for the NYC, NYS and Port Authority public sector support commitments in order to allow for an efficient and cost effective execution of the financing package for T3. The Port Authority's commitment to make payments on behalf of NYC and NYS would be covered by the commitment of sufficient funds to reimburse the Port Authority, as set forth below in the section entitled "NYS and NYC Public Support Agreements for T3".

Purpose of T3 TSA.

The construction and lease-up of T3 would be funded by total financial sources of approximately \$2.352 billion, including approximately \$978 million of proceeds from Liberty Bonds, approximately \$401 million of taxable bonds, \$300 million of proceeds of either third party mezzanine debt (which is currently anticipated to be comprised of Liberty Bonds) or SPI equity or any combination thereof, \$210 million of capital contributions provided by NYC and NYS, approximately \$404 million of insurance proceeds (including amounts previously expended by SPI for T3's development and construction, rent, fees and administrative costs),

approximately \$9 million of estimated earnings on the bond proceeds, and approximately \$51 million of insurance proceeds previously allocated to T2 and currently earmarked for T3 rent. The final terms of the Liberty Bonds financing would be subject to the approval of the Port Authority.

The Liberty Bonds would be “credit-enhanced” by an irrevocable direct pay letter of credit issued by a single bank on behalf of a syndicate of banking institutions which will permit the Liberty Bonds Trustee to make draws thereunder to pay the principal of, redemption price and up to approximately 35 days interest on, the Liberty Bonds. The nominal maturity dates of the Liberty Bonds would be long term, callable upon the expiration of a letter of credit reimbursement agreement pursuant to which SPI shall be obligated to reimburse any amounts paid under the letter of credit. The letter of credit facility would have a term similar to that of a third-party construction loan, with a 5 to 7 year maturity. SPI's obligations under the reimbursement agreement would be secured by a first priority pledge to the letter of credit banks of SPI's rights under the T3 TSA; a first priority pledge to the letter of credit banks of all cash reserves, including the Completion Deposit (subject to the use of the Completion Deposit for Cost Overruns prior to any funding under the T3 TSA); a grant of a first priority leasehold mortgage; a grant of a first priority equity pledge; and a first priority pledge to the letter of credit banks of all project revenue.

The T3 TSA would provide: (a) a mechanism by which the \$210 million NYC and NYS capital contributions would be made available to pay certain construction costs of T3, with the order of priority of funding as between the NYC and NYS capital contributions, on the one hand, and SPI equity and mezzanine debt proceeds, on the other hand, as required by the T3 senior lender; (b) a mechanism by which the Completion Deposit and SPI's trapped fees would be made available to pay certain construction costs of T3 and, to the extent not needed for that purpose, other costs of T3 and T4; and (c) for financial support by the public sector, in terms of a public sector backstop of up to an aggregate amount of \$390 million, for a capped amount of construction cost overruns prior to substantial completion, a capped amount of leasing cost overruns for first generation leases, and a capped amount of building operating shortfalls, including debt service. This would, in turn, allow for an efficient and cost effective execution of the financing package for T3. All such TSPs made by the Port Authority on behalf of itself, NYC and NYS would be repaid by SPI, without interest, as a priority reimbursement in accordance with the waterfall described below in “Repayment of T3 Tenant Support Payments”. Once funds are drawn on the public sector backstop, those funds would not be available again once they have been repaid.

The T3 TSA would not be available to be drawn upon unless and until SPI overcomes certain private-market leasing and financing hurdles. In terms of SPI's ability to commence construction of the T3 tower without the public backstop, SPI has agreed to certain minimum conditions (a GMP, evidence of financing, etc.) that it would need to meet in order to start tower construction under any circumstances. Should SPI meet these minimum conditions, but not the additional conditions for the public backstop, and elect to commence construction of the T3 tower, then the public backstop would terminate.

SPI currently intends to use a portion of the tax-exempt Liberty Bonds allocation to T3 as third party mezzanine financing to provide an estimated \$250 million of the required \$300 million in subordinate financing, in order to lower the overall cost of the building capitalization (to an 8%-11% rate vs. a 15%-20% rate), increase the term of the financing over what would be available for a traditional real estate mezzanine loan, and reduce the amount of debt service taken

out of the cash trap. Any lender providing either the Liberty Bond mezzanine financing or \$1.4 billion in senior financing will perform significant underwriting due diligence that would provide the requisite measure of market discipline that the Port Authority requires.

SPI would be required to fund, and no public support would be required for, any repayment of the required \$300 million initial equity/mezz investment. Up to 100% of any cash accumulating each month in the T3 cash trap would be allowed to be applied toward repayment of any equity or mezzanine debt provided by a Third Party Mezzanine Lender in connection with the required \$300 million (subject to the below limitations). No cash accumulating in the T3 cash trap would be allowed to be applied toward repayment of any equity or mezzanine debt provided by SPI or a related party in connection with the required \$300 million. The interest rate and terms of repayment of mezzanine debt provided by a Third Party Mezzanine Lender would not exceed the then-current market terms (which SPI would in good faith and in a commercially reasonable manner determine by soliciting expressions of interest in providing such equity or debt from at least three (3) third party lenders or investors and selecting the most commercially reasonable alternative).

Execution of T3 TSA.

The T3 TSA would be executed at the same time as the T4 TSA, prior to the completion of financial closing for T3; however, the financial obligations of the Port Authority under the T3 TSA would not commence unless and until the date on which certain conditions precedent are and remain satisfied, including: (a) execution of Qualified Leases (as defined below) for at least 400,000 rentable square feet of space in T3; (b) receipt of a binding commitment for at least \$300 million of mezzanine and/or equity financing on market terms for tax-exempt equity or mezzanine financing and that is either fully funded at closing or is from sources acceptable to the Port Authority, which may include SPI and related entities in certain circumstances (if Liberty Bonds are used for the mezzanine financing, then the proceeds from the Liberty Bonds must be deposited in escrow in order to satisfy this condition precedent); (c) the continued effectiveness of agreements by the Port Authority with NYC and NYS for financial credits to offset \$400 million of tenant capital improvement funds and backstop funds being provided by the Port Authority (on behalf of NYC and NYS) for T3 under the T3 TSA, with no defaults thereunder; and (d) closing of the senior Liberty Bonds or taxable debt transaction for T3; and (e) delivery to and approval by the Port Authority of the following with respect to T3: (i) a fully executed GMP Construction Contract which is based upon 80% bid trades and subcontracts; (ii) an approved development budget; (iii) approved final plans and specifications; (iv) an approved leasing plan; (v) a pledge of the ownership interests in 3 World Trade Center LLC; (vi) execution of a lockbox agreement establishing various pledged collateral accounts and the cash trap accounts under the T3 TSA and T4 TSA; (vii) execution of intercreditor agreements reasonably acceptable to the Port Authority with the senior lender and any mezzanine lender; and (viii) absence of any defaults under agreements between SPI and the Port Authority concerning T3.

“Qualified Leases” would be leases that meet the following requirements: (A) an initial term of at least 10 years, (B) an average minimum rent of at least \$60.00 per rentable square foot increased by CPI commencing in 2012 and calculated as the average minimum rent under all leases used to satisfy the 400,000 rentable square foot requirement (across all leases, not the average rent of leases, either individually or collectively, across the entire term), (C) the net effective rent of all such leases (taking into account actual rent increases, free rent periods tenant improvement costs and other tenant concessions) must at least equal a minimum net effective rent calculated using underwriting standards for rent increases, free rent periods and tenant

improvement costs agreed upon by the Port Authority and SPI and using a 7.5% discount rate, (D) confirmation from an independent investment bank or independent accounting firm reasonably acceptable to the Port Authority that the tenant credit is reasonably acceptable and (E) acceptance of the tenants and their leases by the senior Liberty Bonds/taxable debt lender. Qualified Leases would not include a tenant relocated from another World Trade Center building owned by an affiliate of SPI unless the tenant's existing lease is expiring or the tenant is NYC relocating from T4. With respect to a relocation of NYC to T3 from T4, SPI would only be able to use a relocated City T4 Space Lease to satisfy up to 150,000 rentable square feet of the requirement for 400,000 rentable square feet of Qualified Leases if there is at least another 250,000 rentable square feet of Qualified Leases satisfying the above conditions and the relocated City T4 Space Lease also satisfies the Qualified Lease conditions (the NYC lease base rent currently is below the minimum required rent).

Early Termination of T3 TSA.

The T3 TSA would terminate if the foregoing conditions precedent are not satisfied within 6 years following the date (the "Opening of the Transportation Hub") which is the later of (i) completion of specified construction milestones for the Transportation Hub and the opening for ongoing use of the elements of the Transportation Hub that are described in such milestones, and (ii) November 1, 2014.

The T3 TSA would also terminate if SPI were to commence construction of the T3 tower above the T3 Podium without having satisfied certain conditions. Customary pre-development activities would not constitute construction commencement for this purpose, provided that the Port Authority may require SPI to demonstrate that funding sources needed for construction of the T3 Podium are not being depleted.

T3 Public Capital Contribution.

On behalf of NYC and NYS, the Port Authority would advance \$210 million of capital improvement funds, as a capital contribution to be used by SPI for hard and soft costs of developing T3. The Port Authority would receive corresponding credits from NYC and NYS against financial obligations owed to them by the Port Authority as provided in the NYC and NYS Public Support Agreements described below. The funds would be available for use only after the satisfaction of the conditions precedent to the T3 backstop described above.

Completion Deposit for T3.

Insurance proceeds allocated to T2 in the amount of approximately \$159 million (the "Completion Deposit") would be made available by SPI to fund certain Construction Overruns incurred for T3 prior to the use of any TSPs (including amounts previously expended by SPI for T3's development and construction, rent, fees and administrative costs). The Completion Deposit would be pledged to the Liberty Bond/taxable debt senior construction lender to secure a completion guaranty given to the lender and be available to fund Construction Overruns (and only Construction Overruns). The Completion Deposit would not be general collateral for the senior Liberty Bonds/taxable debt. After the Completion Deposit is released by the lender, to occur upon substantial completion of the core and shell of T3, any remaining funds in the Completion Deposit would be used as follows: *first*, to repay any outstanding Construction Overruns under the T4 TSA, with interest; *second*, until the T3 TSA is terminated, to pay costs that otherwise would be paid by the Port Authority as TSPs under the T3 TSA; *third*, following termination of the T3 TSA, to be transferred to an account under the T4 TSA and used to repay

any T4 TSPs then outstanding; and *thereafter*, following repayment in full of any TSPs then outstanding under the T4 TSA, to pay operating deficits or other costs of Towers 2, 3 or 4 as determined by SPI with the reasonable consent of the Port Authority.

If the Completion Deposit is not used as security for the T3 completion guaranty within 6 years following the Opening of the Transportation Hub, then the Completion Deposit would first be used to repay any outstanding T4 TSPs (of any nature), plus interest, and then as otherwise agreed by the Port Authority and SPI.

SPI Fees on T3.

On T3, SPI would be paid only 50% of the sum of its remaining development fees and allocable share of its management fees provided for in the 2006 Master Development Agreement ("Original MDA"). The remaining 50% would be escrowed per the cash trap provisions described below. The 50% of fees that SPI would be able to draw is an estimate of SPI's actual staff costs related to the project, and has been fixed to avoid the time and expense of periodic audits. Payment of all non-trapped fees would be spread across the projected construction period of T3, with fees stopping (i.e., not accruing and not being paid) if T3 construction does not continue and resuming when T3 construction recommences.

A separate escrow account would be established to hold the remaining 50% of the fees (collectively, "T3 Escrowed Fees"), which would be held in escrow as part of the T3 cash trap and used first to pay Construction Overruns and Leasing Overruns for T3 and other costs that would otherwise be paid by the Port Authority as TSPs under the T3 TSA. As long as the T3 TSA is in effect, whether drawn on or not, all unused T3 Escrowed Fees would be trapped in the system per the cash trap provisions.

T3 Tenant Support Payments.

The T3 TSA would provide for the Port Authority to fund as TSPs (on behalf of itself, NYS and NYC), not to exceed the \$390 million cap on the public backstop: (i) prior to substantial completion, limited overruns for construction costs and limited overruns for tenant improvement costs/leasing commissions; and (ii) after substantial completion, operating expense deficits on T3 and T3 senior loan debt service. The Port Authority's support obligations under the T3 TSA do not include any remedial or other capital expenditures. The T3 backstop would not be used for payment of any return on equity or mezzanine financing debt service (interest or principal), capital expenditures, or leasing costs for second generation leasing. The Port Authority's funding obligation to make T3 TSPs under the T3 TSA would be one-time only up to the \$390 million cap and, upon any repayment, would not entitle SPI to any re-advances.

T3 Construction and Leasing Overruns. During construction of T3, determination of the Port Authority's obligation to fund Construction Overruns and Leasing Overruns would be made based on the approved development budget. The approved development budget would have a line item for Hard Construction Costs ("Hard Costs") and a line item for Tenant Improvement Costs/Leasing Commissions combined ("Leasing Costs"). The "Construction Overrun Cap" would be 5% of the line item for Hard Costs (approximately \$70 million as of this date). The "Leasing Overrun Cap" would be 5% of the line item for Leasing Costs (approximately \$14 million as of this date). Prior to substantial completion, the Port Authority would be obligated to fund, via the approved development budget and the T3 TSA, all Hard Costs incurred by SPI in excess of the line item for Hard Costs after SPI has exhausted all trapped fees, proceeds of the Liberty Bonds, taxable bonds and mezzanine financing, all SPI-funded equity, all remaining insurance

proceeds and other amounts allocated to the development of T3, and its developer's contingency of 10% of the Hard Costs (such excess, a "Construction Overrun") and all Leasing Costs incurred by SPI in excess of the line item for Leasing Costs (such excess, a "Leasing Overrun") (collectively, "Overruns"). With certain limited exceptions, the Port Authority would not be required to fund any Construction Overrun in excess of the Construction Overrun Cap or any Leasing Overrun in excess of the Leasing Overrun Cap.

Further limiting the Port Authority's exposure for Construction Overruns, the Port Authority's obligation to fund any Construction Overrun would apply only after (i) the Completion Deposit has been used in full, and (ii) the entire amount of T3 Escrowed Fees has been used in full. In addition, further mitigating risk associated with Construction Overruns, (i) the T3 project will be constructed pursuant to a guaranteed maximum price contract which will be based on at least 80% of trade contracts having been bought out, and (ii) SPI's ability (a) to issue scope changes or change orders, (b) to amend the development budget, and (c) to apply the owner's contingency, is limited as further described herein. Additionally, as with T4, the Port Authority will retain an independent construction auditing firm to review and analyze the T3 development budget, plans and specifications, schedule and other relevant documents and would continue to have a construction auditor monitor the project through substantial completion.

The Port Authority's obligation to fund Leasing Overruns up to the Leasing Overrun Cap would be limited to "first generation" lease transactions. The terms of the T3 TSA would allow a funding in excess of the Leasing Overrun Cap only in the case of leases to "creditworthy tenants" when the net effective rent of such leases exceeds the pro forma net effective rent as budgeted pursuant to the approved T3 leasing plan.

T3 Senior Debt Service and Operating Deficits. Following substantial completion of T3, the Port Authority would be required to fund, during the term of the T3 TSA, the amount by which the sum of debt service (regularly scheduled principal and interest) on the Liberty Bonds and taxable debt used to fund the senior construction loan plus operating expenses for T3 exceeds all gross revenues available from T3; provided, however, that the aggregate amount of all T3 TSP's made by the Port Authority at any time would not exceed a total of \$390 million whether or not any amount of any TSP may have been repaid. Actual market rate property management fees and actual market rate leasing commissions payable to SPI or its affiliates for actual signed leases only, as provided for in the approved budgets for such expenses, may be paid to SPI or its affiliates in the same manner as such fees and commissions would be paid to a third party providing such services to the building (i.e. they will be paid first from the development budget and then, if such line items are depleted in full, from fundings under the T3 TSA up to the caps set forth therein, to the extent applicable, and then from T3/T4 net cash flow out of the cash trap, except that any such payment out of the cash trap shall be subject in all events to the limitations (including without limitation the 50% cap on funding Unfunded Expenses) set forth in the T3/T4 TSAs). In all cases, SPI would be paid any such fees only as incurred and payable and subject to reasonable Port Authority auditing rights.

Following substantial completion of T3, the Port Authority would not be obligated to fund any Construction Overruns, any Leasing Overruns for "second generation" leases or any first generation leases at such time as the Leasing Overrun Cap is reached (except as set forth above), or any other amount not expressly described herein.

The Port Authority's obligation to fund would not apply to, and the Port Authority would not be obligated to fund (and SPI would be required to fund or cause to be funded), any Overrun resulting from Prohibited Acts.

Repayment of T3 Tenant Support Payments.

The TSPs which may be advanced by the Port Authority during the term of the T3 TSA would be required to be repaid in full from the cash trap system, out of net cash flow and net capital event proceeds from T3 (together with net cash flow and net capital event proceeds from T4, but only after all then-outstanding T4 TSPs are repaid in full and T4 has reached stabilization based upon a 1.0x DSCR test), which will be applied on a semi-annual basis, after payment of the following items in the following order of priority: (i) *First*, toward payment of regularly scheduled interest and principal payments under the T3 senior loan; (ii) *Second*, to the extent permitted under the paragraph entitled "Unfunded Expenses" (which do not include expenses from Prohibited Acts or the amounts in (iii) below) for costs which the Port Authority is not obligated to fund under the T3 TSA; (iii) *Third*, to the extent permitted under the paragraph entitled "Unfunded Expenses", toward payment of regularly scheduled interest (and principal, if any) payments under the mezzanine loan for payment of costs in the approved development budget, provided that if the mezzanine lender is SPI or a related party, no amounts of T3 or T4 project revenue or capital event proceeds may be used for interest or principal repayment of such mezzanine debt until the T3 TSA has been terminated and all T3 outstanding amounts repaid, the T4 TSA is repaid and, in respect to T4 only, T4 has achieved a 1.25x DSCR; (iv) *Fourth*, to pay Leasing Costs, Construction Costs and operating deficits; (v) *Fifth*, to the extent permitted under the paragraph entitled "Unfunded Expenses", toward funding reasonable and customary reserves for item (i) above, in the reasonable discretion of SPI, which shall in all events be used prior to any draw on the T3 backstop; (vi) *Sixth*, to the extent permitted under the paragraph entitled "Unfunded Expenses", toward funding reasonable and customary reserves for item (ii) above (including amounts for any mezzanine loan provided to pay for Unfunded Expenses pursuant to the paragraph entitled "Unfunded Expenses", in the reasonable discretion of SPI; (vii) *Seventh*, toward repayment of any outstanding amounts under the T4 TSA; (viii) *Eighth*, toward repayment of all outstanding amounts under the T3 TSA (whether advanced to fund Construction Overruns, Leasing Overruns, senior debt service or operating deficits); and (ix) *Thereafter*, once all T3 TSPs are repaid in full, the T3 TSA is terminated, and the T4 TSA is repaid as stated in (vii) above (and, with respect to T4 funds only, T4 has achieved a 1.25x DSCR (and not merely a 1.0x DSCR)), as SPI may elect in its sole discretion.

Security for Repayment of T3 Tenant Support Payments.

Under the T3 TSA, gross revenues from the operation of T3 (plus all T3 Escrowed Fees, all initial deposits, any remaining portion of the Completion Deposit that is released by the construction lender and not used to repay T4 TSPs, and all net proceeds of capital transactions) would be deposited into pledged collection and holding collateral accounts under an executed lockbox agreement with a cash management bank (i.e., the cash trap). The pledged collateral accounts would be security for repayment of the TSPs made by the Port Authority and would be subject to the terms of an intercreditor agreement with the senior lender and any other mezzanine lenders. The obligation to repay the TSPs would be secured by a pledge of all of the equity ownership interests in the SPI affiliate which is the T3 Net Lessee, and would be senior to the pledge (those rights being superior in terms of lien and priority (such that if the Port Authority were to foreclose, the mezzanine lender would be extinguished) but not in terms of cash flow distribution) securing any mezzanine financing. The Port Authority's right to exercise self-help

remedies, including the right to complete T3, would also to be secured by the collateral assignment from SPI of all construction related contracts, licenses, permits and rights.

T3 Unfunded Expenses.

In addition to the above limitations, the Port Authority would have no obligation to fund (and SPI would be required to fund or cause to be funded) (i) costs resulting from Prohibited Acts; (ii) interest and principal on any equity or mezzanine financing used to fund costs in the approved development budget; (iii) costs incurred outside of the specific agreed-upon parameters (such as the 5% caps described above); (iv) costs for any items not expressly stated as being funded under the T3 TSA (such as but not limited to second generation leasing costs and capital expenditures); or (v) any of the other Excluded Expenses as defined in the T3 TSA (all such expenses (other than those described in (i) and (ii) above, which are the sole obligation of SPI) are referred to as "Unfunded Expenses".

Unfunded Expenses would be funded by SPI either (x) with equity or mezzanine debt either from SPI or an SPI related party or from a Third Party Mezzanine Lender, or (y) in certain circumstances, (in no event for Prohibited Acts) by application of up to 50% of the net cash flow accumulating in the T3 cash trap each month prior to each bond payment date (in the aggregate, the "50% Amount"). In addition: (i) up to the 50% Amount may be applied (A) in the event that SPI obtains either equity or mezzanine debt from a Third Party Mezzanine Lender, or from SPI or an SPI related entity, to fund such Unfunded Expenses, toward repayment of such equity or mezzanine debt (subject to the below limitations), and (B) toward Capital Expenditures; and (ii) no cash accumulating in the T3 cash trap would be allowed to be applied toward repayment of any equity or mezzanine debt principal provided by SPI or an SPI related party in connection with Unfunded Expenses. To the extent equity or mezzanine debt for Unfunded Expenses is provided by SPI or an SPI related party, interest only on such amount funded would be payable as above described at a rate not to exceed 7.5% per annum until the T3 TSA is terminated. To the extent such equity or mezzanine debt is provided by a Third Party Mezzanine Lender, the interest rate and terms of repayment of such funding would not exceed the then-current market terms (which SPI would in good faith and in a commercially reasonable manner determine by soliciting expressions of interest in providing such equity or debt from at least three (3) third party lenders or investors and selecting the most commercially reasonable alternative).

Development of T3; Scope Changes and Change Orders.

SPI would be required to construct T3 in a manner consistent with that of a reasonably prudent developer and be required to use its commercially reasonable efforts to mitigate any development costs in excess of the approved development budget. In no event would SPI be permitted to make any change in the gross or rentable square footage of the improvements, the overall quality of the improvements, or the general architectural appearance of the improvements.

Subject to the foregoing, SPI would have the right to modify plans, modify the development budget, and utilize developer's contingency to the extent allowed under the senior construction loan, provided that Port Authority consent (not to be unreasonably withheld) would be required for changes that do not require the express consent of the senior construction lender. Port Authority consent would not be required for any of the following categories of permitted changes: (i) changes required by law or by the Port Authority in its governmental function; (ii) changes required by a tenant if (a) both (1) the aggregate cost of such change (together with the cost of all prior changes) does not exceed 150% of the specific line item for Tenant Improvement Costs in the approved development budget; and (2) the cost of such change does not exceed

150% of the per square foot budgeted amount for tenant improvement costs for such tenant; or (b) the tenant is a creditworthy tenant and the net effective rent for that lease is greater than the pro-forma net effective rent based upon the then-current approved leasing guidelines; (iii) changes having a cost of no more than \$500,000 per item and not more than \$15,000,000 in the aggregate (less than 1% of the total development budget); and (iv) changes that, when added together with all prior changes, have a total cost that does not exceed the developer's contingency available for use by SPI at T3.

SPI would be permitted to use up to 20% of the developer's contingency without Port Authority approval, apply the remaining 80% of the developer's contingency without Port Authority approval proportionately with the level of completion of T3, and upon 80% completion of T3, Port Authority approval would not be required for use of any remaining developer's contingency.

The entire developer's contingency (subject to the limitations set forth above), the T3 Escrowed Fees, and the Completion Deposit would be used prior to any required funding by the Port Authority of Tenant Support Payments under the T3 TSA for scope changes and change orders. There would be no restriction on the use of the contractor's contingency under the GMP (so long as the Port Authority has approved the terms of the contractor's agreement, including the use of the contingency).

Any obligation of the Port Authority to fund scope changes and change orders would be subject to the limitations on Construction Overruns described above.

Term of T3 TSA.

The T3 TSA and the obligations of the Port Authority would terminate, and SPI would be required to repay all outstanding T3 TSPs, if any, upon the earliest to occur of: (1) the applicable conditions precedent are not satisfied within 6 years after the Opening of the Transportation Hub; (2) construction of the tower of T3 above the T3 Podium is commenced without satisfaction of the applicable conditions precedent; or (3) the expiration or earlier termination of the T3 Net Lease. In general, SPI would not be permitted to remove funds out of the cash trap system without repaying all then-outstanding T3 and T4 TSPs and terminating the T3 TSA.

T3 Sales and Dispositions.

To the extent permitted in the T3 Net Lease (generally, transfers to affiliates, transfers which do not change control, transfers of less than half of beneficial ownership, transfers resulting from lenders/equity owners exercising remedies, and transfers resulting from trading public stocks in parent entities, which are known as "permitted exempt transfers"), SPI would be permitted to undertake a sale, disposition or transfer provided that the T3 TSA is paid off and terminated. The T3 TSA would also prohibit any transaction that would have the effect of shifting building revenue away from the T3 Net Lessee in order to avoid the cash trap. The following is a description of the rights of SPI to undertake a sale, disposition or transfer and keep the T3 TSA in effect.

SPI would have the right to make a transfer up to 75% of the Equity Interests (as defined in the T3 Net Lease generally as the beneficial ownership of stock, a capital interest or profits interest, the beneficial interest in a trust or any other interest which would be the functional equivalent thereof) in the T3 Net Lessee, with the T3 TSA remaining in effect, but only if: (a) the net proceeds of the disposition are reinvested in or reserved for T3 or deposited in the cash trap for the benefit of T3 and T4; and (b) either (i) if a disposition prior to substantial completion of T3 occurs, there is either no Change in Control (as defined in the T3 Net Lease) or a Change

in Control occurs but a Qualified Developer continues to control the development of T3, or (ii) if a disposition occurs after substantial completion of T3 that results in a Change of Control such that the net lessee under the T3 Net Lease is other than a Qualified Developer, a 1.0x or greater debt service coverage ratio test is achieved.

SPI would have the right to make a transfer of more than 75% of Equity Interests in the T3 Net Lessee with the T3 TSA remaining in effect, but only after (i) substantial completion of T3, (ii) SPI achieves a 1.25x debt service coverage ratio test for T3, and (iii) all net proceeds of such Equity Interest transfer are to be used first for the benefit of T3 to repay T3 TSPs then outstanding, and then reinvested in or reserved for T3 or deposited in the cash trap for the benefit of T3 and T4.

SPI would have the right to engage in a Qualifying IPO involving residential and/or commercial properties owned by SPI with the T3 TSA remaining in effect (and the T3 Net Lease would be amended to provide for such a transaction), but only if the net proceeds (including certain proceeds of the sale or liquidation of units (or stock issued upon a conversion of units) issued in connection with the Qualifying IPO) are to be reinvested in T3 or held in the cash trap, and, if the transaction occurs prior to substantial completion of T3, there is either no Change of Control or a Qualified Developer continues to control the development of T3. A Qualifying IPO would not constitute a capital event subject to the participation rights of the Port Authority (similar to the other permitted exempt transfers under the T3 Net Lease). If any property (including T3 or T4) is contributed in connection with a Qualifying IPO, it must be contributed on a property by property and fair market value basis and be accounted therefor on such basis. Any cash proceeds received in exchange for the contribution of T3 would be subject to the cash trap provisions. Upon receipt of OP units in lieu of cash proceeds in exchange for the contribution of T3, such OP units (and any stock issued upon conversion of any OP units) would be “trapped” (e.g., by being held in escrow by an independent party) until sold, and, upon the sale by any party of the OP units or conversion of OP units to stock and sale of said stock, 75% of the cash proceeds from such sale (approximating the tax-reduced value of such sale) would be deposited into the T3 holding account for T3 expenses and applied as net capital proceeds in accordance with (and subject to the terms of) the T3 TSA (including, without limitation, the cash trap provisions thereof).

T3 Leasing.

The Port Authority would have the same leasing and related approvals as those granted to the Trustee on behalf of the senior Liberty Bondholders.

T3 Events of Defaults/Remedies.

The following would be Events of Default under the T3 TSA: (i) the failure by SPI to pay to the Port Authority any and all amounts due under the T3 TSA when due, including payments of all outstanding TSPs; (ii) a repudiation by SPI of its obligations under the T3 TSA, or if SPI ceases to do business; (iii) the occurrence of an event of default under the T3 Net Lease, collateral assignment, the lockbox agreement (for the cash trap) or the security interests of the Port Authority in the pledged collateral accounts under the T3 TSA; and (iv) an act of insolvency by or against SPI.

Upon the occurrence of an Event of Default, all outstanding balances under the T3 TSA would immediately accelerate and the Port Authority would have the right to take whatever action at law or in equity as necessary or desirable to collect payments then due or thereafter to become due or to compel performance of any obligation, agreement or covenant of SPI,

including the right to exercise all rights under the pledge of ownership interests and other security interests held by the Port Authority. In addition, the Port Authority would have the rights: (a) to take any action to cure defaults by SPI under the Liberty Bonds, including the right to take all actions necessary with respect to construction and operation of T3; and (b) to access and use proceeds of the Liberty Bonds (and proceeds of all pledged collateral accounts) if required to enforce its rights to complete or cause the completion of T3 upon failure of SPI to do so and to exercise its rights under the collateral assignment of certain development documents and completion guaranties. The Port Authority would enter into appropriate intercreditor agreements with the Trustee for the Liberty Bonds and taxable debt used to fund the senior loan, the mezzanine lender and other necessary parties recognizing its rights and remedies that are consistent with the T3 TSA (those rights being superior in terms of lien and priority (such that if the Port Authority were to foreclose, the mezzanine lender would be extinguished) but not in terms of cash flow distribution) and otherwise reasonably acceptable to the Port Authority. In addition to the foregoing, an Event of Default under the T3 TSA would be a default under the T3 Net Lease, entitling the Port Authority to exercise its rights to terminate the leasehold estate of SPI in the T3 project.

T3 Trapped Funds.

No T3 funds would be released to SPI from the cash traps unless and until: (i) all T3 TSPs have then been repaid to the Port Authority, and (ii) the T3 TSA is terminated or has expired, and (iii) all T4 TSAs have then been repaid to the Port Authority.

NYC and NYS Public Support Agreements for T3

NYC would make an upfront payment of \$130 million (“City Upfront Payment”) and a backstop payment of \$70 million (“City Backstop Payment”) to support the development and construction of T3 as part of the T3 financial package. NYS would make an upfront payment of \$80 million (“State Upfront Payment”) (together with the NYC Upfront Payment, the “Upfront Payments”) and a backstop payment of \$120 million (“State Backstop Payment”) (together with the NYC Backstop Payment, plus the Port Authority’s backstop payment of \$200 million, the “Backstop Payments”) to support the development and construction of T3 as part of the T3 financial package.

With the Public Support Agreements executed and sufficient funds committed, the Port Authority would agree to fund to SPI, in addition to the Port Authority’s share, NYC and NYS shares of the Upfront Payments and Backstop Payments. The Public Support Agreements would provide that payment by the Port Authority to SPI of the Upfront Payments and Backstop Payments pursuant to the T3 Net Lease, the T3 TSA and the other agreements between the Port Authority and SPI for T3 (the “T3 Transaction Documents”) would be deemed made on behalf of the Port Authority, NYC and NYS in the aggregate amounts and, in the case of the Backstop Payments, in the order of priority set forth in the Public Support Agreements, which (in accordance with the Development Plan) provides for Upfront Payments to be made, *pari passu*, \$130 million by NYC and \$80 million by NYS, and for Backstop Payments to be made in the following tranches: (i) first, \$80 million by the Port Authority, (ii) second, \$50 million by NYS and \$50 million by the Port Authority, *pari passu*, and (iii) third, \$70 million by NYC, \$70 million by NYS, and \$70 million by the Port Authority, *pari passu*. The order of priority of funding as between the Upfront Payments, on the one hand, and SPI equity and mezzanine debt proceeds, on the other hand, would be as required by the T3 senior lender.

NYC Support Agreement

The Port Authority and NYC would enter into a T3 Public Sector Support Agreement (NYC) (the “City Support Agreement”). The City Support Agreement would enable the Port Authority to provide NYC’s \$200 million share of the \$600 million public financial support for T3. The NYC Support Agreement would provide for the Port Authority to offset the advances made on behalf of NYC against all semi-annual payments due to NYC under the World Trade Center PILOT Agreement. Each advance by the Port Authority on behalf of NYC would bear interest at a fixed rate equal to one hundred ninety (190) basis points plus the yield, as of the day on which such interest rate is being determined, of 30-year U.S. Treasury Bonds. Except to the extent set forth below, interest together with equal semi-annual payments of principal would be repaid (by means of such PILOT credits) over a 20-year term commencing on the first July 1st or January 1st to occur after the date of the advance. No interest or principal would be repaid on any advances during the initial 4-year period following the first advance; interest would accrue and be added to principal on any such advances at the end of such initial 4-year period, at which point the interest rate on the resulting principal balance would be reset for the remainder of the 20-year term.

To the extent the Port Authority receives repayment from SPI of any Backstop Payments made by the Port Authority, the net amounts collected would be repaid to the public parties in the inverse order to the order in which such Backstop Payments were funded or deemed to have been funded by each public party. In addition, if the Port Authority collects any portion of the 10% Public Sector Transaction Payment (being added to the T3 Net Lease as described below), the NYC Support Agreement would provide for such net receipts to be allocated one-quarter (i.e., 2-1/2% out of the aggregate 10%) to the Port Authority, one-half (i.e., 5% out of the aggregate 10%) to NYC, and one-quarter (i.e., 2-1/2% out of the 10%) to NYS. The Port Authority would be entitled to retain, from NYC’s share of any repayments of Backstop Payments and/or Public Sector Transaction Payment received from SPI, the amount of any outstanding principal and interest payments on the NYC Upfront Payment and the NYC Backstop Payment due from NYC to the Port Authority with any amounts retained by the Port Authority to be credited against such amounts due from NYC to the Port Authority.

NYC’s agreement to permit the Port Authority to offset advances made on behalf of NYC against all semi-annual payments due to NYC under the World Trade Center PILOT Agreement would be absolute, without any right of counterclaim, setoff, deduction or defense whatsoever.

NYS Public Support Agreement

The Port Authority, NYS and New York State Urban Development Corporation d/b/a Empire State Development Corporation (“ESDC”) would enter into a T3 Public Sector Support Agreement (NYS) (the “State Support Agreement”). The State Support Agreement would enable the Port Authority to provide the State’s \$200 million share of the \$600 million public financial support for T3. The State Support Agreement would provide (i) for the Port Authority to offset its liability against the unallocated portion of the remaining payments (the “Residual PA Payments”) that the Port Authority is obligated to make to ESDC under the 1990 agreement (the “1990 Agreement”) relating to the termination of the Fund for Regional Development (the

“Unallocated PA Payments”) and (ii) for a cash payment to be made by NYS and ESDC to the Port Authority in escrow at the closing of the T3 Transaction Documents to the extent the Unallocated PA Payments are insufficient to fund or reimburse NYS’s \$200 million share. Payments under the 1990 Agreement which have already been allocated to the WTC Rent Reduction Program and the ESDC corporate bond obligations would not be returned or offset against.

If SPI does not timely fulfill the conditions precedent under the T3 Transaction Documents to qualify for the public sector funding on T3, the State Support Agreement would provide that any escrowed cash payments would be released to NYS and ESDC and for the amount of the State offsets held by the Port Authority as of the date the obligation to SPI expires would be paid to the State in installments on a repayment schedule to be agreed upon. Similarly, if SPI fulfills the initial conditions for T3 public sector support but the public sector support obligation under the T3 Transaction Documents terminates or expires for any reason without the full amount of the State offsets held by the Port Authority having been paid to SPI, the remaining amount of any State offsets held by the Port Authority as of such termination or expiration date would be repaid to the State in installments on a repayment schedule to be agreed upon.

To the extent the Port Authority receives repayment from SPI of any Backstop Payments made by the Port Authority, the net amounts collected would be repaid to the public parties in the inverse order to the order in which such Backstop Payments were funded or deemed to have been funded by each public party. In addition, if the Port Authority collects any portion of the 10% Public Sector Transaction Payment, the State Support Agreement would provide for such net receipts to be allocated one-quarter (i.e., 2-1/2% out of the aggregate 10%) to the Port Authority, one-half (i.e., 5% out of the aggregate 10%) to NYC, and one-quarter (i.e., 2-1/2% out of the 10%) to NYS. The Port Authority would be entitled to retain, from NYS’s share of any repayments of Backstop Payments and/or Public Sector Transaction Payment received from SPI, the amount of any outstanding principal and interest payments on the NYS Upfront Payment and the NYS Backstop Payment due from NYS to the Port Authority with any amounts retained by the Port Authority to be credited against such amounts due from NYS to the Port Authority.

NYS’s agreement to permit the Port Authority to take credits against the Residual PA Payments would be absolute, without any right of counterclaim, setoff, deduction or defense whatsoever.

Amended and Restated Master Development Agreement

The Port Authority, 1 World Trade Center LLC, 2 World Trade Center LLC, 3 World Trade Center LLC, 4 World Trade Center LLC, WTC Retail LLC and PATH would enter into an Amended and Restated Master Development Agreement (the “Amended MDA”) to reflect the modifications to the original Master Development Agreement between the same parties dated November 16, 2006, as amended (the “Original MDA”). The Amended MDA would replace and supersede the Original MDA in its entirety.

Construction of Towers.

The obligations of SPI to construct T2, T3 and T4, respectively, would be modified by (a) requiring SPI to construct T4; (b) requiring SPI to construct the T3 Podium (together with a

“cap” if required if SPI does not proceed with tower construction by a designated date) forming the base of T3 (which satisfies the mechanical and structural needs of the Transportation Hub and other Port Authority needs while preserving flexibility for the future development of the T3 office tower if and when driven by market demand); and (c) requiring SPI to construct certain subgrade and foundation work required for T2. The Amended MDA would not require construction of the office portion of T3 (i.e., the office structure over the Podium) or a podium or office portion of T2 (over the subgrade and foundation work). An increase in architectural and engineering design costs of approximately \$3.4 million is required to redesign certain portions of the retail program that is impacted by the overall scope changes to T2 and T3.

Common Infrastructure Costs.

The obligation of SPI to pay \$140 million toward the Common Infrastructure Costs would be allocated among T2, T3 and T4, as follows: T2 -- \$51.844 million; T3 -- \$45.745 million; T4 -- \$42.411 million; in each case reduced by amounts previously paid by SPI on account thereof. SPI's share of Common Infrastructure Costs for T2 and T3 would be paid upon commencement of construction of those Towers. SPI's Common Infrastructure Costs for T4 would be paid as costs of infrastructure improvements are incurred in accordance with past practice under the Original MDA.

SPI Fees Generally.

SPI's T2 fees would cease, such that SPI would not be paid any of its development fees or allocable share of its management fees provided for in the Original MDA. All such fees payable from current insurance escrows that were previously allocated to T2 would terminate, and the funds would be reallocated as elsewhere described herein.

SPI's T3 fees would be frozen at 50% of its remaining development fees and allocable share of its management fees provided for in the Original MDA, providing certainty as to amount. At the same time, SPI would agree to spread out its remaining T3 fees over the entire development period, as opposed to the more accelerated time-period allowed under Original MDA.

As set forth in the Development Plan, SPI would continue to receive its development fees and allocable portion of its management fees attributable to T4. These fees would include any of SPI's staffing or overhead costs associated with the T4 project.

Consistent with typical real estate market practices, SPI would receive a standard override on market leasing commission funded as part of the T3/T4 development budget (as well as excess cashflow in certain limited circumstances, as further described in the Minutes). SPI would also receive market management fees as part of each building's operating expenses.

Article 9 Arbitration Process.

The provisions of the existing Article 9 of the Original MDA would be modified in the Amended MDA. The new provisions would, among other things, change the composition of the arbitration panel in all cases from three arbitrators to a single arbitrator and incorporate the arbitration provisions described under “Construction Partnership (Exhibit J)”.

Certain Construction-Related Matters

The Amended MDA would also provide for the creation of several specific construction-related documents.

Construction Partnership (Exhibit J).

In order to effectuate the Development Plan and create a more efficient and coordinated construction relationship between the Port Authority and SPI, Exhibit J to the Amended MDA would create a “construction partnership” to implement and supplement the cooperation and coordination provisions of the Original MDA and to ensure the timely and cost-effective completion of East Bathtub projects, consisting of portions of the WTC Transportation Hub; MTA’s Cortlandt Street Station; Greenwich Street, Vesey Street East; Fulton Street East and Liberty Street East; Streets/Sidewalks/Utilities; the Retail Development Program; Towers 2, 3 and 4; and portions of the VSC project located in the East Bathtub (“East Bathtub Projects”).

Given how interrelated and interdependent the Port Authority’s projects are with SPI’s projects on the east side of the WTC site, and given how the success of one stakeholder depends on the success of the other, Exhibit J would bring a necessary and greater level of coordination and integration between the Port Authority’s and SPI’s construction teams. This would involve establishing various working teams and committees, as well as processes to evaluate, discuss and attempt to resolve construction and coordination issues in an effort to advance the projects in the East Bathtub, providing a mechanism to reduce the potential for arbitration. Exhibit J would also improve on the existing process of information-sharing, schedule development, updates and implementation by and among the stakeholders, as well as introduce reciprocal mechanisms relating to certain major milestones identified by both the Port Authority and SPI in order to implement mitigation and/or recovery steps should a delay of one of those major milestones occur or be anticipated to occur.

While the rights for either party to make a claim for damages would continue to exist, no provision would be made for “liquidated damages” or any type of new financial consequences resulting from a delay in any milestone date.

Exhibit J would also include a modification by the Port Authority of its process for issuing “temporary permits to occupy and use” (i.e. TCO’s) to provide for the issuance of phased TCO’s for high-rise office building construction and mixed use environments in accordance with rules adopted by the NYC Department of Buildings. This would allow for quicker tenant occupancy and an overall decrease in the cost of the TCO process, benefitting both the Port Authority and SPI.

T2 Structure To Grade Project (Exhibit EE-1).

The Port Authority and SPI construction teams have worked to identify the absolute minimum scope necessary to build the T2 Structure To Grade project in order to provide for both the necessary infrastructure for the WTC Transportation Hub and other Port Authority projects while preserving flexibility for the future development of the T2 office tower when the market demand exists.

To support the Hub and other Port Authority projects, the T2 Structure To Grade project would be built mainly to the ground level, with certain structures (including the permanent WTC Transportation Hub entrance, mechanical spaces and an architectural screen wall built on the ground level). The T2 Structure To Grade project would house portions of the following projects: (1) mechanical and electrical infrastructure supporting both the WTC Transportation Hub and retail space, including below-grade emergency egress stairs as well as the permanent Hub project transit entrance, (2) the required lateral structural support for the Hub Oculus, (3) below-grade retail space, (4) permanent electrical power distribution facilities to serve T3 and T4 and a future T2, (5) the minimum amount of non-occupied spaces necessary to support a future T2 especially those that would be impossible to construct in a future overbuild (i.e., columns and footings for a future T2), (6) the Vehicular Security Center East Bath tub Roadway network that will connect to the tower 1/West Bath tub Vehicular ramps, and (7) the WTC Transportation Hub Fire Tanks and Pump Room.

The T2 Structure to Grade Project would allow the Port Authority to avoid potential delays and/or significant and costly workarounds and allow for the continued construction and eventual opening of the WTC Transportation Hub. The T2 Structure To Grade project would provide other functional benefits, including: (1) opening of a permanent Transit entry, which is projected to enable daily commuters (approximately 15% of total pedestrian volume) to exit or enter the WTC Transportation Hub system, (2) providing the continuation of the below grade roadway from the Vehicle Security Center (VSC) to enable the eventual connection of T1 to the VSC and the operational servicing of that building as planned, and (3) additional limited retail space that will add to the total amount of Port Authority retail and enhance the site's retail offerings below-grade. Given that the T2 Structure To Grade project does not consist of the entire T2 podium, of which certain Hub systems were to be provided in the floors above-grade, the Port Authority would still need to build certain temporary mechanical systems in the T2 subgrade and at grade level (as well as in the T3 podium, the total cost of which is estimated as approximately \$61 million). These temporary costs would be constructed and funded by the Port Authority separately from the scope and budget of the T2 Structure To Grade project, and these costs have been included in the capital capacity analysis with an approximately 7.5% contingency (or \$30 million) added for the Port Authority East Bath tub costs.

The Port Authority and SPI construction teams are continuing to analyze the most recent construction estimate (as of August 9, 2010) from Turner Construction (for a total of approximately \$217 million, including approximately \$35 million or 20% of contingencies) in an effort to reduce the estimated cost to below \$200 million (with appropriate contingencies providing needed cushion between actual hard and soft costs and the \$200 million cap). Under no circumstances can the cost of the T2 Structure-To-Grade exceed the \$200 million without the Port Authority's approval. While the Port Authority would initially fund the costs of the T2 Structure To Grade Project with any costs in excess of the \$200 million being subject to Port Authority approval, the costs will be allocated between the Port Authority and SPI (with SPI's share currently being estimated at approximately \$100 million). SPI's share will be reimbursed upon the future construction commencement and financing of the T2 tower.

T3 Podium Capping Plan (Exhibit EE-2).

Another new exhibit to the Amended MDA would be Exhibit EE-2 which would contain provisions regarding construction of the T3 Podium by SPI, including: the development of a

plan to cap the T3 Podium at the 7th floor in the event that SPI does not proceed with the remainder of T3; the delivery to the Port Authority of beneficial use of the 4th and 5th floors of the T3 Podium for installation of mechanical equipment required for the WTC Transit Hub, VSC East Bath tub Roadway Network and the Retail Project; the delivery to the Port Authority of beneficial use of a portion of the 3rd floor of the T3 Podium for the Site Wide Operations Control Center (SWOCC), with the specific SWOCC design being developed by the Port Authority within certain parameters; and the preservation of the potential ability to deliver to the Port Authority for beneficial use by WTC Retail of the 1st, 2nd and 3rd floors for retail use (subject to mutual agreement by the Port Authority and SPI). All below-grade retail under T3 will be delivered as planned. The construction of the T3 Podium would include all required access and all required base building life safety systems serving the Port Authority space.

As a result of the conditions placed on whether construction of the T3 office building commences, Exhibit EE-2 provides for two scenarios: (i) construction of the entire T3 Project may proceed uninterrupted after construction of the T3 Podium according to the full baseline schedule; or (ii) construction of the T3 Project may proceed in accordance with the baseline schedule until the date when certain construction activities associated with releasing material to commence construction of the interim building elements required to cap the Podium must be initiated. In order to maintain the schedule for delivery of the Podium, certain construction activities associated with releasing material to commence construction of interim building elements required to cap the Tower 3 Project at the 7th floor must be initiated by a date certain (said date, the “Capped Podium Building Trigger Date”). Such interim building elements include but are not limited to (a) interim life-safety MEP equipment or systems necessary to provide beneficial use of the mechanical floors; (b) interim architectural exterior enclosure walls at the ground floor of the building, and (c) an interim roofing system at the 7th floor slab level of the building. The Capped Podium Building Trigger Date would be twelve (12) months prior to the finish date for the HUB Project set forth in the Baseline IMS Schedule, and the Capped Podium Building Trigger Date is currently estimated to be November 2013. Accordingly, if, pursuant to schedule updates performed under Exhibit J of the MDA, the finish date for the HUB Project should be delayed beyond the finish date set forth in the Baseline IMS Schedule, the Capped Podium Building Trigger Date would be extended, at the discretion of SPI, by the amount of any such delay.

In the event that construction of the Podium cap has commenced, the Port Authority and SPI shall make a joint decision on the possibility of including retail in certain above-grade areas of the Capped Podium Building. In light of the fact that such decision will not be made until well into the future, SPI shall use commercially reasonable efforts to ensure that its procurement process provides sufficient flexibility to preserve the possibility of including above-grade retail in the Capped Podium Building. In addition, the Port Authority and SPI shall engage in good faith discussions concerning ways to enhance the above-grade retail presence of the below-grade areas of the Capped Podium Building, including the possibility of introducing certain signage on construction sidewalk bridges or fencing to display the presence of a retail complex below and throughout the World Trade Center site.

Beneficial use of the space in the T3 Podium to be used by the Port Authority, as well as all life-safety systems and egress pathways, would be maintained throughout the duration of the T3 Project construction period and all appropriate efforts would be made to minimize the effects of water infiltration, noise and vibration resulting from construction of the T3 project. Notwithstanding these deliverables, each of the Port Authority and SPI would be required to take

all reasonable measures and endeavor to minimize both the cost and disruption to each other's activities throughout the duration of the T3 construction period.

The costs of the capped Podium that are not part of the original "full-build" design of T3 would be shared 50/50 by the Port Authority and SPI; based on preliminary estimates, the Port Authority's share would be approximately \$15 million. SPI would segregate a portion of the existing T3 insurance proceeds in an amount to be agreed upon between SPI and the Port Authority (the "Reserved Podium Funds") to be used to complete the T3 Podium in accordance with the approved T3 Podium development budget. The Reserved Podium Funds would be used for or applied to SPI's 50% share of the cost of the capped Podium and other interim construction measures as provided in the Amended MDA. The Reserved Podium Funds would be held in escrow under, and released in accordance with, the terms of the Amended MDA. Any Reserved Podium Funds remaining after completion of the T3 Podium would be used at SPI's discretion, but only for T3 or T4. The cost to remove the Podium cap and any interim construction would be paid 100% by SPI when tower construction commences.

Cost Allocation Provisions (Supplement to Exhibit O).

The cost allocation provisions of Exhibit O of the Original MDA would be supplemented in the Amended MDA to set forth detailed "cost allocation approval procedures" agreed to by the Port Authority and SPI. In addition, the provisions of Exhibit O would be supplemented by clarifying certain warranty issues applicable to work performed by one stakeholder on behalf of another stakeholder, including the right to directly enforce the warranty obligations of trade contractors that have performed the work, and making it clear that a benefitted stakeholder is a third party beneficiary with respect to the obligations of the performing stakeholder's general contractor and all relevant trade contractors with respect to such work performed by the performing stakeholder on behalf of the benefitted stakeholder.

The Supplement to Exhibit O would further clarify (a) the obligation with respect to the start-up and commissioning assistance with respect to MEP systems; (b) procedures for acceptance of systems constructed by a performing stakeholder on behalf of a benefitted stakeholder; (c) applicability of indemnification provisions; (d) availability of subcontractor scope and bid values with respect to certain trades; (e) delivery of technical documentation for work performed; and (f) delivery of appropriate lien waivers for work performed by a performing stakeholder on behalf of a benefitted stakeholder.

Amendments to Net Leases for T2, T3, T4, and Retail Area

Each of the 2001 Net Leases for T2, T3 and T4 would be amended and restated for a second time (the first amendment and restatement occurred on November 16, 2006). These Second Amended and Restated Net Leases (collectively, the "Net Lease Amendments") would incorporate a number of changes to the Net Leases.

Rental Revisions.

The rental provisions of all three Net Leases would be revised, as follows:

Tower 4

The T4 Net Lease Amendment would provide for revised rent schedules delaying the escalation of base rent, additional base rent and percentage rent for two years until 2019.

Tower 3

In order to make the building more financeable so SPI has a greater chance of developing the building and the Port Authority has a greater chance of generating revenue from that building, the T3 Net Lease Amendment would provide for base rent to be phased in over construction of the podium and tower so as to only reach 100% of the base rent previously set for 2010 (\$25.4 million) once the tower has achieved stabilization (i.e., 90% leased). If, at that point, a fair market valuation determines a higher rent (according to the process described below), the base rent would be increased accordingly. Also, if construction of the tower above the podium has not occurred within six years after Opening of the Transportation Hub, the base rent would automatically escalate to 100% of the base rent previously set for 2010 until construction commences. Base rent would be reset after 20 years based on a determination of the then fair market value of the land by an appraiser. The T3 Net Lease Amendment would also provide for the elimination of the additional base rent and percentage rent provisions from this Net Lease.

Tower 2

The T2 Net Lease Amendment would provide for base rent to be abated until the earlier of (i) commencement of tower construction and (ii) six years after Opening of the Transportation Hub and, as with T3, would thereafter be phased in over construction of the tower so as to only reach 100% of the base rent previously set for 2010 once the tower has achieved stabilization. If, at that point, a fair market valuation determines a higher rent (according to the process described below), the base rent would be increased accordingly. Also, if construction of the tower has not occurred within six years after Opening of the Transportation Hub, the base rent would then automatically escalate to 100% of the base rent previously set for 2010 until construction commences. Base rent would be reset after 20 years based on a determination of the then fair market value of the land by an appraiser. The T2 Net Lease Amendment also provides for the elimination of the additional base rent and percentage rent provisions from this Net Lease.

Determination of Fair Market Value for Base Rent Resets

The reset annual base rent would be equal to the product of the Fair Market Value multiplied by either (A) 6.25% for each of the first two reset periods, or (B) 6.50% for each reset period thereafter. "Fair Market Value" would be the fair market value of the Land, determined by a three-appraiser appraisal process, where the appraisers would consider the Land to be vacant, unimproved and free and clear of all monetary liens and leases (including the Lease) and assume that only the then-existing building could be built on the Land for a use which is the same as the then-existing use of the applicable Tower Project.

Revisions to Accommodate Construction Hiatus.

The T2 and T3 Net Lease Amendments would contain revisions to operative provisions resulting from SPI's right to cease work on those projects at completion of the T3 Podium and T2 subgrade. The affected provisions would include insurance requirements, site security standards, permitted alterations, and required maintenance standards during this interim period.

Cross Defaults and Remedies.

All three Net Lease Amendments would delete the provisions making an event of default under any one of the T2, T3 or T4 Net Leases an event of default under all three Net Leases. An event of default under either the T3 TSA or T4 TSA would constitute an event of default under the corresponding Net Lease. Remedies for failure to complete construction of T4 would be changed to allow the Port Authority the right to terminate the T4 Net Lease without judicial confirmation of the applicable event of default.

Transaction Participation Payments.

The T3 Net Lease Amendment would provide for an additional 10% transaction participation payment due to the Port Authority upon the occurrence of various capital events. The T3 Net Lease formerly provided for the Port Authority to receive 15% of the net proceeds of capital events until it had received \$65,370,967.74 (plus interest at 8% compounded annually unless the amount is prepaid by SPI prior to December 31, 2016), at which point the participation percentage would drop from 15% to 5% of net proceeds. The T3 Net Lease Amendment would increase the 5% capital event participation to 15%, to be shared between the Port Authority, NYC and NYS pursuant to the Public Support Agreements with the Port Authority receiving an additional 2.5% capital event participation on top of its 5% participation (for a total of 7.5%), NYC receiving 5% capital event participation and NYS receiving 2.5% capital event participation. The T3 Net Lease Amendment would extend by 5 years the 2016 prepayment date referred to above.

The T4 Net Lease Amendment would provide for the transaction payment due to the Port Authority to be increased to a flat 17.5% starting with the first dollar of any capital event proceeds from time to time. The current long term participation rate was fixed at 5% in the T4 Net Lease, and this new percentage gives the Port Authority a significantly higher share of the project's upside in the event of a sale or other capital transaction with respect to SPI's interests in T4.

Permitted Transfers.

To reflect the terms of the T4 TSA and T3 TSA, the categories of assignments and other transfers permitted by the T4 Net Lease and T3 Net Lease, as applicable, would be expanded to include a Qualifying IPO as described above, and any such transaction would be exempt from the Port Authority's capital event participation rights under the applicable Net Lease (similar to the other permitted exempt transfers in the applicable Net Leases).

Retail Net Lease.

The July 16, 2001 Amended and Restated Net Lease for the retail portions of the World Trade Center between the Port Authority and WTC Retail LLC would be amended, as necessary, to account for the revisions to the schedule and scope of the development of Towers 2, 3 and 4, including those necessary to reflect any required changes to the demised retail premises and its buildout.

Amendment to Port Authority Space Lease in T4

The 2006 Amended and Restated Lease between SPI, as landlord, and the Port Authority, as tenant, demising portions of T4 (the “PA T4 Space Lease”), which lease would be amended again to incorporate a number of changes, as follows.

Relocation of Premises:

The Port Authority would agree to move its occupancy to the low-rise portion of T 4. The Premises would consist of floors 7 – 21 (15 floors total), which would be deemed to contain 600,766 rentable square feet. This move would allow SPI the ability to consolidate a larger block of space above the PA space for lease to private tenants, allowing the building potentially greater revenue to enhance building value and reduce the Port Authority’s risk (and increase the Port Authority’s future overall capital participation).

Rental Revisions:

The rental provisions of the PA T4 Space Lease would be revised to reflect a starting fixed annual rent of \$65 per rentable square foot, increasing by 10% every five years of the initial 30-year term.

Revision of Delivery Milestones:

Under the PA T4 Space Lease, the Port Authority has a right to terminate the lease if SPI fails to satisfy various delivery milestones by certain specified dates. Those dates would be revised as follows: (i) the date for "Topping Out" of structural steel for the Building would be 39 months after the First Amendment Effective Date (i.e., the 2010 transaction closing date), subject to extension by up to 18 months for Unavoidable Delays; and (ii) the date for “Substantial Completion of Basic Construction” (i.e., Lease Commencement Date) would be 54 months after the First Amendment Effective Date (i.e., the 2010 transaction closing date), subject to extension by up to 18 months for force majeure. It should be noted, however, that because the Port Authority is “wrapping” its own lease, it would be unlikely that it would exercise these termination rights.

Tenant Special Work Items:

Under the PA T4 Space Lease, SPI is obligated to perform various additional work items at the Port Authority’s expense as part of the landlord’s basic construction if requested by the Port Authority. A number of those items would be deleted from the PA T4 Space Lease and others would be added. SPI would fabricate the structural steel framing on floors 7-21 to properly support the Port Authority’s high density filing system and provide an additional tenant improvement allowance of \$500,000 to defray a portion of the cost of this work.

Storage Space:

The Port Authority would lease Room B3-37; 474 RSF for Port Authority exclusive use, at rents specified for such space in the existing lease.

Parking:

The Port Authority would lease, at market rates, 15 parking spaces from SPI’s parking allocation within the East Bathtub sub-grade area currently designated for SPI parking. The Port Authority would agree to work with SPI to attempt to maximize revenues for, and the number of available parking spaces to, both parties (SPI acknowledging that the Port Authority’s ability to do so may be limited due to the GSA’s possible tenancy in Tower 1).

2010 Mutual Release

The Port Authority and affiliates (the “PA Parties”) would enter into a new 2010 Mutual Release Agreement with SPI and affiliates (the “SPI Parties”). This Mutual Release would be in addition to, and not in substitution for, the 2006 Mutual Release entered into at the time of the closing of the 2006 Transaction.

The 2010 Mutual Release would provide for the release by the PA Parties and the SPI Parties of all known claims that each group may have against the other arising prior to the date of the 2010 Mutual Release, including those related to the development, leasing, financing and construction of the World Trade Center, as well as claims that were or could have been raised in the two arbitrations brought by the SPI Parties, and to performance under the Original MDA (as it may be amended, including by the Amended MDA) or any of the other 2006 transaction documents, except as noted below.

The 2010 Mutual Release would preserve the rights of the PA Parties and the SPI Parties with respect to all claims regarding enforcement of the agreements that would be signed at the 2010 closing, all claims that must be preserved for purposes of subrogation to maintain insurance coverage, and rights to reimbursement for certain expenses as provided under the MDA.

The releases contained in the 2010 Mutual Release would benefit individuals who are shareholders, officers, directors, commissioners, members, partners, managers, employees, beneficiaries, successors and permitted assigns of the PA Parties and the SPI Parties and holding companies in the SPI 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 SPI Parties, as applicable, have agreed to release.

* * * * *

Pursuant to the foregoing report, the following resolution was adopted with Commissioners Bauer, Coscia, Grayson, Holmes, Moerdler, Pocino and Sartor voting in favor; none against:

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 to effectuate the transaction between SPI and the Port Authority 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, in each case subject to the prior review of the Chairman, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith, and to the extent that such contracts, agreements and documents by their terms require the consent of the Port Authority such consent shall be subject to the prior review of the Chairman; and it is further

RESOLVED, that, in connection with the execution of the transaction between the SPI parties and the Port Authority, the Executive Director, Deputy Executive Director, Chief Financial Officer, Treasurer or Assistant Treasurer are each authorized to invest Port Authority operating funds (including with respect to any net lessee and bondholder support payments) consistent with the foregoing report to the Board, and to enter into such other related agreements as may be necessary or appropriate to effectuate such investment; and it is further

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

Whereupon, the meeting was adjourned.

Secretary