

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MINUTES March 30, 2006

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MINUTES of the Meeting of The Port Authority of New York and New Jersey held Thursday, March 30, 2006, at 225 Park Avenue South, City, County and State of New York.

PRESENT:

NEW JERSEY

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

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

Gwendolyn Archie, Senior Administrator, Office of the Secretary
 Kayla M. Bergeron, Chief, Public and Government Affairs
 A. Paul Blanco, Chief Financial Officer
 John D. Brill, Director, Audit
 Wilfred Chabrier, Director, Office of Regional and Economic Development
 Arthur J. Cifelli, Deputy Chief of Staff
 Steven J. Coleman, Public Information Officer, Public Affairs
 Cristina A. DeFazio, Senior Executive Secretary, Office of the Deputy Executive Director
 John C. Denise, Supervisor, Audio Visual/Photography, Public Affairs
 Michael P. DePallo, Director, PATH
 Pasquale DiFulco, Public Information Officer, Public Affairs
 Francis A. DiMola, Director, Real Estate
 Michael Dombrowski, Cinematographer, Public Affairs
 John J. Drobny, Director, Project Management
 Iran H. Engel, Assistant Treasurer
 Nancy J. Ertag-Brand, General Manager, Office of the Chief Financial Officer
 Michael G. Fabiano, Deputy Chief Financial Officer/Comptroller
 James P. Fox, Deputy Executive Director
 Michael B. Francois, Chief of Real Estate/Regional and Economic Development
 Jessica L. Goldstein, Staff External Affairs Representative, Government and Community Relations
 Aaron Graham, Management Associate, Human Resources
 Lash L. Green, General Manager, Office of Business and Job Opportunity
 Linda C. Handel, Assistant Secretary
 Roger J. Hsu, Manager, Program Development and Administration,
 Office of Regional and Economic Development
 Howard G. Kadin, Senior Attorney, Law
 James A. Keane, Manager, Inspection, Safety and Risk, Operations Services
 Victoria C. Kelly, Director, Tunnels, Bridges and Terminals
 Joseph Kucich, Professional Assistant, Office of the Secretary
 Louis J. LaCapra, Chief Administrative Officer
 Shawn K. Laurenti, Director, Government and Community Affairs
 Dennis Lombardi, Assistant Director, Port Commerce
 Francis J. Lombardi, Chief Engineer
 Robert F. Lurie, Chief of Strategic Planning
 Stephen Marinko, Attorney, Law
 Michael G. Massiah, Director, Management and Budget
 John P. McCarthy, Director, Public Affairs

NEW YORK

Hon. Charles A. Gargano, Vice-Chairman
 Hon. Bruce A. Blakeman
 Hon. Christine A. Ferer
 Hon. David S. Mack

James E. McCoy, Manager, Board Management Support, Office of the Secretary
Anne Marie C. Mulligan, Treasurer
Lynn A. Nerney, Senior Administrator, Office of the Secretary
Steven P. Plate, Director, Priority Capital Programs
Samuel J. Plumeri, Jr., Superintendent of Police/Director, Public Safety
Edmond F. Schorno, Chief of Staff
Stephen Sigmund, Senior Policy Advisor, Office of the Deputy Executive Director
Gerald B. Stoughton, General Manager, Forecasting and Capital Planning, Financial Services
Ralph Tragale, Client Manager, Government and Community Affairs
Sheree R. Van Duyne, Manager of Policies and Protocol, Office of the Secretary
Peter J. Zipf, Deputy Engineer

Guests:

Keith D. Barrack, Authorities Unit, Office of the Governor of New Jersey
James T. Connors
Edward L. Jackson
Andrew N. Krinsky, Esq., Tarter Krinsky & Drogin LLP

The public session was called to order by Chairman Coscia at 2:42 p.m. and ended at 2:58 p.m. The Board met in executive session prior to the public session. Commissioner Silverman was present for the executive session.

Action on Minutes

The Secretary submitted for approval Minutes of the meeting of February 23, 2006. She reported that copies of these Minutes were sent to all of the Commissioners and to the Governors of New York and New Jersey. She reported further that the time for action by the Governors of New York and New Jersey has expired.

Whereupon, the Board of Commissioners unanimously approved the Minutes.

Report of Audit Committee

The Audit Committee reported, for information, on matters discussed in executive session at its meeting on February 23, 2006, which included discussion of internal audit matters, and the report was received.

Report of Committee on Finance

The Committee on Finance reported, for information, on matters discussed at its meeting on March 30, 2006, which included discussion of contract and lease matters, matters which could affect the competitive economic position of the Port Authority, the Port District or businesses with which we deal, and matters related to or which could impact upon the issuance, sale, resale, or redemption of Port Authority bonds, notes or other obligations, in addition to matters filed with the Committee pursuant to Board action or separately reported to the Board of Commissioners at this meeting of the Board, and the report was received.

Report of Committee on Capital Programs/Port Planning

The Committee on Capital Programs/Port Planning reported, for information, on matters discussed in executive session at its meeting on March 30, 2006, which included discussion of matters which could affect the competitive economic position of the Port Authority, the Port District or businesses with which we deal, and the report was received.

Report of Committee on Construction

The Committee on Construction reported, for information, on matters discussed at its meeting on March 30, 2006, which included discussion of a contract for the rehabilitation of a vehicular roadway bridge structure at LaGuardia Airport and year-end 2005 results of participation by minority, women-owned and small business enterprises in construction and architectural and engineering service contracts, in addition to matters filed with the Committee pursuant to Board action or separately reported to the Board of Commissioners at this meeting of the Board, and the report was received.

Report of Committee on Operations

The Committee on Operations reported, for information, on matters discussed in executive session at its meeting on March 30, 2006, which included discussion of contract and lease matters, and matters which could affect the competitive economic position of the Port Authority, the Port District or businesses with which we deal, in addition to matters filed with the Committee pursuant to Board action or separately reported to the Board of Commissioners at this meeting of the Board, and the report was received.

Staff Report

A presentation was made by staff on 2005 year-end results of the Minority - and Women-Owned/Small Business Enterprise programs.

In addition to the staff report, Andrew N. Krinsky, Esq., of the law firm of Tarter Krinsky & Drogin LLP, addressed the Board on behalf of the Patrolmen's Benevolent Association of the City of New York, Inc.

TRIBUTE TO EDWARD L. JACKSON

The following resolution was unanimously adopted by the Board of Commissioners upon the retirement of Edward L. Jackson, Director, Financial Services Department:

WHEREAS, Edward L. Jackson has served with great pride and distinction throughout his career of more than 21 years with The Port Authority of New York and New Jersey; and

WHEREAS, since Edward L. Jackson joined the Port Authority in July 1985, he has held several key positions throughout the agency, including that of Manager, Revenue Accounting, Assistant Comptroller for Operations and, since April 2000, Director of Financial Services; and

WHEREAS, as Director of Financial Services he has provided outstanding leadership and strategic direction and guidance in budgetary matters to ensure best business practices that contribute to the Port Authority's efficient financial performance; and

WHEREAS, Ed Jackson has played a key role in overseeing the capital planning process, as well as the agency's multi-billion dollar annual budget, and has consistently brought a high-level of professionalism to the management of the Financial Services Department; and

WHEREAS, Ed Jackson has been instrumental in developing agency-wide, cost-effective budgetary strategies and procedures, including the implementation of a new agency-wide payroll system, and in spearheading the introduction of BudgetPRO, an innovative budget monitoring and tracking system; and

WHEREAS, in keeping with the agency's continuing tradition of excellence and achievement in public service to the region, Edward L. Jackson was awarded the Port Authority's Robert F. Wagner Distinguished Service Medal in April 2004 and the Port Authority Civilian Commendation Medal in June 2002 for his heroism during the events of September 11, 2001, and was recognized by Governor George E. Pataki as a 2004 recipient of the New York State Tribute to African American Leaders in State Service for his outstanding contributions to the State of New York and the Port Authority;

NOW, therefore, be it

RESOLVED, that the Commissioners of The Port Authority of New York and New Jersey hereby express to Ed Jackson their sincere appreciation for his service to the agency and the region it serves; and it is further

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

TRIBUTE TO JAMES T. CONNORS

The following resolution was unanimously adopted by the Board of Commissioners upon the departure of James T. Connors, Director, World Trade Center Redevelopment Department:

WHEREAS, James T. Connors has served with great pride and distinction throughout his career of more than 22 years with The Port Authority of New York and New Jersey; and

WHEREAS, since Jim Connors joined the Port Authority in June 1983 as a Management Intern and through his most recent appointment as Director, World Trade Center Redevelopment Department, in December 2004, he has successfully progressed his career and has served in various challenging assignments, including Manager of World Trade Center Finance and Business Planning, Assistant Comptroller, and Deputy Director of the Real Estate Department; and

WHEREAS, prior to the tragic events of September 11, 2001, Jim Connors played a significant role in a number of complex real estate transactions on behalf of the agency, including the net lease transactions with Silverstein Properties and Westfield America at The World Trade Center; and

WHEREAS, James Connors has been instrumental in managing various complex, major initiatives for the Port Authority, including one of the agency's most ambitious planning efforts to date, the redevelopment of the World Trade Center site, involving the restoration of a vibrant retail presence at the World Trade Center and the recently negotiated ground lease for 7 World Trade Center and the Marriott Hotel lease surrender; and

WHEREAS, over the course of his career, James Connors has provided strategic direction and oversight for the agency's PATH system, Tunnels, Bridges and Terminals, and Economic Development real estate assets, as well as management of the agency's corporate office space;

NOW, therefore, be it

RESOLVED, that the Commissioners of The Port Authority of New York and New Jersey hereby express to James T. Connors their sincere appreciation for his service to the agency and the region it serves; and it is further

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

NEWARK LIBERTY INTERNATIONAL AIRPORT – CONTINENTAL AIRLINES, INC. – WAREHOUSE BAYS 5 AND 6, MEZZANINE OFFICE AND ASSOCIATED SPACE AT CARGO BUILDING 157 – LEASE ANB-606

It was recommended that the Board authorize the Executive Director to enter into an agreement of lease with Continental Airlines, Inc. (the Lessee) to provide for the letting of approximately 45,785 square feet of warehouse, office, ramp and associated space at Cargo Building 157 at Newark Liberty International Airport (Airport) for use as a production facility for cold in-flight food serving the Lessee and ExpressJet Airlines, Inc. (ExpressJet). The lease would have a term of approximately 39 months, commencing April 15, 2006 and expiring July 31, 2009.

The rent commencement date would be the earlier of the date on which the Port Authority issues to the Lessee a permit to occupy and use the premises or August 1, 2006. The lease would provide for the Lessee to pay an annual rental composed of two factors, a constant factor for building and land rent in the amount of \$603,668.57 and a variable factor for airport services and phase 1A charges in the amount of approximately \$86,771, both payable in advance in equal monthly installments. The constant factor would be escalated at the rate of 4 percent annually, on the first anniversary of the rent commencement date and each anniversary date thereafter during the term of the letting. The variable factor would be adjusted annually in accordance with a rate and charge calculation applicable to Airport lessees.

The Lessee would be exempt from the payment of a percentage rent or fee on in-flight meals supplied to ExpressJet under the lease until such time as the earlier to occur of: (1) the expiration or early termination of the Capacity Purchase Agreement between the Lessee and ExpressJet and its parent companies, ExpressJet Holdings, Inc. and XJT Holdings, Inc.; or (2) the operation by the Lessee and/or ExpressJet or its parent companies of “non-covered” aircraft (*i.e.*, those aircraft for which the Lessee has not purchased capacity) into the Airport. Accordingly, the terms and conditions of the exemption would be the same as those which apply under Lessee’s Lease No. ANA-370 at the Airport, which was approved by the Board on February 20, 2003.

The Lessee would be obligated to make an initial capital investment of at least \$1.1 million in order to make the premises usable as a production facility for cold in-flight food and related administrative office space. Construction would have a completion date of July 31, 2006. The Lessee would be responsible, at its sole cost and expense, to restore the premises at the termination or expiration of the term, including removal of non-trade fixtures if required by the Port Authority, so that the premises could be used for an air cargo operation.

The catering operation would be performed by the Lessee’s Food Services Division, formerly known as Chelsea Catering, Inc., prior to the merger of that company into the Lessee in April 1993.

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

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into an agreement of lease with Continental Airlines, Inc. to provide for the letting of approximately 45,785 square feet of warehouse, office, ramp and associated space at Cargo Building 157 at Newark Liberty International Airport, substantially in accordance with the terms and conditions outlined to the Board; the form of the agreement shall be subject to the approval of General Counsel or his authorized representative.

JOHN F. KENNEDY INTERNATIONAL AIRPORT – CONSTRUCTION OF AN INFRARED DEICING FACILITY AT HANGAR 12 – INCREASE IN PROJECT AUTHORIZATION AND INCREASE IN AUTHORIZATION FOR CONTRACT JFK 144.021

It was recommended that the Board authorize: (1) an increase of \$3.8 million, from an estimated amount of \$9.5 million to an estimated amount of \$13.3 million, in the authorization for the project to construct an infrared deicing facility at Hangar 12 at John F. Kennedy International Airport (JFK); and (2) the Executive Director to enter into agreements amending: (a) Privilege Permit AYD 378 and the corresponding operations and maintenance (O&M) contract to reflect a delay in completion of the project until April 2006 and an adjustment in the deferred date for the start of fee payments from July 1, 2006 to July 1, 2007 and other ancillary provisions of the permit and O&M contract, due to the revised construction completion date of the deicing facility; and (b) Contract JFK 144.021 by increasing the amount payable to Radiant Aviation Services, Inc. (Radiant) by an estimated amount of \$1.35 million, from \$8,261,253 to an estimated amount of \$9,611,253.

In 2002, Radiant sent an unsolicited proposal to Port Authority staff offering to provide its patented Infra-Tek technology for use in an infrared radiant deicing facility at JFK. The Infra-Tek system is the only radiant deicing system that has earned Federal Aviation Administration (FAA) Flight Standards approval for deicing commercial aircraft. Radiant had installed a similar system for Continental Airlines, which is currently in operation at Newark Liberty International Airport. Based on concerns that conventional deicing techniques in the future could face regulatory restrictions due to environmental considerations, as well as the limited space available at JFK to construct aircraft deicing positions, staff decided to enter into negotiations with Radiant for a facility at JFK.

Recognizing the importance and potential operational benefits of a technologically advanced aircraft deicing system, staff pursued, and in August 2003 the FAA approved, a grant estimated at \$6.75 million for an Aeronautical Operations Area Radiant Deicing Facility–Phase I at JFK’s Hangar 12 Ramp.

On June 24, 2004, the Board authorized a project estimated at \$9.5 million, including the award of a sole-source contract to Radiant to design and construct a new, state-of-the-art infrared radiant deicing facility at a fixed price of \$8,261,253 (Contract JFK-144.021). The Board also authorized the Executive Director to enter into an agreement with Radiant covering the operation and maintenance of the new radiant deicing facility and related infrastructure at Hangar 12 for up to 20 years, including technology-licensing arrangements.

Construction of the deicing facility commenced in August 2005, following protracted negotiations regarding the design/build and operating and maintenance agreements and Port Authority approval of design submittals by Radiant.

In December 2005, as the field installation was progressing, Radiant advised Port Authority staff that trade contract costs, originally estimated in 2003, were significantly higher than anticipated based on actual bids received in November and December of 2005 for

the completed design for the facility, and additional funds would be necessary to complete the work. Discussions with Radiant were undertaken to accommodate the construction overrun, resulting in a proposed sharing of the incremental costs to complete the project. Staff advised that, under the proposed agreement, Radiant would undertake trade sub-contract payments from their own resources of an additional \$2.4 million, and that the Port Authority would increase its payment to Radiant, exclusive of extra work, by an estimated \$1.35 million and pursue incremental federal Airport Improvement Program (AIP) funding to offset the additional Port Authority investment that would need to be recovered via user fees over the life of the project. Subsequent to the discussion with Radiant, the FAA agreed to provide an estimated \$1 million as an additional federal grant under the AIP, with the Port Authority to be responsible for the 25 percent local sponsor share of the grant, estimated at \$350,000.

Presently, construction of the facility is 90 percent complete, with all materials on site.

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

RESOLVED, that the project authorization for the construction of an infrared deicing facility at Hangar 12 at John F. Kennedy International Airport be and it hereby is increased by \$3.8 million, from an estimated amount of \$9.5 million to an estimated amount of \$13.3 million; and it is further

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to amend Privilege Permit AYD 378 and the corresponding operations and maintenance (O&M) contract to reflect a delay in completion of the project and to change the deferred date for the start of fee payments to the Port Authority from July 1, 2006 to July 1, 2007 and other ancillary provisions of the permit and O&M contract, each 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 amend Contract JFK-144.021 by increasing the amount payable to Radiant Aviation Services, Inc. by an estimated amount of \$1.35 million, from \$8,261,253 to an estimated amount of \$9,611,253; and it is further

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

JOHN F. KENNEDY INTERNATIONAL AIRPORT – NORTH AMERICAN AIRLINES, INC. – LEASE AGREEMENT FOR SPACE IN BUILDING 141

It was recommended that the Board authorize the Executive Director to: (1) enter into a ten-year lease agreement with North American Airlines, Inc. (NAA) providing for the rental of office and warehouse space in Building 141 at John F. Kennedy International Airport (JFK); (2) provide NAA with up to \$3 million toward improvements to the leased space, which would be reflected in additional rental to be paid by NAA over the term of the lease; and (3) enter into a brokerage agreement with CB Richard Ellis, Inc. for the payment of a standard brokerage commission in connection with the lease.

NAA is a fully certified U.S. Flag Carrier and provides scheduled service to niche markets, as well as charter flights to many leisure destinations. NAA also participates in the United States Civil Reserve Air Fleet program and is the fourth largest provider of passenger airlift transportation to the United States Department of Defense, for which it transports U. S. military personnel. NAA intends to relocate its corporate headquarters from substantially smaller space in Building 75 at JFK to Building 141, which provides the space it needs to continue its growth at JFK.

The Building 141 lease would offer NAA an opportunity to include offices for its executive, accounting and planning staff, pilot and flight attendant accommodations, as well as space for its aircraft and other equipment parts storage and other support units. NAA would contribute \$400,000 toward the cost of building out the leased space and would invest an additional \$600,000 for equipment, furnishing and other expenses, for a total NAA investment of approximately \$1 million. The lease would provide that the Port Authority would fund up to \$3 million to complete the build-out of the unfinished space. The work would include the rehabilitation of raw space and the reconfiguration of semi-finished areas, as well as the upgrade of finished space to accommodate its needs for its headquarters.

The lease with NAA would be effective on or about May 1, 2006. NAA would be given a rent-free period equivalent to six months to complete the required design and construction to prepare the space for occupancy. NAA would pay aggregate rentals over the term in the amount of \$15.4 million, consisting of approximately \$9.4 million in fixed building and land rentals, approximately \$1.7 million in operating and maintenance payments and approximately \$4.3 million of additional rentals. The \$3 million dollars provided by the Port Authority would be repaid to the Port Authority over the term of the lease in the form of additional rentals, at a rate equivalent to the Revenue Bond Index plus 300 basis points.

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

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) enter into a lease agreement with North American Airlines, Inc. (NAA) for space in Building 141 at John F. Kennedy International Airport, substantially in accordance with the terms outlined to the Board; (2) provide NAA with up to \$3 million toward improvements to the leased space, which would be reflected in additional rental to be paid by NAA over the term of the lease; and (3) enter into a brokerage agreement with CB Richard Ellis, Inc. for the payment of a standard brokerage commission in connection with the lease; the form of the lease and brokerage agreements shall be subject to the approval of General Counsel or his authorized representative.

TETERBORO AIRPORT – ATLANTIC AVIATION CORPORATION, GENERAL AVIATION AIRCRAFT SERVICE, INC., FIRST AVIATION SERVICES, INC., JET AVIATION TETERBORO L.P., AND SIGNATURE FLIGHT SUPPORT-NEW JERSEY, INC. – USE AND OCCUPANCY AGREEMENTS

It was recommended that the Board authorize the Executive Director to enter into appropriate Use and Occupancy agreements with each of the five Fixed Base Operators (FBOs) at Teterboro Airport (TEB), namely, Atlantic Aviation Corporation (Atlantic Aviation), General Aviation Aircraft Service, Inc. (General Aviation), First Aviation Services, Inc. (FAS), Jet Aviation Teterboro L.P. (Jet Aviation) and Signature Flight Support-New Jersey, Inc. (Signature), which agreements each would provide for the use and development of fuel facilities at TEB for varying terms of approximately 15 to 20 years.

The proposed agreements with FAS and Jet Aviation would provide for the development and operation of a 300,000-gallon-capacity fuel facility (150,000 gallon sections of which would be covered under each agreement with FAS and Jet Aviation) on an undeveloped two-acre parcel on the south side of TEB. The facility, which would be constructed in a manner enabling both FBOs to operate independently, would require a minimum combined investment of \$3 million by FAS and Jet Aviation. The remaining three FBOs, Atlantic Aviation, General Aviation and Signature, would enter into similar agreements for the use and occupancy of the existing approximately 2.7-acre fuel facilities on the west side of TEB, with a minimum combined investment of \$1.2 million for upgrades and modernization.

Each of the FBOs would be responsible for the payment of land rental and flowage fees to the Port Authority and for operations, maintenance and environmental costs associated with its operation. In addition, the FBOs on the south side of the TEB would be responsible for development and construction costs. The land rental payable by the FBOs would be escalated annually based on the percentage change in the Consumer Price Index (CPI), which in no event shall exceed 6 percent per annum. In 2009 and again in 2019, the Port Authority would have the right to appraise the land upon which each of the FBOs operate and to further adjust the land rental rates in an amount equal to the greater of the appraised rate or the rental rate then in effect, as adjusted by the CPI. The flowage fees would be adjusted, as more fully set forth in the agreements, upon the commencement of the sixth, eleventh, and sixteenth years of the term. In addition, the Port Authority would receive a facility fee for the use of the existing west side facilities, which would be payable by Atlantic Aviation, General Aviation and Signature.

The term of each of the agreements for the South Area of TEB would commence on or about May 1, 2006. The agreements for the West Side of TEB would commence upon completion of the construction of the new facility on the South Area, estimated to be on or about May 1, 2007.

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

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into Use and Occupancy agreements with each of Atlantic Aviation Corporation, General Aviation Aircraft Service, Inc., First Aviation Services, Inc., Jet Aviation Teterboro L.P., and Signature Flight Support-New Jersey, Inc. with respect to Teterboro Airport, substantially in accordance with the terms and conditions outlined to the Board; the form of each agreement shall be subject to the approval of General Counsel or his authorized representative.

**PORT AUTHORITY – AUTO MARINE TERMINAL – CARCO, INC., D/B/A NEAT
(NORTHEAST AUTO TERMINAL) – LEASE NO. AMT-003 – LEASE
SUPPLEMENT AND PERMIT**

**PORT JERSEY CHANNEL – 50-FOOT HARBOR DEEPENING PROJECT –
MODIFICATION TO 41-FOOT PROJECT COOPERATION AGREEMENT –
EXECUTION OF CERTIFICATE OF AUTHORITY**

**PORT AUTHORITY-AUTO MARINE TERMINAL – CONVERSION OF 16+ ACRES
FOR SECOND USER FACILITY**

It was recommended that the Board authorize the Executive Director to: (1) enter into an agreement with Carco, Inc. (Carco) for a 15-year extension of Carco's lease covering a vehicle preparation center, 900 linear feet of berth facilities, and approximately 99.4 acres of the 115.4 acres of open area originally under the lease, at the Port Authority-Auto Marine Terminal (AMT) in Jersey City and Bayonne, New Jersey; (2) enter into a permit with Carco for its use of approximately 16 acres of open area originally under the lease for a three-year period in connection with its operations under the extended lease; and (3) convert at least 16 acres at the AMT from vehicle preparation use to container terminal use to create a second user facility on Port Authority property meeting federal requirements for sharing Port Jersey Channel dredging costs. It was also recommended that the Board authorize: (1) the Executive Director to enter into a modification of the 41-foot Port Jersey Channel Project Cooperation Agreement (PCA) with the U.S. Department of the Army and State of New Jersey (State) (Modification Agreement), beyond that authorized by the Board at its meeting of April 1, 2004 (to include provisions relating to implementation of a Port Authority plan to establish such a second user facility); and (2) General Counsel to sign a Certificate of Authority, as part of the Modification Agreement, stating that the Port Authority has full authority to perform the terms of the Modification Agreement and to pay damages, if necessary, for failure to perform pursuant to the Modification Agreement.

Carco Lease Extension and Permit

Carco, a tenant at the Port of New York and New Jersey (Port) since 1980, currently occupies approximately 115.4 acres of open area, 900 linear feet of berth, and a vehicle preparation center at the AMT under a lease that expired on November 30, 2004. The extended term of the lease of 99.4 acres of the open area, the vehicle preparation center, and the berth facilities would commence on December 1, 2004 and expire on November 30, 2019, and the period of the permission under the permit for the remaining 16 acres of open area would commence on December 1, 2004 and expire on November 30, 2007. Carco would pay a fee under the permit of \$592,416 for the period from December 1, 2004 through November 30, 2005, and \$648,173 annually for the period from December 1, 2005 through November 30, 2007. The Port Authority would have the right to terminate the permit at any time, without cause, on 90 days' notice to Carco.

Commencing on December 1, 2004, Carco would pay an annual basic rental under the extended lease at the rate of \$.80 per square foot on 99.4 acres of open area, for a basic rental of \$3,458,228 for the first year of the extension. The basic rental on 88.4 of these acres would

escalate during the period from December 1, 2005 through November 30, 2011 at the average rate of 9.5 percent compounded annually, and from December 1, 2011 through the remainder of the term at the rate of approximately three percent compounded annually. Effective December 1, 2005, Carco no longer would pay basic rental for ten acres used as the first point of rest for vehicles and other cargo and one acre used for longshoremen's parking.

Effective December 1, 2005, Carco would no longer pay a throughput rental for the berthing facilities. Instead, it would pay the Port Authority dockage and wharfage on cargo crossing the berth at the rates set forth in the Port Authority's Marine Terminals Tariff PAMT FMC No. PA10 (Tarriff). The Port Authority would grant Carco a rent credit in the amount of \$350,000 annually, commencing on December 1, 2005, as compensation for its costs to operate and maintain the berth, with the credit to escalate on December 1, 2006 and every year thereafter during the extended term, based on 100 percent of the Consumer Price Index.

Effective December 1, 2005, Carco would pay a guaranteed rental based on a minimum throughput of 129,064 vehicles per year, of which 20 percent may be non-waterborne for purposes of the minimum guarantee. If during any lease year the number of vehicles is fewer than the minimum, Carco would pay the Port Authority a per-vehicle rate on the shortfall in the number of vehicles, based on the Tariff rates then in effect. The minimum number of vehicles would be adjusted for any increase or decrease in the acreage of the premises under the lease or the space under the permit.

The Port Authority would have the conditional right to terminate the letting of 19 specified acres of Carco's leasehold, effective on November 30, 2014. There would be two conditions to the exercise of this right: (1) the Port Authority requires the 19 acres for a purpose other than vehicle preparation, and (2) the termination is not part of a transaction involving the relocation of an operation then at Port Newark to the AMT.

Carco would have the right to terminate the lease at any time upon one year's notice, for the purpose of relocating its operations to a location within the Port. If Carco exercises this right, it would not pay basic rental for the final three months of the term of the lease. Carco also would have the right to assign the lease to an entity that meets financial and operational criteria of the Port Authority set forth in the lease extension and that would use the premises as a vehicle preparation center.

Carco would continue to pay facility rental through October 31, 2014 at the annual rate of \$683,442. Effective December 1, 2005, Carco would pay an additional rental for non-waterborne vehicles that remain on the premises for longer than specified periods, based on the Tariff rates then in effect.

Port Jersey Channel Project Cooperation Agreement Modification – Conversion of Certain Lands at AMT from Vehicle Preparation Use to Container Terminal Use to Provide a Second User Facility

On April 1, 2004, the Board authorized the Executive Director to sign a modification to the Port Jersey Channel 41-Foot Project Cooperation Agreement (PCA) with the U.S.

Department of the Army (Federal Government) and the State. The Board provided that the Port Authority would sign the Modification Agreement for the limited purpose of indemnifying the Federal Government against damages from the construction, operation and maintenance of the Port Jersey Channel to a navigable depth of approximately 50 feet and the construction, operation and maintenance of the local service facilities, except for damages due to the fault or negligence of the Federal Government or its contractors; provided, that the additional cost of certain insurance coverage, then estimated at \$200,000, if needed, would be paid by the State, either through the Port Authority's bi-state dredging commitment monies, State funds, or other sources, without cost to the Port Authority, to cover the Port Authority against the reasonably foreseeable risks it will assume in connection with the indemnification agreement with the Federal Government.

Under federal law, the Federal Government is not authorized to fund the deepening of the Port Jersey Channel to 41 feet or to 50 feet unless there is a second user of the depth dredged. At present, the only user would be the privately owned Global Terminal and Container Service, Inc. (Global Terminal). As reflected in the PCA, the State agreed to pay the U.S. Army Corps of Engineers (Corps) an annual amount currently estimated at \$2,913,000, which represents amortization of 50 percent of the costs that the Corps anticipates it will incur to deepen the Port Jersey Channel to 41 feet, as well as interest on that share of the costs, if a second user facility is not in place by the time 41-foot dredging was completed. The State anticipated that a second user facility, which would eliminate the requirement for additional payments, would be provided at the former Military Ocean Terminal Bayonne; however, this expectation has not materialized. Consequently, the State has requested the Port Authority's assistance in implementing a second user facility that would meet federal requirements. This second user facility would be located within the 35 acres that ultimately would be surrendered by Carco. Since the Board's authorization in April 2004 made no provision for the Port Authority to provide a second user facility on Port Authority property, additional authorization is necessary to execute the Modification Agreement to provide for this change. The Assistant Secretary of the Army (Civil Works), by Memorandum dated November 19, 2004, has approved a Port Authority proposal to develop a second user facility.

The Modification Agreement would provide that the State's obligation to make the annual payment will cease when the Corps receives and accepts from the Port Authority a contract for construction of the second user facility meeting federal requirements. Furthermore, since the State plans to pay the entire cost of dredging the Port Jersey Channel to 50 feet in order to accelerate that project, the Modification Agreement would provide that a future credit based on amounts that would otherwise have been spent by the Corps on the 50-foot deepening of the Port Jersey Channel will be afforded by the Corps for application against the Port Authority's other harbor deepening costs. This credit cannot be applied until after the Corps receives and accepts from the Port Authority a contract for the construction of a second user facility on the Port Jersey Channel. The Modification Agreement also would provide that the Port Authority's plan for a second user facility on Port Authority property along the Port Jersey Channel applies to both the Port Jersey 41-foot Project and the Port Jersey 50-foot segment of the Harbor Deepening Project.

The Port Authority is already a signatory of the 41-foot PCA for the limited purpose of indemnifying the Federal Government against damages from the construction, operation and maintenance of the Port Jersey Channel to a navigable depth of approximately 41 feet and the construction, operation and maintenance of the local service facilities, except for damages due to the fault or negligence of the Federal Government or its contractors; provided, that the additional cost of certain insurance coverage, then estimated at \$200,000, if needed, is paid by the State, either through the Port Authority's bi-state dredging commitment monies, State funds, or other sources, without cost to the Port Authority, to cover the Port Authority against the reasonably foreseeable risks it would assume in connection with the indemnification agreement with the Federal Government. Those local service facilities would include, but not be limited to, the Global Terminal, which is already in place, and the anticipated second user facility to be established within Port Authority lands along the Port Jersey Channel. The Modification Agreement would provide that the Port Authority's indemnification agreement does not extend to any claims which may arise in the event the State does not meet its financial responsibilities concerning any payments for Port Jersey Channel deepening, operation and/or maintenance.

When an operator of the second user facility is identified, Board authorization will be requested to enter into a lease and/or operating agreement.

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

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to: (1) enter into an agreement with Carco, Inc. (Carco) for a 15-year extension of Carco's lease covering a vehicle preparation center, 900 linear feet of berth facilities, and approximately 99.4 acres of the 115.4 acres of open area originally under the lease, at the Port Authority-Auto Marine Terminal (AMT) in Jersey City and Bayonne, New Jersey; (2) enter into a permit with Carco for its use of approximately 16 acres of open area originally under the lease for a three-year period in connection with its operations under the extended lease; and (3) convert at least 16 acres at the AMT from vehicle preparation use to container terminal use to create a second user facility on Port Authority property along the Port Jersey Channel to meet federal requirements for federal cost participation in the dredging of the Port Jersey Channel; each substantially in accordance with the terms and conditions outlined to the Board; and it is further

RESOLVED, that: (1) the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to execute a modification of the Project Cooperation Agreement (PCA) with the U.S. Department of the Army (Federal Government) and the State of New Jersey (State) (Modification Agreement) for the Port Jersey Channel 41-Foot Deepening Project, beyond that which was authorized by the Board at its meeting of April 1, 2004, to set forth certain provisions relating to a Port Authority plan to implement a second user facility, meeting federal requirements, on the Port Jersey Channel, substantially in accordance with the terms and conditions outlined to the Board; (2) General Counsel be and he hereby is

authorized, for and on behalf of the Port Authority, to execute, as part of the Modification Agreement, a Certificate of Authority stating that the Port Authority is a legally constituted public body with full authority and legal capability to perform the terms of the Modification Agreement, and to pay damages in accordance with the terms of the Modification Agreement, if necessary, in the event of a failure to perform, as required by Section 221 of Public Law 91-611 (42 U.S.C. Section 1962d-5b), and that the persons who execute the Modification Agreement on behalf of the Port Authority have acted within their statutory authority, it being understood that the Port Authority's indemnification agreement does not extend to any claims which may arise in the event the State does not meet its financial responsibilities concerning any payments for Port Jersey Channel deepening, operation and/or maintenance; and it is further

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

DOWNTOWN RESTORATION PROGRAM – WORLD TRADE CENTER (WTC) TRANSPORTATION HUB PROJECT – UNDERPINNING OF NO. 1 SUBWAY LINE AT THE WTC – AGREEMENT WITH METROPOLITAN TRANSPORTATION AUTHORITY CAPITAL CONSTRUCTION AND NEW YORK CITY TRANSIT AUTHORITY

It was recommended that the Board authorize the Executive Director to enter into a Memorandum of Understanding (MOU) with Metropolitan Transportation Authority Capital Construction (MTACC) and New York City Transit Authority (NYCT) in connection with the Port Authority's work to temporarily underpin the NYCT No. 1 Subway Line at the World Trade Center (WTC) site, including the provision of reimbursement to NYCT for its force account services to support the Port Authority's work, in an estimated amount of \$3,000,000.

The Port Authority is performing the final design and construction for the WTC Transportation Hub Project in coordination with the redevelopment of the WTC site in Lower Manhattan. The WTC Transportation Hub Project scope includes construction of space below the portion of the No. 1 Subway Line within the WTC site. In order to create the required space, the No. 1 Subway Line must be underpinned to allow for future excavation and installation of a permanent support system.

The subway box underpinning framing will be installed from both outside and inside the subway box. As a result, the Port Authority is seeking permission to perform the work within the right-of-way, including requiring access to the track level.

The MOU would outline the requirements for the execution of the construction effort and contractor access to the subway work required by NYCT, and would establish a reimbursement schedule for the costs of NYCT force account labor required to support the underpinning construction. As required by NYCT for work at track level, NYCT force account staff (labor and equipment) will support and protect the construction work zone. The Port Authority would reimburse the MTACC for the force account charges.

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

RESOLVED, that the Executive Director be and he hereby is authorized, for and on behalf of the Port Authority, to enter into a Memorandum of Understanding with Metropolitan Transportation Authority Capital Construction and New York City Transit Authority (NYCT) in connection with the Port Authority's work to temporarily underpin the NYCT No. 1 Subway Line at the World Trade Center site, including the provision of reimbursement to NYCT for its force account services to support the Port Authority's work; and it is further

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

**AUTHORIZATION TO FORM A PORT AUTHORITY-OWNED INSURANCE ENTITY
(CAPTIVE INSURANCE COMPANY)**

It was recommended that the Board authorize the Executive Director, the Chief Financial Officer or the Treasurer to establish and arrange for the operation of a Port Authority-owned insurance entity (Captive) in Washington, D.C., or another appropriate jurisdiction within the United States, in accordance with that jurisdiction's law, to provide insurance to the Port Authority and its wholly owned corporate entities.

As requested by the Committee on Finance (and after advising the Chair of the Audit Committee), Deloitte Consulting (Deloitte) was retained to assess the feasibility of the Port Authority establishing a captive insurance entity. Deloitte analyzed the Port Authority's exposure to risk, its current insurance programs, and the various captive structures and domiciles available. Following this detailed assessment, Deloitte concluded that the formation of a Port Authority captive insurance entity in Washington, D.C., is feasible and offers substantial financial and insurance benefits to the Port Authority. These benefits include the potential for reduced costs for insurance, enhanced coverage, greater access to reinsurance markets, and return of certain insurance premiums.

The Deloitte study recommended that the Captive initially include the following insurance programs: all lines of coverage under the Port Authority's Contractors' Insurance Program (CIP), with a \$1 million retention; coverage for terrorism-related risks under the federal Terrorism Risk Insurance Act (TRIA), which risks are currently covered under the Public Liability and Property Damage and Loss of Revenue programs; and statutorily required "Fire Following" terrorism coverage for property exposures. As we develop more experience with the Captive, other insurance lines can be added to the coverage that it provides.

Deloitte recommended Washington, D.C., as the most favorable domestic domicile for the Captive because of its flexible regulation and funding requirements, strong management infrastructure and low premium tax. It is intended that the Captive would provide coverage in New York and New Jersey to the Port Authority and its wholly owned corporate entities. The total cost of incorporating and establishing the Captive, including capitalization based on the insurance coverages provided, is estimated at \$12.5 million. Capitalization of the Captive would be accomplished through a letter of credit issued by a financial institution and backed by the Port Authority, or with direct funding by the Port Authority.

In order to assist with the formation and management of the Captive, the Port Authority would retain the services of a captive insurance manager through a publicly advertised competitive procurement process that would be reviewed with the Chair of the Committee on Finance. The captive manager would be responsible for the establishment, operation and daily administration of the Captive. The captive manager would be assisted by additional essential service providers, including actuarial, legal and claims handling services. Anticipated costs for these captive management services would be \$150,000 to \$200,000 annually.

Staff anticipates that the captive manager would be selected and the Captive formed in the second half of 2006. Authorization would be sought from the Committee on Finance for any

additional provision of funding necessary for capitalization of the Captive to reflect additional lines of insurance coverage that may be included within the Captive from time to time.

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

RESOLVED, that the Executive Director, the Chief Financial Officer or the Treasurer be and each hereby is authorized, for and on behalf of the Port Authority, to take any and all action with respect to the formation of a Port Authority-owned insurance entity (Captive), consistent with the terms outlined 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 any and all 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 provision by the Captive of the following lines of insurance coverage to the Port Authority and its wholly owned corporate entities be and it hereby is authorized: (1) all lines of coverage under the Port Authority's Contractors' Insurance Program (CIP), with a \$1 million retention; (2) coverage for terrorism-related risks under the federal Terrorism Risk Insurance Act (TRIA), which risks are currently covered under the Public Liability and Property Damage and Loss of Revenue programs; and (3) statutorily required "Fire Following" terrorism coverage for property exposures; and it is further

RESOLVED, that the Committee on Finance be and it hereby is authorized to approve any changes in the lines of insurance to be provided by the Captive and any additional capitalization of the Captive that may be required to reflect such changes in such lines of insurance; and it is further

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

**PORT AUTHORITY INTEREST RATE EXCHANGE CONTRACTS PROGRAM –
REAUTHORIZATION**

It was recommended that the Board: (1) rescind its resolutions pertaining to the Port Authority Interest Rate Exchange Contracts Program adopted on July 14, 1988, December 10, 1992 and April 27, 2005 (the Prior Resolutions), although the Prior Resolutions would continue in force and effect with respect to interest rate exchange contracts that are currently outstanding and that were entered into pursuant to the Prior Resolutions; and (2) reauthorize the Interest Rate Exchange Contracts Program (as so reauthorized, the Program), with the following key terms:

interest rate exchange contracts and related financial instruments (hedge facilities) would be entered into solely for the purpose of managing and controlling interest rate risk in connection with Port Authority bonds and notes (designated at the time of issuance of any such hedge facilities) or to extend or reverse the financial effects of outstanding hedge facilities;

a hedge facility could only be executed if, on the date of execution, the total aggregate notional amount of such hedge facility, together with all other hedge facilities then outstanding (excluding hedge facilities which were entered into in connection with refundings of outstanding Port Authority bonds and notes, or which were entered into for the purpose of reversing the financial effects of existing hedge facilities), would not exceed 15 percent of the Port Authority's then outstanding bonds and notes (excluding Equipment Notes, Commercial Paper Obligations and Special Project Bonds);

the term of any hedge facility would not exceed 35 years;

any payments that are required under hedge facilities would be special obligations of the Port Authority and would be payable from "Net Revenues" (as defined) deposited to the Consolidated Bond Reserve Fund, and in the event such Net Revenues were insufficient therefor, from other moneys of the Port Authority legally available for such payments when due;

solely for the purpose of this resolution and the hedge facilities entered into pursuant to this resolution, "Net Revenues" would mean, with respect to any date of calculation, the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after: (1) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (2) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (3) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution; and

any payments that are required under hedge facilities would not be payable from the General Reserve Fund and the payment thereof would be subject in all

respects to: (1) payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; and (2) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes.

Port Authority operating funds would continue to be used for any payments that are required under hedge facilities that are currently outstanding under the Prior Resolutions. The Port Authority has four hedge facilities currently outstanding under the Prior Resolutions, with total notional amounts of \$364 million.

The Program, as distinguished from hedge facilities currently outstanding under the Prior Resolutions, would achieve a matching of the manner and sources of payment for hedge facilities to be issued in the future with the Port Authority bonds and notes to which they relate. Based on discussions with our financial advisor, this change in the manner and source of payment for hedge facilities to be issued under the Program is not expected to have any adverse impact on the effectuation of the Program. However, it will provide a significant benefit to the holders of Consolidated Bonds, since hedge facilities to be issued under the Program will no longer be an operating fund liability.

Hedge facilities would continue to be executed in accordance with the formal policy developed and implemented by staff and reviewed from time to time with the Committee on Finance, and in each case entered into under a “master swap agreement” consistent with the format issued by the International Swaps and Derivatives Association or under such other documentation as is appropriate under the circumstances and accepted by counterparties in the municipal swap market.

Under the Program, the Executive Director, Chief Financial Officer and Treasurer each would continue to be authorized to enter into hedge facilities on behalf of the Port Authority. Prior to entering into any such contract or instrument, each proposed transaction would be reviewed 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 following resolution was adopted with Commissioners Blakeman, Coscia, Ferer, Gargano, Genova, Mack, Pocino, Sartor, Sinagra and Steiner voting in favor; none against:

RESOLVED, that the resolutions adopted by the Board at its meetings of July 14, 1988, December 10, 1992 and April 27, 2005 pertaining to Port Authority Interest Rate Exchange Contracts are rescinded in their entirety; provided, however, that such resolutions shall continue in force and effect with respect to interest rate exchange contracts that are currently outstanding and were entered into pursuant to such resolutions; and it is further

RESOLVED, that the Port Authority Interest Rate Exchange Contracts Program is reauthorized in accordance with the terms and conditions of this resolution for interest rate exchange contracts and related financial instruments (hedge facilities) executed on and after the date of this resolution; and it is further

RESOLVED, that the Executive Director, Chief Financial Officer, and Treasurer, each individually, are authorized, for and on behalf of the Port Authority, to enter into hedge facilities from time to time with counterparties providing for the Port Authority and the counterparty to agree to make periodic payments, each to the other, based on predetermined fixed or variable rate indices; provided, that: (1) on the date that a hedge facility is executed, the total aggregate notional amount of such hedge facility, together with all other hedge facilities then outstanding (excluding interest rate exchange contracts or related financial instruments which were entered into in connection with refundings of outstanding Port Authority bonds and notes, or which were entered into for the purpose of reversing the financial effects of existing hedge facilities), shall not exceed 15 percent of the Port Authority's then outstanding bonds and notes (excluding Equipment Notes, Commercial Paper Obligations and Special Project Bonds); and (2) the term of any hedge facility shall not exceed 35 years; and it is further

RESOLVED, that the Executive Director, Chief Financial Officer, and Treasurer, each individually, are authorized to determine the appropriate form of documentation to be utilized for each hedge facility; and it is further

RESOLVED, that the Executive Director, Chief Financial Officer, and Treasurer, each individually, are authorized to develop and implement, on an ongoing basis, a policy providing a framework for the Port Authority's use of hedge facilities; and it is further

RESOLVED, that payments with respect to hedge facilities shall be special obligations of the Port Authority and shall be payable from "Net Revenues" (as defined below) deposited to the Consolidated Bond Reserve Fund, and in the event such Net Revenues are insufficient therefor, from other moneys of the Port Authority legally available for such payments when due; and it is further

RESOLVED, that "Net Revenues," solely for the purpose of this Resolution and the hedge facilities entered into pursuant to this Resolution, shall mean, with respect to any date of calculation, the revenues of the Port Authority pledged under the Consolidated Bond Resolution and remaining after: (1) payment or provision for payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; (2) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and (3) applications to purposes authorized in accordance with Section 7 of the Consolidated Bond Resolution; and it is further

RESOLVED, that hedge facilities shall not be payable from the General Reserve Fund and the payment thereof shall be subject in all respects to: (1) payment of debt service on Consolidated Bonds as required by the applicable provisions of the Consolidated Bond Resolution; and (2) payment into the General Reserve Fund of the amount necessary to maintain the General Reserve Fund at the amount specified in the General Reserve Fund Statutes; and it is further

RESOLVED, that all documents necessary to effectuate the foregoing shall be subject to the approval of General Counsel or his authorized representative.

AMENDMENT OF AUTHORIZATION TO ACCEPT EASEMENT FROM THE BAYONNE LOCAL REDEVELOPMENT AUTHORITY ON PROPERTY LOCATED IN THE CITY OF BAYONNE, NEW JERSEY AND EXCLUSIVE AGREEMENT TO NEGOTIATE FOR THE PURCHASE OF PROPERTY

It was recommended that the Board amend and supplement its Resolution adopted on September 22, 2005 (the Prior Resolution) covering the acceptance of a permanent and perpetual easement (the Initial Easement) with respect to certain property located on the site of the former Military Ocean Terminal Bayonne, known as the Peninsula at Bayonne Harbor (Peninsula), located at Block 404, Lot 1, in the City of Bayonne, New Jersey and owned by the Bayonne Local Redevelopment Authority (BLRA). The following changes to the Prior Resolution were recommended to the Board:

1. that, in addition to the purposes outlined to the Board in the Prior Resolution, the Initial Easement would grant the Port Authority the right to use the easement area (the Emergency Use Parcel) in connection with all Port Authority facilities, and for the berthing of ships and the loading and unloading of cargo;

2. that the \$1 million authorized by the Prior Resolution also would serve as consideration for the grant of a permanent and perpetual easement by the BLRA to the Port Authority with respect to that portion of the Peninsula generally known as the Maritime and Industrial District (the Maritime Parcel) for the use and occupancy of the Maritime Parcel for the same purposes as the Initial Easement, as well as for purposes related to marine terminal activities (the Maritime Easement);

3. that the Port Authority and the BLRA also would enter into an agreement (the Negotiation and Easement Agreement) pursuant to which the BLRA would grant the Port Authority an exclusive 24-month right to enter into negotiations with the BLRA for the purchase of the Maritime Parcel and provide the Port Authority with an easement over the entire Peninsula, except for the Emergency Use Parcel and the Maritime Parcel, for the purposes of both the Initial Easement and the Maritime Easement (the General Easement); and

4. that, upon the execution of the Negotiation and Easement Agreement, the Port Authority would pay \$12 million to the BLRA as a deposit to be applied to the purchase price of the Maritime Parcel and as consideration for the General Easement. In the event that, at the end of the 24-month negotiation period, an agreement of sale for the Maritime Parcel has not been entered into between the Port Authority and the BLRA, the BLRA would be obligated to repay the \$12 million deposit, together with interest thereon, to the Port Authority within 90 days. Upon the BLRA's return of the deposit, together with interest, to the Port Authority, the General Easement would be extinguished.

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

RESOLVED, that the resolution adopted by the Board at its meeting of September 22, 2005 authorizing the purchase of an easement from the Bayonne Local Redevelopment Authority (BLRA) on property located in the City of Bayonne, New Jersey (the City), be and it hereby is amended, in accordance with the foregoing terms and conditions; and it is further

RESOLVED, that the Executive Director be and he is hereby authorized, for and on behalf of the Port Authority, to accept easements with respect to certain properties located on the site of the former Military Ocean Terminal Bayonne known as the Peninsula at Bayonne Harbor (Peninsula) in the City and owned by BLRA, substantially in accordance with the revised terms and conditions outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he is hereby authorized, for and on behalf of the Port Authority, to enter into an agreement (the Negotiation and Easement Agreement) with the BLRA granting the Port Authority an exclusive right to enter into negotiations with the BLRA with respect to the sale to the Port Authority of certain property located on the Peninsula and owned by the BLRA, and in connection with the execution of the Negotiation and Easement Agreement to pay to BLRA, as a deposit, the sum of \$12 million, substantially in accordance with the revised terms and conditions outlined to the Board; and it is further

RESOLVED, that the Executive Director be and he is hereby authorized, for and on behalf of the Port Authority, to enter into any other agreements necessary to effectuate the acceptance of the foregoing easements by the Port Authority and the purchase of real property on the Peninsula, including, without limitation, those covering site investigations and surveys; and it is further

RESOLVED, that the acquisition by the Port Authority of any real property on the Peninsula (other than the easements) shall be subject to the approval of the Committee on Operations; and it is further

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

CONFIDENTIAL ITEM

This item shall not be available for public inspection until otherwise agreed to by the parties involved.

Whereupon, the meeting was adjourned.

Secretary