

**THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY**

**COMMITTEE ON OPERATIONS  
MINUTES OF SPECIAL, INTERIM MEETING  
Wednesday, May 25, 2011**

Consolidated Bonds, One Hundred Sixty-eighth Series through Consolidated Bonds, One Hundred Seventy-sixth Series, Consolidated Notes, Series ZZ, Series AAA, Series BBB, Series CCC and Series DDD – Authorization of Sale for World Trade Center Purposes and Amendment of Certain Resolutions	3
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**225 Park Avenue South  
New York, NY  
Wednesday, May 25, 2011**

**PRESENT:**

Hon. David Samson, Chair  
Hon. Virginia S. Bauer  
Hon. Anthony R. Coscia  
Hon. H. Sidney Holmes III  
Hon. Jeffrey A. Moerdler  
Hon. Raymond M. Pocino  
Hon. Anthony J. Sartor  
Hon. Henry R. Silverman  
Hon. David S. Steiner  
Committee Members

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

Heavyn-Leigh American, Associate Board Management and Support Specialist, Office of the Secretary  
Susan M. Baer, Director, Aviation  
Steven J. Coleman, Assistant Director, Media Relations  
Claudia Dickey, Assistant Director, Public Safety  
Gretchen P. DiMarco, Special Assistant to the Deputy Executive Director  
John J. Drobny, Director, Security Projects  
Michael G. Fabiano, Chief Financial Officer  
Michael A. Fedorko, Director, Public Safety/Superintendent of Police  
William J. Fellini, Assistant Director, Capital Project Management, Rail Transit  
Michael B. Francois, Chief, Real Estate and Development  
Cedrick T. Fulton, Director, Tunnels, Bridges and Terminals  
Richard Gladstone, Director, World Trade Center Redevelopment  
Glenn P. Guzi, Senior External Affairs Representative, Government and Community Affairs  
Linda C. Handel, Deputy Secretary  
Mary Lee Hannell, Director, Human Resources  
Mark D. Hoffer, Director, New Port Initiatives, Port Commerce  
Howard G. Kadin, Esq., Law  
John P. Kelly, Director, Media Relations  
Kirby King, Director, Technology Services  
Louis J. LaCapra, Chief Administrative Officer  
Cristina M. Lado, Director, Government and Community Affairs

Conor Lanz, Special Assistant to the Executive Director  
Richard M. Larrabee, Director, Port Commerce  
Jamie E. Loftus, Chief, Public and Government Affairs  
James M. Mackey, Jr., Manager, Financial Forecasting, Management and Budget  
Norma L. Manigan, Program Director, External Affairs, Marketing  
Stephen Marinko, Esq., Law  
Ronald Marsico, Assistant Director, Media Relations  
Daniel G. McCarron, Comptroller  
James E. McCoy, Manager, Board Management Support, Office of the Secretary  
Dennis Mitchell, Port Authority Police Officer  
Anne Marie C. Mulligan, Treasurer  
Jeffrey P. Pearse, Deputy Director, Aviation  
Michael S. Percival, Debt Manager, Treasury  
Steven P. Plate, Director, World Trade Center Construction  
Desiree Ramos, External Relations Client Manager, Government and Community Affairs  
Alan L. Reiss, Deputy Director, World Trade Center Construction  
Timothy G. Stickelman, Assistant General Counsel  
Gerald B. Stoughton, Director, Financial Analysis  
Robert A. Sudman, Director, Audit  
Lillian D. Valenti, Director, Procurement  
Sheree Van Duyne, Manager, Policies and Protocol, Office of the Secretary  
Philippe Visser, Deputy Director, Real Estate and Development  
Andrew S. Warshaw, Chief of Staff to the Executive Director  
David M. Wildstein, Director, Interagency Capital Projects, Office of the Deputy Executive Director  
William Young, Client Manager, Government and Community Affairs  
Peter J. Zipf, Chief Engineer

Guests:

Johanna Jones, Assistant Counsel, Authorities Unit, Office of the Governor of New Jersey  
Eren Magri, Fried, Frank, Harris, Shriver & Jacobson LLP  
Lauren S. Smith, Fried, Frank, Harris, Shriver & Jacobson LLP

Speakers:

Murray Bodin, Member of the Public  
Michael DeFilippis, Second Vice President, Port Authority Police Benevolent Association, Inc.  
James Hall, Group Member, Friends of LaGuardia Airport  
John McAusland, General Counsel, Port Authority Police Benevolent Association, Inc.

In view of the fact that there would be an insufficient number of affirmative votes cast to constitute a quorum with respect to certain matters to be considered at today's Board meeting, the Secretary reported that, pursuant to the Board's resolution of December 15, 1994, a special, interim meeting of the Committee on Operations was called to permit the Committee to act on two items for and on behalf of the Board.

The meeting was called to order in public session by Chairman Samson at 1:12 p.m. and ended at 1:45 p.m.

**CONSOLIDATED BONDS, ONE HUNDRED SIXTY-EIGHTH SERIES THROUGH CONSOLIDATED BONDS, ONE HUNDRED SEVENTY-SIXTH SERIES; CONSOLIDATED NOTES, SERIES ZZ, SERIES AAA, SERIES BBB, SERIES CCC AND SERIES DDD – AUTHORIZATION OF SALE FOR WORLD TRADE CENTER PURPOSES AND AMENDMENT OF CERTAIN RESOLUTIONS**

At its March 27, 2008 meeting, the Board authorized the Executive Director to enter into an agreement with Citigroup Global Markets, Inc., based on a publicly advertised Request for Proposals process, to serve as underwriter in connection with the negotiated sales of New York Liberty Bonds through the New York City Industrial Development Agency and other debt obligations to be issued by the Port Authority in connection with One World Trade Center and the retail components of the World Trade Center (WTC) site. The Board's action recognized that separate authorizations would be requested with respect to the issuance of any such obligations.

Pursuant to the Committee on Finance's authorization at its April 30, 2009 meeting, \$750 million in total principal amount of Consolidated Bonds was sold in June 2009, on a negotiated basis, for purposes in connection with One World Trade Center, the retail components of the WTC site and other WTC site-wide infrastructure.

Pursuant to the Committee on Finance's authorization at its November 19, 2009 meeting, an additional \$850 million in total principal amount of Consolidated Bonds was sold in October 2010, on a negotiated basis, for purposes in connection with One World Trade Center, the retail components of the WTC site and other WTC site-wide infrastructure.

In accordance with the Port Authority's planned capital expenditures in 2011 and 2012, including those for the WTC site, it was recommended that the Board authorize the sale, on a negotiated basis, of up to an additional \$1 billion in total aggregate principal amount of the currently authorized, and as yet unissued, series of Consolidated Bonds and Notes for purposes of capital expenditures in connection with One World Trade Center, the retail components of the WTC site and other WTC site-wide infrastructure. In view of the continuing volatility in the federally taxable municipal capital markets, greater transactional efficiencies would be achieved with the sale or sales of Consolidated Bonds and Notes for these purposes on a negotiated basis.

Additionally, in order to enhance marketability, it was recommended further that the Board amend the resolutions authorizing the establishment and issuance and sale of Consolidated Bonds, One Hundred Sixty-eighth Series through Consolidated Bonds, One Hundred Seventy-sixth Series, to the extent that any of such Series are issued and sold solely for purposes of capital expenditures in connection with One World Trade Center, the retail components of the WTC site and other WTC site-wide infrastructure, to provide that such Series may be issued and sold without limit as to principal amount and term to maturity, provided that the total aggregate principal amount of all of such Series (regardless of the purpose for issuance) shall not be in excess of \$4.5 billion, the maximum principal amount remaining under such resolutions.

Prior to the scheduling by an Authorized Officer of any negotiated sale of such Consolidated Bonds or Notes, such Authorized Officer would review the proposed issuance with the Chairman of the Committee on Finance and, to the extent practicable, the other members of the Committee.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Commissioners Holmes, Moerdler, Pocino, Silverman and Steiner voting in favor; Commissioners Bauer, Coscia, Samson and Sartor recused and did not participate in the consideration of or vote on this item. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

**RESOLVED**, that an Authorized Officer (as defined in the resolutions of the Port Authority pertaining to the establishment and issuance and the sale of Consolidated Bonds and Notes) is authorized to take any and all action which the Committee on Finance of the Port Authority has been authorized to take under such resolutions in connection with the issuance and sale of up to an additional \$1 billion in total aggregate principal amount of Consolidated Bonds and Notes, on a negotiated basis, for purposes of capital expenditures in connection with One World Trade Center, the retail components of the World Trade Center (WTC) site and other WTC site-wide infrastructure; and it is further

**RESOLVED**, that the resolutions adopted by the Board at its meeting of November 19, 2009 authorizing the establishment and issuance and sale of Consolidated Bonds, One Hundred Sixty-eighth Series through Consolidated Bonds, One Hundred Seventy-sixth Series be and they hereby are amended, to the extent that any of such Series are issued and sold solely for purposes of capital expenditures in connection with One World Trade Center, the retail components of the WTC site and other WTC site-wide infrastructure, to provide that such Series may be issued and sold without limit as to principal amount and term to maturity, provided that the total aggregate principal amount of all such Series (regardless of the purpose for issuance) shall not be in excess of \$4.5 billion; and it is further

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

**ONE WORLD TRADE CENTER – WTC TOWER 1 LLC – ADVANCE MAGAZINE PUBLISHERS INC. D/B/A CONDÉ NAST – LEASE AGREEMENT**

It was recommended that the Board authorize: (i) WTC Tower 1 LLC (WTC 1 LLC) to: (1) enter into a lease agreement with Advance Magazine Publishers Inc. d/b/a Condé Nast (Condé) covering approximately 1,008,012 rentable square feet (rsf) of office space and approximately 30,000 useable square feet (usf) of non-office space (including mail/messenger room and storage space) in One World Trade Center (One WTC), for a 25-year term, with certain renewal options, and a related license agreement for Condé to complete its interior construction of the leased space; (2) pay the cost of certain additional improvements and allowances, including certain base building upgrades and other work items; and (3) enter into such other agreements as may be necessary in connection with the foregoing transaction, including, but not limited to: (a) a delayed-delivery indemnity agreement with Condé pursuant to which WTC 1 LLC would indemnify Condé for any holdover penalties or lost disposition opportunities Condé might suffer under leases for approximately 390,000 square feet of ancillary space it occupies in New York City if WTC 1 LLC fails to begin the phased delivery of space under the Condé lease starting on January 1, 2014; and (b) agreements for real estate brokerage services pertaining to the Condé lease (with the Port Authority to be responsible for payment if WTC 1 LLC fails to make any required payment); and (ii) the Executive Director, on behalf of the Port Authority (consistent with the Port Authority's obligation to complete construction of the building), to enter into a lease takeover agreement with Condé, pursuant to which the Port Authority would be responsible for rent and other financial obligations of Condé's existing lease at 4 Times Square (4TS) with an affiliate of The Durst Organization, for the balance of the term of the 4TS lease (through April 30, 2019), commencing when Condé vacates 4TS and moves to One WTC.

Under the terms of the proposed lease agreement, Condé would lease the entire 20th through 41st floors of One WTC and approximately 30,000 usf of additional non-office space below grade or in the podium area of the building. For up to nine months after lease execution, Condé would have a limited right to expand or contract the amount of its office and/or below-grade space, on substantially the same lease terms as for the initial space. Condé also would have the option to take a limited amount of additional office space in the 10<sup>th</sup>, 15<sup>th</sup> and 20<sup>th</sup> years of the initial lease term, respectively. Condé also would have exclusive use of a portion of the lower-level building lobby. Condé would have the right to assign the lease or sublease the premises to any Condé subsidiary, parent company, affiliate, or successor; and limited rights to assign a portion of the lease or sublease a portion of the space to certain firms with which Condé has a significant business relationship. With respect to any other proposed assignments of the lease and certain proposed subleases of space above specified minimum amounts, WTC 1 LLC would have certain recapture rights.

WTC 1 LLC would deliver possession of the premises to Condé in individual phases, subject to satisfaction of specific delivery condition criteria set forth in the lease. The lease would have an initial 25-year term, following the average rent commencement date, with renewal options of either one five-year period or two ten-year periods exercisable by Condé. Condé would be entitled to extensions of the rent commencement date and certain credits against the base rent in the event of specified delays with respect to site-wide conditions at the WTC site. Prior to the commencement of the lease term and after delivery of possession, Condé would be permitted to commence initial buildout of its space pursuant to a license upon all applicable lease terms. Condé would receive a construction allowance for certain hard and soft construction

costs, with the Port Authority to be responsible for payment if WTC 1 LLC fails to do so. WTC 1 LLC would pay the cost of certain additional improvements and allowances, including certain base building upgrades and other work items, such as the costs of segregating a portion of the B2 lobby for Condé and creating a space for the Condé messenger/mail room. In addition to such work to be performed at WTC 1 LLC's cost, Condé would have the option to request additional improvements in the premises in excess of the base building work, at Condé's sole cost and expense.

The total aggregate rental to be paid by Condé over the initial term of the lease would be approximately \$1.91 billion. Condé would be obligated to pay increases in payments-in-lieu-of-taxes over a base amount and building operating expense and site-wide escalations over separate base-year amounts.

Condé would have a limited termination right prior to the delivery of its space, with the ability to terminate if the space is not delivered by April 1, 2020. In such event, the Port Authority (as distinguished from the joint venture) would be responsible for certain costs/damages. Condé would not have any other interim termination rights prior to that date. Following delivery of the premises, Condé would not have any lease termination rights, other than standard termination rights relating to a major casualty. Should the delivery of Condé's space be delayed beyond January 1, 2016 (approximately two years past its current schedule completion date), Condé and the Port Authority would determine whether Condé should exercise its five-year renewal option in April 2016 at 4TS, which would depend largely on the anticipated date for delivery of the One WTC space to Condé. In the event that it is decided that Condé should exercise its renewal option, the Port Authority would extend its lease takeover at 4TS through the renewal term, including an annual base rent amount up to the amount of Condé's rent at One WTC. In such event, the Port Authority would share equally with Condé the responsibility for funding the difference between Condé's rent during the 4TS renewal period and Condé's rent at One WTC, unless the Port Authority has delivered to Condé at least one floor of office space and can, through arbitration, prove that it would be commercially reasonable to make complete delivery of Condé's space by April 2018.

Pursuant to the foregoing report, the Committee on Operations, acting for and on behalf of the Board pursuant to delegated authority, adopted the following resolution, with Commissioners Bauer, Coscia, Holmes, Pocino, Sartor, Silverman and Steiner voting in favor; Commissioners Samson and Moerdler recused and did not participate in the consideration of or vote on this item. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

**RESOLVED**, that WTC Tower 1 LLC (WTC 1 LLC) be and it hereby is authorized to: (1) enter into a lease agreement with Advance Magazine Publishers Inc. d/b/a Condé Nast (Condé) covering approximately 1,008,012 rentable square feet of office space and approximately 30,000 usable square feet of non-office space in One World Trade Center (WTC), for a 25-year term, with certain renewal options, and a related license agreement for Condé to complete its interior construction of the leased space; (2) pay the cost of certain additional improvements and allowances, including certain base building upgrades and other work items; and (3) enter into such other agreements as may be necessary in connection with the foregoing transaction, including, but not limited to: (a) a delayed-delivery indemnity agreement with Condé pursuant to which WTC 1 LLC will indemnify Condé for any holdover penalties or

lost disposition opportunities Condé might suffer under leases for approximately 390,000 square feet of ancillary space it occupies in New York City if WTC 1 LLC fails to begin the phased delivery of space under the Condé lease starting on January 1, 2014, and (b) agreements for real estate brokerage services; all substantially in accordance with the terms outlined to the Board; and it is further

**RESOLVED**, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a lease takeover agreement with Condé, pursuant to which the Port Authority will be responsible for rent and other financial obligations of Condé's existing lease at 4 Times Square (4TS) for the balance of the term of the 4TS lease (through April 30, 2019), commencing when Condé vacates 4TS and moves to One WTC, and pursuant to which Condé and the Port Authority would determine whether Condé should exercise its five-year renewal option at the expiration of the 4TS lease, if required as a result of delivery delays, substantially in accordance with the terms outlined to the Board; and it is further

**RESOLVED**, that WTC 1 LLC and/or the Executive Director on behalf of the Port Authority be and they hereby are authorized, in addition to the foregoing to take any other actions to effectuate the lease agreement with Condé consistent with the report to the Board, including the execution of contracts, agreements and other documents, together with amendments and supplements thereof, or amendments and supplements to existing contracts, agreements and other documents, and to take action in accordance with the terms of such contracts, agreements and documents, as may be necessary in connection therewith; and it is further

**RESOLVED**, that the form of all contracts, agreements and other documents necessary to effectuate the foregoing shall be subject to the approval of General Counsel or his authorized representative.

Whereupon, the meeting was adjourned.

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Secretary