

Torres Rojas, Genara

From: jcolvin@ap.org
Sent: Monday, September 15, 2014 1:23 PM
To: Duffy, Daniel; American, Heavyn-Leigh
Cc: Torres Rojas, Genara; Van Duyne, Sheree
Subject: Freedom of Information Online Request Form

Information:

First Name: Jill
Last Name: Colvin
Company: Associated Press
Mailing Address 1: 50 Park Place
Mailing Address 2: Suite 800
City: Newark
State: NJ
Zip Code: 07102
Email Address: jcolvin@ap.org
Phone: 6093256869
Required copies of the records: Yes

List of specific record(s):

Dear FOI Administrator, I am seeking: All documents pertaining to changes in the recusal and conflict of interest policies for Port Authority commissioners and leaders from 2010-present, including, but not limited to, documents outlining policy changes, new bylaws, etc. Please free to call me anytime at 609 325-6869 if you have any questions or need clarification. And please direct all written responses to me by email at jcolvin@ap.org, if possible. Thanks in advance, Jill

THE PORT AUTHORITY OF NY & NJ

FOI Administrator

October 20, 2014

Ms. Jill Colvin
Associated Press
50 Park Place, Suite 800
Newark, NJ 07102

Re: Freedom of Information Reference No. 15315

Dear Mr. Colvin:

This is in response to your September 15, 2014 request, which has been processed under the Port Authority's Freedom of Information Code (the "Code", copy attached) for copies of all "documents pertaining to changes in the recusal and conflict of interest policies for Port Authority commissioners and leaders from 2010-present, including, but not limited to, documents outlining policy changes, new bylaws, etc. "

Material responsive to your request and available under the Code can be found on the Port Authority's website at <http://www.panynj.gov/corporate-information/foi/15315-O.pdf>. Paper copies of the available records are available upon request.

Certain material responsive to your request is exempt from disclosure pursuant to exemption (1) and (5) of the Code.

Please refer to the above FOI reference number in any future correspondence relating to your request.

Very truly yours,



Daniel D. Duffy
FOI Administrator

Attachment

From: Andrea Bernstein [abernstein@wnyc.org]
Sent: Wednesday, February 26, 2014 5:05 PM
To: Valens, Chris
Subject: RE: PA recusal policy

So it wasn't necessarily clear at the time of the vote who was recusing themselves? Since they weren't provided with a list of recusals prior to the vote as they are now? Do I have that right?

Andrea Bernstein, Senior Editor, Politics & Policy
W N Y C New York Public Radio
☎ +1 646 829 4457 (office)
☎ +1 917 653 0014 (cell)
✉ 160 Varick Street, New York, 10013
✉ abernstein@wnyc.org
@AndreaWNYC

From: Valens, Chris [mailto:cvalens@panynj.gov]
Sent: Wednesday, February 26, 2014 5:04 PM
To: Andrea Bernstein
Subject: RE: PA recusal policy

Relayed to staff prior to the meeting and then they would not vote.

From: Andrea Bernstein [mailto:abernstein@wnyc.org]
Sent: Wednesday, February 26, 2014 5:03 PM
To: Valens, Chris
Subject: RE: PA recusal policy

So there was a voice vote, but prior to 9/13 did the commissioners say at the time of the vote, if they were recusing themselves? Or was this relayed after the meeting to staff, and then recorded in the minutes?

Andrea Bernstein, Senior Editor, Politics & Policy
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✉ abernstein@wnyc.org
@AndreaWNYC

From: Valens, Chris [mailto:cvalens@panynj.gov]
Sent: Wednesday, February 26, 2014 5:01 PM
To: Andrea Bernstein
Subject: RE: PA recusal policy

Sorry, I realize that was confusing. That is the answer to your question about voting. It's a voice vote.

From: Andrea Bernstein [mailto:abernstein@wnyc.org]
Sent: Wednesday, February 26, 2014 5:00 PM
To: Valens, Chris
Subject: RE: PA recusal policy

This just popped into my inbox, was it from before we spoke?

Andrea Bernstein, Senior Editor, Politics & Policy
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✉ 160 Varick Street, New York, 10013
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@AndreaWNYC

From: Valens, Chris [mailto:cvalens@panynj.gov]
Sent: Wednesday, February 26, 2014 4:56 PM
To: Andrea Bernstein
Subject: RE: PA recusal policy

Voice vote.

From: Andrea Bernstein [mailto:abernstein@wnyc.org]
Sent: Wednesday, February 26, 2014 4:27 PM
To: Valens, Chris
Subject: RE: PA recusal policy

Prior to September 13, how were recusals noted?

Andrea Bernstein, Senior Editor, Politics & Policy
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From: Valens, Chris [mailto:cvalens@panynj.gov]
Sent: Wednesday, February 26, 2014 4:23 PM
To: Andrea Bernstein
Cc: Coleman, Steve
Subject: PA recusal policy

Andrea,

These bullets cover the PA process with respect to recusals:

- Each Commissioner in consultation with the General Counsel shall continue to make his or her own determination as to whether to recuse from a particular matter consistent with the applicable state law principles.
- Starting with the September 2013 Board meeting, Commissioners are provided with a composite list of all proposed recusals for Committee and Board meetings, with the recusal letter from General Counsel. Individual PA staff are informed of proposed Commissioner recusals to the extent appropriate at the determination of General Counsel.
- If the matter in which a Commissioner is recused requires Board or Committee action other than for actions included in the consent calendar, the Secretary will note prior to the start of the meeting which Commissioners are recused from the matters to be considered in the meeting. When it comes to the consent calendar, the PA will continue the process that has always been used.
- Commissioners that have recused from a particular matter shall make their own determination in consultation with the General Counsel on their level of participation in that matter.

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From: Valens, Chris
Sent: Wednesday, August 27, 2014 12:05 PM
To: 'STRUNSKY, STEVE'
Subject: RE: yesterday's emails

Steve,

Here is a list of agency reforms since Bridgegate. I've also included a joint statement from the Chairman and Vice-Chair regarding the reforms under way and the need to take additional action moving forward. I'll have some more info to send you later today/tomorrow but I wanted to get you what I had now so that I didn't hold you back on your story.

Best,
 Chris

REFORMS

- Established a Special Oversight Committee of the Board of Commissioners to continually review areas where the Port Authority can improve in meeting the transportation and economic needs of the region.
- Replaced the "consent calendar" method of voting with individual roll call votes in public session.
- Significantly increased the amount of board and committee meetings held in public session. The Board of Commissioners has held the largest percentage of its meetings in public session in four years and public meetings have increased 42% this year when compared to last year.
- Modified the Commissioner recusal process to inform the public of any recusals before Board action. Prior to this change the public was made aware after the meeting took place and only by going online and reviewing the meeting minutes.
- Instituted a comprehensive, analytical scoring process (the first of its kind at the agency) to evaluate State of Good Repair projects as part of the agency's ten-year capital plan and installed sophisticated financial controls to continually re-evaluate the ten-year capital plan and to update financial capacity on a quarterly basis, thereby allowing the agency to accommodate shifting priorities, emerging needs, and changing financial capacity.
- Hosted a public panel discussion with independent experts and observers of the Port Authority to solicit recommendations for reform, the results of which have been reviewed by the Governor's panel and the Special Oversight Committee.
- Established a special email address, reform@PANYNJ.gov, to which members of the public can submit recommendations to the Port Authority. The public has already submitted over 100 comments to that address, which have been reported to the bi-state Special Panel on the Future of the Port Authority. The Panel will continue to monitor those suggestions in the upcoming months.
- Reports delivered annually to the Board of Commissioners regarding the status of the Civic & Community Support Program.
- Limited the donation of surplus equipment and vehicles to municipalities and non-profit organizations.
- Restructured the board room to provide the public with greater access and visibility to the Board of Commissioners and the Executive and Deputy Executive Director.

Joint Statement from Chairman John Degnan and Vice-Chair Scott Rechler:

"From instituting a roll call vote system and modifying the Commissioner recusal process to establishing a new oversight committee, the Port Authority has made changes for the better, but it's

clear that more reform is needed. Working with the Special Panel on the Future of the Port Authority and under the leadership of both states, the Port Authority will continue to make the necessary changes to optimize the quality of the agency's services and facilities for the betterment of the region."

From: STRUNSKY, STEVE [<mailto:SSTRUNSKY@STARLEDGER.COM>]
Sent: Tuesday, August 26, 2014 10:45 AM
To: Valens, Chris
Subject: RE: yesterday's emails

Great, thanks.



Steve Strunsky | | One Star-Ledger Plaza | Newark, NJ 07102-1200
P: 973-392-1544 | M: 973-986-6848 | E: SSTRUNSKY@STARLEDGER.COM

From: Valens, Chris [<mailto:cvalens@panynj.gov>]
Sent: Tuesday, August 26, 2014 10:44 AM
To: STRUNSKY, STEVE
Subject: RE: yesterday's emails

Pulling them together now. I should have something for you this afternoon.

From: STRUNSKY, STEVE [<mailto:SSTRUNSKY@STARLEDGER.COM>]
Sent: Tuesday, August 26, 2014 10:38 AM
To: Valens, Chris
Subject: RE: yesterday's emails

Hey Chris,
Do you have that list of post-bridgagate reforms?
Thanks.
-S



Steve Strunsky | | One Star-Ledger Plaza | Newark, NJ 07102-1200
P: 973-392-1544 | M: 973-986-6848 | E: SSTRUNSKY@STARLEDGER.COM

From: Valens, Chris [<mailto:cvalens@panynj.gov>]
Sent: Tuesday, August 19, 2014 12:21 PM
To: STRUNSKY, STEVE
Subject: RE: yesterday's emails

Haha absolutely no offense taken I thought it was funny. And I'll have the info for you later this week.

From: STRUNSKY, STEVE [<mailto:SSTRUNSKY@STARLEDGER.COM>]
Sent: Tuesday, August 19, 2014 12:13 PM
To: Valens, Chris
Subject: yesterday's emails

Hey,

Sorry if I was especially abrassive yesterday. I was, of course, joking, as Ron well knows. But he and I go back a little further than you and I, and we have more shared history, so I just wanted make sure you didn't take offense.

-S



Steve Strunsky | | One Star-Ledger Plaza | Newark, NJ 07102-1200
P: 973-392-1544 | M: 973-986-6848 | E: SSTRUNSKY@STARLEDGER.COM

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RE Recusal Process.txt

From: Valens, Chris
Sent: Tuesday, March 18, 2014 5:54 PM
To: 'Martin Braun'
Subject: RE: Recusal Process

These bullets cover the PA process with respect to recusals:

- Each Commissioner in consultation with the General Counsel shall continue to make his or her own determination as to whether to recuse from a particular matter consistent with the applicable state law principles.
- Starting with the September 2013 Board meeting, Commissioners are provided with a composite list of all proposed recusals for Committee and Board meetings, with the recusal letter from General Counsel. Individual PA staff are informed of proposed Commissioner recusals to the extent appropriate at the determination of General Counsel.
- If the matter in which a Commissioner is recused requires Board or Committee action other than for actions included in the consent calendar, the Secretary will note prior to the start of the meeting which Commissioners are recused from the matters to be considered in the meeting. When it comes to the consent calendar, the PA will continue the process that has always been used.
- Commissioners that have recused from a particular matter shall make their own determination in consultation with the General Counsel on their level of participation in that matter.

-----Original Message-----

From: Martin Braun (BLOOMBERG/ NEWSROOM:) [mailto:mbraun6@bloomberg.net]
Sent: Tuesday, March 18, 2014 5:51 PM
To: Valens, Chris
Subject: Recusal Process

Can you point me to something that describes the PA's past and present recusal policies?

CODE OF ETHICS AND FINANCIAL DISCLOSURE

I. Introduction

A. This Administrative Instruction:

1. establishes a Code of Ethics governing the conduct of Port Authority employees, former employees, and persons doing business with the Port Authority.
2. sets forth the instructions and procedures governing financial disclosure for certain employees.

B. Adherence to this Code and filing of a Financial Disclosure Statement does not relieve any individual from complying with applicable requirements of law or other instructions.

II. Instruction

Port Authority employees are entitled to share as much as possible in the benefits of the society in which they live, including privacy in their personal affairs. At the same time, as public servants Port Authority employees are responsible for conducting Port Authority business solely in the public interest.

The Port Authority, as a public agency, has a similar and broader responsibility for maintaining the highest levels of honesty, ethical conduct and public trust. To meet this responsibility, this Code of Ethics and Financial Disclosure is established.

Personal integrity is the cornerstone of this Code. Each employee bears primary responsibility for avoiding financial and other interests which create a conflict between Port Authority employment and personal affairs.

III. Definitions

- A. "Blind trust" means an independently managed trust in which the beneficiary has no management rights and is not given notice of alterations in, or other dispositions of, the property subject to the trust.

- B. "Business" means a private legal entity formed for profit including a corporation, partnership, sole proprietorship, joint stock company, or joint venture.
- C. "Confidential information" means information which is available to an individual only because of the individual's status as an employee of the Port Authority and is not a matter of public knowledge or available to the public on request.
- D. "Financial interest" means:
 - 1. ownership of an interest or involvement in a relationship from which or as a result of which a person has received within the past year, or is entitled to receive in any future year, more than \$1,000 or its equivalent; or
 - 2. ownership of interest other than in tangible personal property which has a market value in excess of \$1,000. In determining the value of an interest, debts, liens or other encumbrances thereon are not subtracted; or
 - 3. ownership of an interest in tangible personal property other than motor vehicles which has a market value in excess of \$10,000. In determining the value of an interest, debts, liens or other encumbrances thereon are not subtracted; or
 - 4. liability or indebtedness to a person in excess of \$5,000.
- E. "Immediate family" means a spouse, children, parents, brothers and sisters.
- F. "Other interest" means holding a position in a business such as an officer, director, trustee, partner, employee, or a position of management, or acting as a consultant, agent or representative in any capacity.
- G. "Participation directly or indirectly" means involvement through decision, approval, disapproval, recommendation, influence, advice, investigation, or audit.
- H. "Person" means a business, individual, union, committee, club, or other organization or group of individuals.
- I. "Transaction" means buying, selling, renting as lessor or lessee, or otherwise acquiring or disposing of services or property or an interest in such services or property, borrowing or investment of money or preparing, advising on, administering or otherwise acting in reference to the performance of a contract, or the promulgation of rules and regulations affecting such activities.

IV. Ethical Standards of Conduct

A. General Standards of Ethical Conduct

1. Any attempt to realize financial gain through Port Authority employment by conduct inconsistent with the proper discharge of Port Authority duties is a breach of ethical standards.
2. Any effort to influence a Port Authority employee to breach the ethical standards set forth in this Code of Ethics is a breach of ethical standards.
3. Any conduct on the part of a Port Authority employee which (i) gives reasonable basis for the impression that any person can improperly influence the employee or enjoy the employee's favor in the performance of the employee's official duties; or (ii) might reasonably lead to the conclusion that the employee is engaged in acts which are in violation of the public trust, is a breach of ethical standards.
4. Failure to comply with any provision set forth in this Code of Ethics is a breach of ethical standards.

B. Employee Conflicts of Interest

1. It is a breach of ethical standards for a Port Authority employee to participate directly or indirectly in a Port Authority transaction when the employee knows that
 - a. the employee, or a member of the employee's immediate family, has a financial or other interest in the Port Authority transaction; or
 - b. a business in which the employee or a member of the employee's immediate family has a financial or other interest, is involved in the Port Authority transaction. A business shall be deemed to be involved in a transaction if it is a prospective bidder on, or otherwise a prospective party to, a contract that may form a part of the transaction, as well as when it is a party to an executed contract; or
 - c. another person, with whom the employee or a member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment, is involved in the Port Authority transaction.

2. Except as provided for in Par. IV.D.5, it is a breach of ethical standards for a Port Authority employee to solicit, negotiate for, or agree to accept a position from which, after leaving Port Authority service, the former Port Authority employee would be disqualified under the Code, or any other rule or regulation related thereto, because the new position would involve (i) any Port Authority transaction; or (ii) a contract, including a lease, or a claim in which the former Port Authority employee had participated directly or indirectly while a Port Authority employee.
3. If a Port Authority employee or a member of the employee's immediate family holds a financial interest in a blind trust, the employee is not deemed to have a conflict of interest in breach of ethical standards with regard to matters pertaining to that financial interest, provided that disclosure of the existence of the blind trust has been made to the Law Department.

C. Breach of Ethical Standards by a Business

A business is in breach of ethical standards when it knows that a Port Authority employee who has a financial or other interest in the business is participating directly or indirectly in a Port Authority transaction with it in breach of the ethical standards set forth in this Code.

D. Restrictions on Employment of Former Port Authority Employees and Persons Employing Former Port Authority Employees

1. It is a breach of ethical standards for a former Port Authority employee knowingly to act as a principal, expert witness, consultant, agent or representative in any capacity for any person other than the Port Authority in connection with any contract, including a lease, or a claim in which the employee participated directly or indirectly while a Port Authority employee, where the Port Authority is a party or has a direct and substantial interest.
2. It is a breach of ethical standards for a former Port Authority employee, within one year after the termination of the employee's Port Authority employment, knowingly to act as a principal, expert witness, consultant, agent or representative in any capacity for any person other than the Port Authority, in connection with any contract, including a lease, or a claim in matters where the Port Authority is a party or has a direct and substantial interest.

3. Nothing in this Code shall preclude a former employee from
 - a. instituting a personal claim;
 - b. carrying out official duties as an elected official or employee of a federal, state or local government agency; or
 - c. performing routine clerical services, mail services, data entry services or other ministerial tasks for a person in connection with any contract, including a lease, or a claim in matters where the Port Authority is a party or has a direct and substantial interest,

provided, (i) such former employee as described in subparagraph c hereof was employed by the Port Authority to perform such services on a temporary basis, and (ii) such former employee as described in subparagraphs b. or c. hereof was not required to file a Financial Disclosure Statement pursuant to this Code.

4. It is a breach of ethical standards for a person to permit a former Port Authority employee to act as a principal, expert witness, consultant, agent or representative in any capacity when the person knows that the former Port Authority employee is in breach of the ethical standards set forth in this Code.
5. The provisions of Par. IV.D.2 shall not apply to any former Port Authority employee whose employment is terminated because of
 - a. participation in a Retirement Incentive Program; or
 - b. economy, consolidation or abolition of functions, curtailment of activities or other reduction in the Port Authority work force, provided such former employee, while employed by the Port Authority, was not required to file a Financial Disclosure Statement pursuant to this Code.

E. Gifts, Gratuities, Business Expenses and Offers of Employment

Conduct in violation of the prohibitions in AI 20-1.06, Gifts, Gratuities, Business Expenses, and Offers of Employment is a breach of ethical standards. Conduct by or with respect to a former Port Authority employee that is related in any way to the performance of the public duties or responsibilities of the former employee and that would otherwise constitute a breach of ethical standards under this paragraph IV.E but for the termination of the former employee's Port Authority employment is a breach of ethical standards.

F. Use of Confidential Information

Notwithstanding Par. IV.D.5, it is a breach of ethical standards for a Port Authority employee or former employee knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated personal gain of another person.

V. Procedures

A. Financial Disclosure Statement

1. Each (i) Service A employee; (ii) Service B employee graded at Level B-97 or higher; and (iii) any employee designated by the employee's department director based on the criteria set forth below, must submit a Financial Disclosure Statement (form PA 3375) to the Law Department on or before May 1 of each year.

Departmental Directors are to designate, for the purpose of submitting Financial Disclosure Statements, employees, other than those included in (i) and (ii) of this paragraph V.A.1, who

- a. are responsibly involved in the formulation of construction contracts, purchase orders or contracts, or leases; or
 - b. exercise discretion in the administration of construction contracts, purchase orders or contracts, or leases; or
 - c. hold positions requiring repeated, direct substantive contact with private entities or interests; or
 - d. have continuing access to confidential information upon which they could "trade" for financial advantage; or
 - e. are responsibly involved in the financial or investment affairs of the Port Authority; or
 - f. are designated by the department director in the best interest of the Port Authority for reasons other than those listed above.
2. A new employee subject to the financial disclosure requirement, as designated by the employee's department director or based on Hay Point or Service A level, must submit a Financial Disclosure Statement no later than thirty calendar days after the date on which the Port Authority employment commences.

3. In a case where any employee, regardless of level or job assignment, believes a financial or other interest or involvement in a transaction might present a conflict of interest or other breach of ethical standards, the employee must immediately disclose the interest or involvement to the Law Department and disqualify himself or herself from participation directly or indirectly in the transaction until advised in writing by the Law Department or the Ethics Board that the employee may continue in the transaction. Within 30 days of receipt of such disclosure, an attorney designated by General Counsel shall review such matter to identify any possible conflicts of interest or other breaches of ethical standards, as described in Section IV.B of the Code. In making such determination, the designated attorney may seek additional information from the employee involved.
4. The address of the principal place of residence of the employee need not be listed in the Financial Disclosure Statement.
5. An employee who fails to submit a required Financial Disclosure Statement may be subject to disciplinary action.
6. Compliance with this disclosure procedure does not indicate that a breach of ethical standards or a conflict of interest does or does not exist.

B. Confidentiality and Public Disclosure

1. All Financial Disclosure Statements submitted to the Law Department will be filed under lock and key and, except as provided in the paragraphs below, shall be accessible for inspection only to:
 - a. the Chairman and members of the Audit Committee,
 - b. the Executive Director,
 - c. the Port Authority Ethics Board,
 - d. General Counsel,
 - e. the Director of the Audit Department,
 - f. the Inspector General, and
 - g. other Port Authority employees in the course of performing their Port Authority duties, who receive express written authorization from one of the parties listed above to review or use a statement.

2. Each statement submitted will be available for public inspection in accordance with the Port Authority's Freedom of Information Policy and procedure, subject to the provisions of paragraphs V.B.3, V.B.4 and V.B.5 immediately below.
 3. Whenever a request is made for public inspection of a statement, the employee who filed the statement shall be advised by the Law Department of the fact of such request and the identity of the party making the request before disposition is made. (See paragraph V.B.4 immediately below.) The employee shall also be advised of the final disposition of the request.
 4. Any employee may, at any time, request that any item disclosed in a statement be withheld from public inspection on the ground that public inspection of such item would constitute an unwarranted invasion of personal privacy. Such request shall be made in writing in a manner prescribed by the Law Department and shall state the reason the employee believes an item should not be disclosed, including why the information sought to be deleted from public inspection has no material bearing on discharge of the employee's official duties. An employee shall be advised of the disposition of that employee's request for withholding a statement from public inspection at least ten days prior to final disposition of the request for public inspection of that statement.
 5. Upon the request of an employee's supervisor, the Law Department may advise the supervisor whether an existing or prospective transaction or other work-related matter involving the employee would create a possible conflict of interest or other breach of ethical standards. However, a supervisor will not be allowed to review any employee's statement directly except as provided in paragraph V.B.1 above.
 6. All statements shall be destroyed after a period of three years from the date of submission, but, in the case of an active employee required to file a statement, not before a new, up-to-date statement has been submitted.
- C. Determining Conflicts of Interest and other Breaches of Ethical Standards
1. The Law Department is initially responsible for identifying possible conflicts of interest or other breaches of ethical standards.
 2. Any person who has a question about whether a prospective personal transaction, or assumption of a position of responsibility or trust, or any other matter, would create a breach of ethical standards may request in writing an advance determination on the matter from the designated attorney.

3. Within 30 days of the annual May 1 filing deadline as described in paragraph V.A.1 of the Code, an attorney designated by General Counsel determines whether there has been compliance with the filing requirement by all employees required to file a Financial Disclosure Statement, and as soon as practicable after receipt, an attorney designated by General Counsel reviews each Financial Disclosure Statement to identify any possible conflicts of interest or other breaches of ethical standards as described in Section IV.B of this Code. In making such determination, the designated attorney may seek additional information from the employee involved.
4. Upon discovery of a possible conflict of interest or other breach of ethical standards, the designated attorney notifies the affected employee in writing. The designated attorney may also direct the employee to disqualify himself or herself from participation in any transaction involving the Port Authority until the question of conflict, or other breach of ethical standards, is resolved.
5. The designated attorney may counsel an employee regarding steps which can be taken to eliminate the possible conflict or other breach of ethical standards.
6. The designated attorney also notifies, in writing, the Port Authority Ethics Board of the attorney's findings and recommendations and of any corrective action taken to eliminate a possible conflict or other breach of ethical standards.
7. Any employee may appeal in writing to the Ethics Board any finding and recommendation of the designated attorney regarding the employee's possible conflict of interest or other breach of ethical standards.

D. Port Authority Ethics Board

1. The Port Authority Ethics Board is comprised of at least three Port Authority employees (and alternates) appointed by the Executive Director.
2. Action by the Ethics Board requires the assent of a majority of the members, but in no event less than two members (or alternates) present and voting.
3. The Ethics Board may, at its discretion, review any or all findings and recommendations of a designated attorney and make separate findings and recommendations.

4. The Ethics Board shall, upon appeal by an affected person, review any or all findings and recommendations of the designated attorney.
5. At the completion of a review undertaken pursuant to paragraphs V.D.3 or V.D.4 immediately above, the Ethics Board shall determine that there is:
 - a. no conflict of interest or other breach of ethical standards as described in this Code;
 - b. a conflict of interest or other breach of ethical standards as described in this Code; or
 - c. a significant reason to waive the provision of this Code in the interest of the Port Authority.

In making such determination, the Ethics Board may seek additional information from the designated attorney and the person involved.

6. Determinations of the Ethics Board shall be binding except as provided in paragraph V.D.8 below.
7. In accordance with Section VI below, the Ethics Board may take whatever administrative action it deems just and appropriate to remedy a conflict of interest, or other breach of ethical standards as described in this Code.
8. All decisions by the Ethics Board are subject to review by the Executive Director.

VI. Administrative Remedies

- A. A Port Authority employee found to have breached the ethical standards of this Code may be disciplined in the manner provided in the rules and regulations of the Port Authority.
- B. A third party found to have breached the ethical standards of this Code is subject, in the manner provided in the rules and regulations of the Port Authority, to:
 1. issuance of written warnings; and
 2. termination of existing transactions to the extent permitted by law; and
 3. disqualification or suspension from participating in future transactions with the Port Authority.

- C. After a finding that a Port Authority employee, former employee or a third party has breached the ethical standards of this Code, Port Authority staff dealing with such employee, former employee or third party shall take action consistent with the determinations of a designated attorney or the Ethics Board.

DISCLAIMER

Although issued in revised format, the information contained in these Administrative Instructions (AIs) reflects the content of previously issued Administrative Policy Statements (APs) and, in certain limited instances, Port Authority Instructions (PAIs). The rules set forth in these AIs will remain in effect until changing conditions require their revision. This body of instructions is not intended to be exhaustive with respect to all the responsibilities of employees and it does not constitute a contract. These AIs will be updated from time to time to reflect changes or additions as appropriate, at the direction of the Executive Director.

BY-LAWS SUPPLEMENT

It was recalled that at its December 15, 1994 meeting, the Board authorized the Committee on Operations to act for and on behalf of the Board of Commissioners (and for the Boards and Committees of each of the subsidiaries of the Port Authority) at special, interim meetings in certain limited circumstances. This delegation has proven to be an effective means to avoid delay in taking action on Port Authority business in the event of an absence of a quorum of the Board or as a result of prospective recusals with respect to the consideration of an item before the Board, while preserving both the Governors' review period and the open and transparent manner in which the Port Authority conducts the business of the public.

As a corporate governance matter, it was recommended that the By-Laws of the Port Authority and its subsidiary corporations be supplemented to include this delegation to the Committee on Operations, and that the December 15, 1994 resolution be rescinded.

Pursuant to the foregoing report, the Board adopted the following resolution for the Port Authority (and for each of its subsidiaries) with Commissioners Bauer, Holmes, Lynford, Moerdler, Pocino, Rechler, Samson, Sartor, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Board being present.

RESOLVED, that Article V(D), "*Quorum*," of the By-Laws of The Port Authority of New York and New Jersey be and it hereby is supplemented to read as follows:

D. Quorum – Six Commissioners, three from each State, shall constitute a quorum for all meetings of the Board of Commissioners. In the absence of a quorum at any meeting of the Board of Commissioners, or, if as a result of prospective recusals there would not be a sufficient number of Commissioners present at such meeting to consider any item on the agenda for such meeting, the Committee on Operations is authorized to act for and on behalf of the Board of Commissioners at a special meeting of the Committee on Operations called by the Chairman; and it is further

RESOLVED, that Article V(D) of the By-Laws of the Port Authority's subsidiary corporations be and each hereby is supplemented accordingly, consistent with the foregoing; and it is further

RESOLVED, that the resolution of the Board of Commissioners of the Port Authority entitled, "Board Powers – Interim Delegation to the Committee on Operations," adopted on December 15, 1994, be and the same hereby is rescinded, except as it applies to actions taken prior to the date hereof.

AMENDMENT OF BY-LAWS

It was recommended that the By-Laws of the Port Authority be amended to provide that public notice be given of any proposed sale of real property owned by the Port Authority, not less than ten days in advance of any meeting at which the Board of Commissioners is to consider such proposed action. Notice would be provided by means of the Port Authority's Internet site, or any successor electronic media designated by the Executive Director for such purposes. A conforming change also would be made to other By-Laws' references to "Internet site."

Bi-State legislation provides that any real property acquired by the Port Authority may be sold only if it is determined that such real property is no longer required for the purposes for which it was acquired. Consistent with that legislation, the provision of advance public notice of any proposed Board action considering the sale of fee interest in real property would afford members of the public the opportunity to attend the meeting and offer comments to the Board, to facilitate the Board's determination as to whether the real property is no longer required for the purposes for which it was acquired.

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, Moerdler, Pocino, Rechler, Samson, Sartor, Schuber and Steiner voting in favor. General Counsel confirmed that sufficient affirmative votes were cast for the action to be taken, a quorum of the Committee being present.

RESOLVED, that Article X of the By-Laws of The Port Authority of New York and New Jersey be and the same hereby is amended, by renumbering the present Paragraph (f) as (f)(1) and adding a new Paragraph (f)(2), which shall read as follows (and other references in the By-Laws to "Internet site" would be conformed accordingly):

"Not less than ten days in advance of any meeting of the Board of Commissioners at which the Board is to consider an action to authorize the sale of real property owned by the Port Authority, the Executive Director shall provide public notice of such proposed action, by posting on the Port Authority's Internet site or any successor electronic media designated by the Executive Director for such purposes."

AMENDMENT TO BY-LAWS – GOVERNANCE OF THE PORT AUTHORITY

As part of the Board's continuing review of governance enhancements that improve accountability and transparency of Port Authority activities, the Chairman and Vice Chairman recommended that the By-Laws of the Port Authority (and its wholly owned subsidiary corporations) be amended to address the following general areas:

- requirement for annual independent audits/retention of independent auditors
- expression of Board members' fiduciary duty / duty of loyalty to the entity
- requirement of the establishment of Committees of the Board
- procedural requirements for certain public hearings, including a requirement that Commissioners attend tolls hearings
- ethics training for Commissioners

The proposed By-Laws revisions would build on the agency's commitment to financial discipline and accountability, codify certain practices currently in place and provide for enhanced governance of the Port Authority's agenda. Together, these changes are intended to strengthen the Board's oversight responsibilities and accountability of the agency to the public that it serves.

Conforming changes will be made to the By-Laws of each of the Port Authority's wholly owned subsidiary corporations.

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

RESOLVED, that the proposed amended By-Laws of the Port Authority presently before the Board of Commissioners (a copy of which is annexed to these Minutes) be and they hereby are approved; and it is further

RESOLVED, that the By-Laws of the Port Authority's wholly owned subsidiary corporations be and each hereby is amended consistent with the foregoing.

BY-LAWS OF
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

I. SEAL

The official seal of The Port Authority of New York and New Jersey (hereinafter referred to as the “Port Authority”) shall be a design bearing a combination of the seals of the State of New York and of the State of New Jersey, and bearing the words “THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY — ESTABLISHED BY COMPACT BETWEEN NEW YORK AND NEW JERSEY — APRIL THIRTIETH — 1921.”

II. OFFICERS

The officers of the Port Authority shall be a Chairman, a Vice-Chairman, an Executive Director, a Deputy Executive Director, a General Counsel, a Chief Financial Officer, a Treasurer, a Comptroller, and a Secretary.

III. DUTIES

A. Board of Commissioners — The Board of Commissioners shall establish the policies of the Port Authority and shall be responsible for reviewing and monitoring whether Port Authority procedures and regulations and executive staff’s financial, management, and operational decisions and controls are in compliance with such overall policies. The Board of Commissioners shall receive from the Executive Director reports on a regular basis, and shall cause the Executive Director to provide such reports, in order for the Commissioners to perform their oversight duties described herein. The Board of Commissioners shall also be responsible for adopting the Strategic Plan, Capital Plan, and Budget of the Port Authority. In serving as a Commissioner of the Port Authority, each Commissioner shall act in a fiduciary capacity with a duty of loyalty and care owed to the Port Authority.

B. Chairman — The Chairman shall preside at all meetings of the Board of Commissioners; communicate to the Executive Director and, where appropriate, executive staff, the policies of the Port Authority established by the Board of Commissioners; and be responsible for advancing the mission and promoting the objectives of the Port Authority to members of the general public.

C. Vice-Chairman — The Vice-Chairman shall perform the duties of the Chairman in the event the office of Chairman is vacant, or in the event that the Chairman is unable to perform such duties by reason of illness, disability, or absence.

D. Executive Director — The Executive Director shall manage the operations of the Port Authority in compliance with the agency’s policies as established by the Board of Commissioners. The Executive Director shall prepare proposals for presentation to the Board of Commissioners which carry out approved policies or which propose policies for adoption and implement such proposals after presentation to and approval by the Board of Commissioners. In furtherance of these duties, the Executive Director shall hold executive staff responsible and accountable for making financial, management, and operational decisions in compliance with the policies established by the Board of Commissioners, and shall consult with the Board of Commissioners, as necessary, to enable the Commissioners to perform their oversight duties described above. The Executive Director shall sign all deeds of conveyance when authorized by resolution of the Board of Commissioners.

E. Secretary — The Secretary shall prepare the minutes of the meetings of the Board of Commissioners; keep the official records and the seal of the Port Authority; certify, when required to, copies of records; be responsible for administering the Freedom of Information Code providing for access by the public to records of the Port Authority; and perform such other duties as may be assigned by the Chairman.

F. General Counsel — General Counsel shall be legal counsel to the Port Authority and shall also furnish such legal opinions, advice, counsel, and representation as shall, from time to time, be required by the Board of Commissioners. In the performance of these duties, General Counsel is authorized to use Port Authority staff and, with the approval of the Executive Director, to retain outside counsel in accordance with policies established by the Board of Commissioners and guidelines adopted by General Counsel from time to time.

G. Chief Financial Officer — The Chief Financial Officer shall, under the supervision of the Executive Director, act as chief financial officer of the Port Authority and supervise the activities of the Treasurer and the Comptroller.

H. Comptroller — The Comptroller shall, under the supervision of the Chief Financial Officer, be in charge of the books of account of the Port Authority and be responsible for all payments to and expenditures by the Port Authority.

I. Treasurer — The Treasurer shall, under the supervision of the Chief

Financial Officer, have custody of all funds and be responsible for investments of the Port Authority.

J. Inspector General — The Inspector General, under the general direction of the Chairman and the Executive Director, shall be charged with the responsibility of receiving and investigating, where appropriate, all complaints regarding wrongdoing, fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority, or third-party individuals or organizations doing business with the Port Authority; and consulting with the Board of Commissioners, the Audit Committee, the Executive Director, and General Counsel, as appropriate. The Inspector General shall provide reports to the Audit Committee with respect to the foregoing.

K. Director of the Audit Department — The Director of the Audit Department shall, under the general direction of the Inspector General, be responsible for the internal auditing functions in the Port Authority and for external auditing of financial and operating records of firms doing business with the Port Authority.

IV. TERM OF OFFICE

All officers of the Port Authority shall hold office until the next annual meeting of the Port Authority, or until their successors are elected or appointed, whichever may be the later.

V. MEETINGS; OPEN MEETINGS POLICY; FREEDOM OF INFORMATION CODE

A. An annual meeting of the Board of Commissioners shall be held each year for the purpose of election of officers. Special meetings of the Board of Commissioners may be called by the Chairman of the Port Authority and shall be called by the Chairman of the Port Authority on request of any two Commissioners, one from each State. The time and place for all annual, regular, and special meetings shall be determined by the Chairman of the Port Authority.

B. The Secretary shall give notice to the Commissioners of annual, regular, and special meetings, specifying the time and place of the meeting, by mail, facsimile, telephone, or in person, at least two days before the meeting. The notice of a special meeting shall specify the subject(s) to be considered thereat. Any Commissioner may waive the requirement for such notice.

C. The provisions of these By-Laws may be suspended by unanimous consent of a quorum of the Board of Commissioners.

D. Quorum – Six Commissioners, three from each State, shall constitute a quorum for all meetings of the Board of Commissioners. In the absence of a quorum at

any meeting of the Board of Commissioners, or, if as a result of prospective recusals there would not be a sufficient number of Commissioners present at such meeting to consider any item on the agenda for such meeting, the Committee on Operations is authorized to act for and on behalf of the Board of Commissioners at a special meeting of the Committee on Operations called by the Chairman.

E. Votes – After due debate, the vote shall be recorded upon all resolutions or amendments thereto presented at any meeting of the Board of Commissioners. If three votes from each State shall not be cast therefor (or in case six Commissioners from either State are present, if four votes from such State shall not be cast therefor), the resolution or amendment shall be deemed lost. But a motion to adjourn, to lay on the table, to postpone consideration, or to refer a matter may be carried by a vote of a simple majority of Commissioners present.

F. Order of Business – The order of business at annual, regular, and special meetings of the Board of Commissioners shall be determined by the Chairman of the Port Authority; provided, however, that upon request of any two Commissioners, one from each State, received no less than two days prior to the meeting, a matter shall be placed on the calendar for any meeting as special business.

G. Open Meetings Policy

The Port Authority has an obligation to conduct its business and activities in the public interest and to solicit public participation and make its affairs known to members of the general public. In accordance with this obligation, the Port Authority shall follow an Open Meetings Policy, which shall require that: meetings of the Board of Commissioners and its Committees shall be open to the public consistent with the open meetings laws of the two States; sufficient advance notice shall be provided to members of the general public and representatives of the press of all meetings to be held in open public or closed executive session and, if in closed executive session, the reason(s) therefor; where meetings are held in open public session, anticipated agendas for such meetings shall be provided to members of the general public and representatives of the press sufficiently in advance of such meetings; representatives of all groups and constituencies who may wish to attend meetings held in open public session shall be accommodated; where meetings are held in open public session, members of the public shall have the opportunity to comment to the Board of Commissioners prior to action on those items; materials reflecting actions taken in open public and closed executive session, including minutes of meetings of the Board of Commissioners, shall be released to members of the general public. Meetings of the Board of Commissioners and its Committees (other than meetings held in closed, executive session) are to be publicly broadcast, to the extent technologically feasible.

The term “meeting” as used herein shall refer to any gathering, whether corporeal or by means of communications equipment, which is attended by, or open to, members of the Board of Commissioners, held with the intent, on the part of the Commissioners present, to discuss or act as a unit upon the specific public business of the Port Authority;

provided, that the term “meeting” does not mean a gathering (1) attended by less than a quorum, or (2) attended by or open to all the members of three or more similar public bodies at a convention or similar gathering. The term “public business” shall refer to matters that relate in any way, directly or indirectly, to the performance of the functions of the Port Authority or the conduct of its business.

H. Open Meetings Policy – Limited Exceptions

1. In certain limited circumstances, public consideration by the Board of Commissioners (or a Committee thereof) of matters relating to the business and affairs of the Port Authority would clearly endanger the public interest or constitute an unwarranted invasion of the personal privacy of individuals (including Port Authority employees). Accordingly, in such limited circumstances, the Board of Commissioners or Committee may determine to take action on or discuss only such subjects in closed, executive session. Consistent with the open meetings laws of the two States, the following matters may be considered in closed, executive session: (i) public safety or law enforcement; (ii) proposed, pending, or current litigation, judicial or administrative proceedings, and external or internal investigations or audits; (iii) ongoing bargaining or negotiations, reviews of contracts or proposals related to the purchase, sale, or lease of real property or securities where disclosure could affect the public interest; (iv) the necessary consideration of facts that, if made public, would constitute an unwarranted invasion of an individual’s personal privacy; (v) the necessary consideration of facts that are deemed confidential, privileged, or private pursuant to federal or state law, regulations, rules, or decisions of court; or (vi) information that, if made public, could impair the Port Authority’s right to receive funds from the United States or other grantor.

2. From time to time, the Chairman of the Port Authority may, in the best interests of the Port Authority, permit discussion in public, open session of and action on any matter otherwise exempted under the Open Meetings Policy.

3. In exigent circumstances when required for action, the Chairman of the Port Authority may request that one or more absent Commissioners participate and attend any meeting of the Port Authority through the use of communications equipment.

I. Freedom of Information Code

The Port Authority conducts its business and activities in the public interest and therefore the public should have access to records of the Port Authority. The Port Authority shall follow a Freedom of Information Code consistent with the freedom of information laws of the two States.

The Port Authority shall, to the extent technologically feasible, provide access to the minutes of meetings of the Board of Commissioners and the Committees and to reports provided for in accordance with these By-Laws, by posting such documents on its Internet site, or any successor electronic media designated by the Executive Director for such purposes.

VI. PUBLIC HEARINGS

A. Public hearings shall be held on matters requiring public consideration or public comment and information and may be held upon the request of (i) the Chairman of the Port Authority or (ii) any two Commissioners, one from each State.

B. Pursuant to direction by the Board of Commissioners, the Executive Director shall have authority to arrange for public hearings, in connection with the budgeting, planning, and programming of the Port Authority, including proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities. In connection therewith, the Executive Director shall

(1) determine the dates, times, and locations in each of the two States for the conduct of such hearings, which shall be designed to encourage the broadest possible attendance and participation, and which, in the case of each hearing pertaining to proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities, shall include the attendance of at least two Commissioners, one from each State;

(2) provide for appropriate notice to be given not less than ten days in advance of such hearings, with notice to be published within the Port District in one or more newspapers of general circulation in each State, on the Port Authority Internet site or any successor electronic media designated by the Executive Director, and through other available electronic media used by the Port Authority, and which, in the case of each hearing pertaining to proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities, shall include the charge or charges proposed to be instituted or changed, shall set forth a comparison of the existing charges with the proposed charges, and shall state the purpose or purposes for which such tolls, fares or other charges are to be instituted or changed and an estimate of the overall increase or decrease in revenues to the Port Authority resulting from such proposed charges;

(3) designate hearing officers (if any) in connection therewith;

(4) arrange for transcripts and reports of the hearings, which shall be made available to all Commissioners prior to the consideration of any proposal; and

(5) take such other action as will effectuate the Port Authority's policy, as established by the Board of Commissioners, for the conduct of public hearings.

VII. NOMINATING COMMITTEE

The Nominating Committee shall consist of all of the Commissioners of the Port Authority except the Chairman of the Port Authority and the Vice-Chairman of the Port Authority.

The Nominating Committee shall meet at least once during the 30 days immediately preceding the annual meeting of the Port Authority to consider a slate of officers for nomination and shall present such slate to the Board of Commissioners. If the office of Chairman of the Port Authority or Vice-Chairman of the Port Authority shall become vacant for any reason other than expiration of term, the Nominating Committee shall meet as soon as practical thereafter. The Nominating Committee may also meet to consider vacancies in any other office or offices.

Meetings of the Nominating Committee shall be held pursuant to notice given by the Secretary at the request of any member of the Committee.

At each meeting of the Nominating Committee, the members thereof shall elect a Chairman of the Committee whose duties shall be to preside at such meeting, and to submit or cause to be submitted to the Board of Commissioners any reports or recommendations adopted at such meeting.

VIII. COMMITTEES OF THE BOARD

The Committees on Capital Programs/Agency Planning, Finance, Construction, Operations, Security, Audit, and Governance and Ethics are established under this Article VIII to provide for the effective and efficient governance of the Port Authority, and to make recommendations to, and act on behalf of, the Board of Commissioners to the extent set forth in these By-Laws.

A Chairman, a Vice-Chairman, and members of all Board Committees shall be appointed by the Chairman of the Port Authority, who shall be an *ex officio* member of each Committee of which the Chairman of the Port Authority is not a regular member, except the Audit Committee. If one or more regular members are absent from any Committee meeting, the Chairman of the Port Authority shall be counted towards a quorum and entitled to vote on Committee business. The Chairman of the Port Authority shall also be entitled to vote to decide a tie vote.

The Vice-Chairman of the Port Authority shall likewise be an *ex officio* member of each Committee of which the Vice-Chairman of the Port Authority is not a regular

member, except the Audit Committee. The Vice-Chairman of the Port Authority shall be counted towards a quorum and entitled to vote on Committee business under the same circumstances as the Chairman of the Port Authority, but only in the absence of the Chairman of the Port Authority.

A quorum for the conduct of business at any meeting of any Committee shall consist of a number equal to the majority of the regular members, provided that at least one Commissioner from each State shall be present. If there is no quorum at any regular, special, or adjourned meeting of any Committee, then the Commissioner presiding at such Committee meeting may, in order to achieve a quorum, designate any Commissioner present who is not already a member of such Committee as a substitute member *pro tem* to act at such meeting in the place and stead of an absent Committee member. Any substitute Committee member *pro tem* shall be treated as a regular member for purposes of (i) determining whether a quorum is present; (ii) voting; and (iii) determining whether an *ex officio* member may vote. Action shall be taken by a majority vote of the Committee members present; provided that no action of a Committee shall be binding unless at least one Commissioner from each State shall vote in favor thereof.

In order to assure the right of approval or veto by the Governor of each State, any action by a Committee taken pursuant to the powers granted in this Article VIII shall be considered part of the minutes of the Board of Commissioners.

Whenever a Committee purports to act pursuant to power vested under these By-Laws then all third persons are entitled to rely on the Committee's representation that it has power to act.

There shall be the following standing Board Committees, which shall meet as needed in connection with the conduct of Port Authority business. Each Committee shall consist of five regular members (including a Chairman and Vice-Chairman), in addition to *ex officio* members, except the Audit Committee, which shall have no *ex officio* members and shall consist of four regular members (including a Chairman and Vice-Chairman), two from each State, and at least one of whom shall have a high level of financial expertise as –determined in accordance with Article VIII.F of these By-Laws). When two or more Committees have powers relating to the same subject matter, none shall be deemed to have exclusive authority, but such Committees shall confer and cooperate in regard thereto. The Committees shall consult with executive staff, as necessary, in carrying out their respective oversight responsibilities.

A. Committee on Capital Programs/Agency Planning

The Committee on Capital Programs/Agency Planning shall:

- (1) have oversight of the Port Authority's Capital Plan and Strategic Plan;
- (2) review the long-term planning for the development of new facilities, the initiation of new business and activities, and studies conducted in furtherance of such purposes;

(3) keep informed regarding the duties of the Port Authority, whether imposed by statutes or otherwise, and from time to time recommend to the Board of Commissioners such programs and policies as in its opinion may be desirable and as will enable the Port Authority to perform its duties most effectively and in due relation to their order of importance;

(4) keep informed of the needs of the Port District with regard to marine, air, railroad, and motor vehicle terminals and other transportation and terminal facilities and facilities of commerce and economic development, and matters relating thereto, and, from time to time, make recommendations in reference thereto; and

(5) have general supervision over transportation, terminal and commerce and economic development studies and do all things necessary and convenient to advance such studies.

B. Committee on Finance

The Committee on Finance shall:

(1) have oversight of the financial affairs of the Port Authority, and, from time to time, make such recommendations to the Board of Commissioners in reference to the establishment of policies with respect thereto as in its opinion may be desirable;

(2) approve the selection of depositories for Port Authority funds and authorize and approve investments and reinvestments thereof; and

(3) approve insurance policies and surety bonds, and adopt or approve policies or practices followed in connection with insurance and surety bonds.

C. Committee on Construction

The Committee on Construction shall have oversight of:

(1) all construction by the Port Authority, including without limitation rehabilitation, repairs, demolition, and excavation, and shall, from time to time, make such recommendations to the Board of Commissioners in reference to the establishment of policies with respect thereto as in its opinion may be desirable;

(2) agreements and contracts for the acquisition, purchase, lease, and/or use by the Port Authority of real property and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements or contracts; and

(3) agreements and contracts for the purchase or acquisition of materials for use by the Port Authority in connection with construction and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements and contracts.

D. Committee on Operations

The Committee on Operations shall have oversight of:

(1) the operation and maintenance of all facilities and properties owned and/or operated by the Port Authority, and shall, from time to time, make such recommendations to the Board of Commissioners in reference to the establishment of policies with respect thereto as in its opinion may be desirable;

(2) agreements and contracts for the acquisition or purchase by the Port Authority of equipment, tools, materials, supplies, or other personal property for use in connection with the operation of any Port Authority facility or property, and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements or contracts;

(3) the sale, consistent with legislation, of real or personal property owned and/or operated by the Port Authority; and

(4) personnel matters, and shall approve all agreements with organizations representing Port Authority employee groups relating to wages, working conditions, and benefits.

E. Security Committee

The Security Committee shall:

(1) keep informed of the security needs of the facilities and properties owned and/or operated by the Port Authority; and

(2) keep informed of the needs of the Port District generally with regard to security matters, and, from time to time, make recommendations in reference thereto.

F. Audit Committee

The Audit Committee shall:

(1) have oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing, and financial reporting processes; select pursuant to a competitive process, determine the compensation for, and have oversight of the activities of all independent

accountants retained for auditing purposes, who shall report directly to the Committee; and keep informed regarding the management of the Port Authority;

(2) establish formal guidelines in the form of a charter that it shall follow in connection with the satisfaction of its responsibilities, and review and reassess such charter from time to time;

(3) recommend, establish, maintain, and reassess procedures for processing complaints regarding accounting, internal controls, or auditing matters, as well as the confidential, anonymous submission of concerns about questionable accounting or auditing practices;

(4) review the annual financial statements of the Port Authority (including certifications by the Executive Director and the Chief Financial Officer required pursuant to Article XIII of these By-Laws) and recommend to the Board of Commissioners the inclusion of such financial statements in the Port Authority's annual report and other publications, as appropriate; and

(5) receive from the Inspector General reports regarding concerns and complaints received by the Office of Inspector General involving wrongdoing, fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority, or third party individuals or organizations doing business with the Port Authority, including the progress of any investigation thereof, as well as referrals made or other matters pursued in connection therewith, and it shall be the duty of the Inspector General to report such information to the Audit Committee. The Audit Committee shall recommend, establish, maintain, and reassess procedures for reviewing reports submitted by the Inspector General with respect to the foregoing; provided, however, that such procedures shall not limit the Inspector General's independence and freedom from interference in the conduct of the Inspector General's responsibilities.

The (i) appointment of any person to the position of Director of the Audit Department or Inspector General shall not be made or terminated; (ii) salary or benefits of the Director of the Audit Department and the Inspector General shall not be increased or reduced; and (iii) responsibilities of the Director of the Audit Department and the Inspector General shall not be changed in any way, without the approval of the Chairman of the Audit Committee (or of the Board of Commissioners); provided, that any increase or reduction in salary or benefits that may be made with respect to Port Authority department heads generally and would be effective as to the Director of the Audit Department and the Inspector General in the absence of the foregoing requirement of approval shall not require such approval in order to be effective as to the Director of the Audit Department and the Inspector General.

The members of the Audit Committee which, for independence purposes, shall not include the Chairman or Vice-Chairman, shall include at least one member, who in the determination of the Governance and Ethics Committee possesses a high level of

financial expertise, which may be demonstrated, among other factors, by a general understanding of (i) generally accepted accounting principles and financial statements; (ii) the preparation or auditing of financial statements of entities comparable to the Port Authority; (iii) the application of such principles in connection with the accounting for estimates, accruals, and reserves; (iv) internal accounting controls; and (v) audit committee functions.

The Audit Committee shall assist the Board of Commissioners in fulfilling its oversight responsibility relating to the Port Authority's compliance with legal or regulatory requirements relating to accounting, auditing, financial reporting, and/or internal controls, all subject to and consistent with the principle that compliance matters which are not primarily related to accounting, auditing, financial reporting, and/or internal controls shall be submitted to the Governance and Ethics Committee.

The Audit Committee shall report from time to time to the Board of Commissioners on the results of its oversight, auditing, and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the accounting, auditing, financial reporting, and internal controls of the Port Authority.

G. Governance and Ethics Committee

The Governance and Ethics Committee shall:

(1) have oversight of questions relating to the development of, and compliance with, governance and ethics principles of the Port Authority, and shall, from time to time, make such recommendations in reference thereto as in its opinion may be desirable;

(2) define and make recommendations to the Board of Commissioners with respect to the establishment of policies and practices that will (i) assist in identifying qualifications for prospective appointments to the Board of Commissioners; (ii) evaluate the ongoing performance of the Board of Commissioners and its members; (iii) lead the Board of Commissioners in an annual review and evaluation of the Board of Commissioners' performance, and the effectiveness of Committees; (iv) ensure that the Board of Commissioners and staff are familiar with and committed to the ethics principles and programs that have been adopted by the Port Authority; (v) ensure that each member of the Board of Commissioners has received training with respect to the ethical standards applicable to the member as an unsalaried public officer from the member's state of appointment; (vi) assist the Board of Commissioners in fulfilling its oversight responsibility relating to the Port Authority's compliance with legal and regulatory requirements; (vii) ensure that the Inspector General shall continue to be independent and free from interference in the conduct of the Inspector General's responsibilities; and (viii) require executive staff to annually review Port Authority operations with the specific goal of identifying waste and inefficiencies, and to

take appropriate remedial steps that shall be publicly reported.

(3) recommend to the Chairman of the Port Authority changes in the size, composition, and organization of the Committees; policies and practices relating to Board operations; Commissioner policies and practices; and associated matters of corporate governance;

(4) lead the Board of Commissioners in an annual review and evaluation of the Executive Director's performance;

(5) recommend, develop, and maintain a Code of Ethics for the Board of Commissioners and for the staff, which Code shall include (a) requirements for disclosures of outside business dealings of Commissioners and their employers, executive staff, or the immediate family members of Commissioners and executive staff; (b) restrictions on participation by Commissioners, officers, or employees in any contracting decision relating to a family member or firms in which a family member may have an interest; and (c) rules precluding contributions to the political campaigns of Port Authority Commissioners or officers;

(6) on an annual basis, reassess the adequacy of the Code of Ethics and oversee compliance with such Code;

(7) review the independence and objectivity of the members of the Board of Commissioners and its Committees on a periodic basis (but in no event less than once per year), as well as any relationships such members may have with the Port Authority and/or its wholly owned corporate entities or subsidiaries or otherwise that may reasonably create the appearance of non-independence and/or non-objectivity; and

(8) review corporate trends and best practices generally with respect to governance procedures and ethics policies and requirements. In carrying out this responsibility, the Committee shall, on an annual basis, review ethical standards in the two States (and any other jurisdictions whose standards may be useful in determining best practices at the Port Authority) and make recommendations to the Board of Commissioners concerning appropriate practices, including adoption of the higher ethical standard when the two states apply different standards to the same conduct or situation.

The Governance and Ethics Committee's duties as described herein shall be subject to and consistent with the following:

(a) compliance matters which are primarily related to accounting, auditing, financial reporting, and/or internal controls shall be subject to the jurisdiction and oversight of the Audit Committee; and

(b) compliance matters which are not primarily related to accounting, auditing, financial reporting and/or internal controls shall be submitted to the

IX. RULES AND REGULATIONS

In compliance with policies established by the Board of Commissioners, the Executive Director shall establish rules and regulations as required for the conduct of the Port Authority's business, consistent with policies established by the Board of Commissioners.

The Executive Director shall cause such rules and regulations to be filed with the Board of Commissioners at least 30 days prior to the effective date of such rules and regulations. Absent objections by the Board of Commissioners such rules and regulations shall become effective upon the expiration of such 30-day period. If such objections are made, the Board of Commissioners shall, after due consideration, decide upon adoption, amendment or rejection of the proposed rules and regulations.

It is the policy of the Port Authority that the process for adoption of such rules and regulations shall be an open process with the opportunity for the general public to comment on such rules and regulations prior to adoption, and for such purposes such proposed rules and regulations shall be made publicly available at the time they are filed with the Board of Commissioners.

X. EXECUTIVE DIRECTOR POWERS AND RESPONSIBILITIES

The Executive Director shall have the following powers, unless otherwise provided by any resolution of the Board of Commissioners or a Committee thereof, subject to the limitations, if any, of the Budget adopted by the Board of Commissioners. These powers shall be in addition to any other powers conferred by any other provisions of these By-Laws, or by any resolution heretofore or hereafter adopted by the Board of Commissioners or a Committee thereof.

(a) Unless otherwise directed by the Committee on Operations or otherwise provided by any resolution of the Board of Commissioners and subject to the limitations, if any, of the Budget adopted by the Board of Commissioners, the Executive Director is authorized:

(i) To determine and prescribe the duties of new and existing positions and the qualifications for appointments made thereto;

(ii) Subject to the approval of the Chairman of the Committee on Operations, to make permanent appointments to the Port Authority staff;

(iii) To make promotions and demotions within the staff;

(iv) To terminate appointments to the staff subject to the approval of the Chairman of the Committee on Operations whenever approval of the Committee on Operations is not otherwise specifically required;

(v) To create temporary positions and to make temporary appointments thereto for periods not exceeding three (3) months' duration; and

(vi) To grant or authorize the granting of vacation, sick leave, other leave of absence and to establish or modify other employee benefits (other than retirement matters) and to take other action affecting personnel.

(b) The Executive Director is authorized:

(i) to authorize or arrange for the printing and engraving of bonds, notes or other securities or obligations, the issuance whereof has been authorized by the Board of Commissioners;

(ii) to authorize and arrange for the payment of the interest upon and principal of such bonds, notes, or other securities or obligations, in accordance with the resolutions authorizing their issuance, out of any revenues directly pledged therefor, out of any sinking funds or special reserve funds especially established in connection therewith and, in case there are no other moneys available for the payment of such interest and principal, out of the General Reserve Fund if such fund has been pledged as security for such payments;

(iii) to authorize or arrange for the making of payments into such reserve funds during the year for which such payments are to be made out of revenues directly pledged for such purposes, and to authorize or arrange for the making of payments into such sinking funds during the year for which such payments are to be made out of revenues directly pledged for such purposes, out of any special reserve funds especially established in connection with the particular issue of such bonds, notes, securities or other obligations for which such payments are to be made, out of any other special reserve funds available for such purposes, out of any other Port Authority funds available for such purposes, and, in case all the preceding available sources are insufficient to make such payment, then out of the General Reserve Fund; and

(iv) whenever the resolutions of the Board of Commissioners establishing the issue of bonds and the various resolutions of the Board of Commissioners establishing the separate series of such bonds require the redemption of bonds for retirement for sinking fund purposes, to (a) arrange for or authorize the call of such bonds for redemption, within the limitations of said bond resolutions to select or arrange for the selection of the particular bonds to be redeemed, (b)

publish or arrange for the publication of notice of redemption, (c) pay or arrange for the payment of such bonds upon the date set for their redemption, and (d) generally do all things necessary or incidental to the redemption and retirement of such bonds.

(c) The Executive Director is authorized to authorize, approve, or award agreements, contracts, or purchase orders for

(i) professional, technical, or advisory services, including but not limited to the services of consultants, engineers, architects, designers, artists, technicians, inspectors, appraisers, and experts of any kind;

(ii) maintenance, repair, rehabilitation, or other operating expenses;

(iii) capital improvements and additions (including major repairs or rehabilitation);

(iv) construction;

(v) materials, equipment or supplies (including the leasing of equipment);

(vi) utility or other services;

(vii) insurance or brokerage services; and

(viii) settlement of claims (not covered under paragraphs (e) or (o) of this Article X)

upon such terms as the Executive Director may deem proper and to enter into or execute the same on behalf of the Port Authority where the amount of any such agreement, contract, or purchase order (inclusive of any renewal or extension) is not in excess of \$2,500,000; provided, however, that the Executive Director may not take such action where the amount of any such agreement, contract, or purchase order (inclusive of any renewal or extension) under subparagraphs (c)(i) through (c)(vii), above, is in excess of

(a) \$1,500,000 but not in excess of \$2,500,000, unless the agreement, contract, or purchase order is awarded to the lowest qualified bidder after public advertisement, or through cooperative governmental purchasing arrangements; or

(b) \$500,000 but not in excess of \$1,500,000, unless the agreement, contract, or purchase order is awarded to the lowest qualified bidder, or the proposer best qualified by reason of cost, responsibility, and capacity to perform the work and whose bid price or proposal is deemed reasonable, after the receipt of competitive bids or proposals; and,

provided, further, in connection with authorizations under subparagraph (c)(viii), above, the Executive Director may settle such claims if the total settlement is not in excess of \$500,000. In addition, the Executive Director may take such actions under this paragraph (c) with respect to an extension, amendment, or modification of any existing agreement, contract, or purchase order either

(a) on terms and conditions at least as favorable to the Port Authority and under which the Port Authority will incur no additional expenditures or obligations; or

(b) where the amount of the extension, amendment, or modification is not in excess of 25 percent of the base amount of the original agreement, contract, or purchase order, provided however that such excess amount is not greater than \$2,500,000.

(d) In the exercise of authority under this paragraph (d), the Executive Director may take the following actions only upon providing prior notice to the Board of Commissioners. The Executive Director, pursuant to authority granted to the Executive Director in conjunction with the adoption of the Budget or other resolutions of the Board of Commissioners, may, as the Executive Director deems in the best interest of the Port Authority, in connection with agreements, contracts or purchase orders:

(i) (a) award to the bidder or proposer who, in the opinion of the Executive Director, is best qualified by reason of cost, responsibility, experience, and capacity to perform the work and whose bid price or proposal the Executive Director deems reasonable, (b) reject all bids or proposals, (c) solicit new bids or proposals on revised or the same requirements, (d) negotiate with one or more bidders, proposers, or other contractors; or (e) exercise any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreement, contract, or purchase order;

(ii) execute agreements, contracts, or purchase orders and supplemental agreements, contracts or purchase orders with such bidders, proposers, or contractors;

(iii) order extra work and net cost work; and

(iv) authorize payments to contractors or vendors.

(e) The Executive Director may, in connection with any agreement, contract, or purchase order,

(i) require a bond securing the performance thereof and/or the payment of subcontractors, materialmen, workers, and other third persons;

(ii) settle claims arising under or in connection with such agreements

(including leases, permits, and licenses, for the use or occupancy of property), contracts, or purchase orders; provided, that the Executive Director may settle such claims if the total settlement is not in excess of \$500,000; and

(iii) authorize the payment to contractors and vendors of all or any portion of their compensation even though not yet payable under the terms of the agreement, contract, or purchase order, in each case whenever the Executive Director deems it advisable under the circumstances.

(f) The Executive Director may acquire temporary interests in real property necessary in connection with construction or operation of Port Authority facilities, provided that the term of any such interest shall not be in excess of five years.

(g) Not less than ten days in advance of any meeting of the Board of Commissioners at which the Board is to consider an action to authorize the sale of real property owned by the Port Authority, the Executive Director shall provide public notice of such proposed action, by posting on the Port Authority's Internet site or any successor electronic media designated by the Executive Director for such purposes.

(h) In compliance with the policies established by the Board of Commissioners, the Executive Director shall, from time to time, adopt appropriate procedural guidelines, consistent with those applied to state authorities in the two States, to ensure that procurement, based on competitive contract-award processes, of agreements and contracts for the purchase of goods and contract services, professional, technical and advisory services, real estate and construction is based on open competition and fairness, with the highest level of integrity, and to discourage attempts by others to influence the Port Authority to achieve preferential, unequal or favored consideration of proposals for procurement based on considerations other than on the merits of such proposals. Such procedural guidelines shall include: restrictions on contacts between Commissioners and staff regarding the procurement process and particular active procurement matters; restrictions on contacts between lobbyists representing contractors, vendors or service providers, and Commissioners and staff, regarding the procurement process and particular active procurement matters; rules controlling flow of procurement inquiries and bids to responsible staff and pursuant to pre-set procedures; advertisement of procurement opportunities by the Port Authority through a broad range of media outlets, to increase vendors' awareness of and participation in the procurement process; and equal opportunity for minority-owned, women-owned and small business enterprises.

(i) In compliance with the policies established by the Board of Commissioners, the Executive Director shall have authority to adopt, rescind, amend, and modify rules and regulations

(i) for and in connection with facilities and properties owned, leased, or operated by the Port Authority and for the conduct of the users thereof and all other persons in or about such facilities or properties, including the officers, employees, or representatives of the Port Authority and of the users of its facilities and properties and people doing business with it or them; and

(ii) for the operation, management, and conduct of the business of the Port Authority and the staff.

(j) The Executive Director shall have authority to enter into any agreement including, but not limited to, leases, permits and licenses, for the use or occupancy of any property owned or operated by the Port Authority and for the use or occupancy of property by the Port Authority or for the exercise of privileges thereat; provided, that such agreement

(i) is for a total term, including any renewals and extensions, of not more than ten years, and the average annual rental (net present value) is not more than \$1,000,000;

(ii) is unconditionally revocable without cause by the Port Authority upon 30 days' notice or less and there is no fixed obligation on the Port Authority in excess of \$1,000,000; or

(iii) substitutes another for the contracting party to an existing agreement.

Any such agreement may contain such indemnity and other provisions as the Executive Director may deem appropriate.

(k) The Executive Director may authorize or arrange for contracts for the sale of personal property owned by the Port Authority upon such terms and conditions as the Executive Director may deem proper and execute the same on behalf of the Port Authority where the value of such personal property is not in excess of \$1,000,000; provided, however, that personal property valued at more than \$250,000 shall not be sold by authority of the Executive Director other than to the highest bidder after public advertisement.

(l) The Executive Director may authorize intervention and participation on behalf of the Port Authority in proceedings before any administrative tribunal of the United States or of the States of New York and New Jersey or their subdivisions affecting the trade, commerce, and economic development of the Port District or the terminal or transportation facilities or facilities of commerce and economic development therein; provided, however, that no statement as to the position of the Port Authority on the issues in the proceedings shall be submitted until the position has been authorized by the Board of Commissioners or the Committee on Capital Programs/Agency Planning.

(m) With respect to the operation, planning, and development of Port Authority facilities and to other projects, programs, and studies which have been authorized by the Port Authority, the Executive Director may apply for and accept on behalf of the Port Authority grants from federal, state, or other governmental entities. Expenditures in connection with such grants or projects and activities funded in whole or in part by such grants are, however, subject to consideration and authorization in accordance with the

provisions of these By-Laws.

(n) The Executive Director may, in the best interests of the Port Authority, enter into or authorize execution of agreements with federal, state, or other governmental entities for the performance of services by Port Authority employees or the participation by such employees in programs or other activities sponsored in whole or in part by such entities.

(o) The Executive Director shall have authority to settle all claims of and all claims against the Port Authority (not covered under paragraphs (c) and (e) of this Article X) when the total payment or the amount of damages incurred by the Port Authority is not in excess of \$1,000,000. Claims of and against the Port Authority shall include claims against individuals for which the Port Authority would be responsible under Article XI of these By-Laws; provided, however, that in the case of claims against individuals for which the Port Authority would be responsible under the said Article XI, which are covered by insurance purchased by or on behalf of such individuals, the Port Authority shall pay such claims only to the extent that they are in excess of the amount for which the insurance carriers are responsible.

(p) With respect to Port Authority property or to the operation, planning and development of Port Authority facilities the Executive Director may enter into such indemnity agreements as the Executive Director may deem appropriate.

(q) The Executive Director shall publish on a regular basis comprehensive reports on

(i) transactions of the Port Authority relating to the business and activities of the Port Authority, which reports shall identify vendors retained to perform services through the procurement process and the terms of their engagements; and

(ii) expenditures and operations of the Port Authority, identifying its programs and associated expenditures, which shall also be delivered to the Governors of New York and New Jersey;

provided, however, that the failure of the Executive Director to report the same shall not affect the validity of any action taken by the Executive Director with respect thereto.

(r) The Executive Director is authorized to delegate in whole or in part any power, authority, or discretion conferred upon the Executive Director by these By-Laws, or by any resolution heretofore or hereafter adopted by the Board of Commissioners to any other officer or member of the executive staff; provided, however, that the Executive Director shall file all delegations with the Secretary; and, provided further, that this power shall not apply to any case where the Executive Director is authorized to sign checks, drafts, or commercial paper, or deeds of conveyance of real property, or to have access to safe deposit boxes

(s) In exigent circumstances, the Executive Director, after consultation with the Chairman of the Port Authority (which requirement for consultation is waived if the Chairman of the Port Authority cannot be contacted through reasonable means and in a reasonable period of time), may take any action, whether or not otherwise authorized in these By-Laws, with respect to the property or facilities, projects, programs, and business of the Port Authority, or the rules and regulations or fees, fares, tolls, and other charges relating thereto. The Executive Director shall report such action to the Board of Commissioners. The Executive Director shall notify the Chairman of the Port Authority of any contract entered into pursuant to this provision.

Whenever the Executive Director purports to act pursuant to power vested under these By-Laws, then all third persons are entitled to rely on the Executive Director's representation that the Executive Director has the power to act.

The powers conferred upon the Executive Director under these By-Laws shall be discretionary and, unless otherwise expressly provided, shall not be construed to impose upon the Executive Director a requirement to execute any agreement, contract, or purchase order, or to take any other action authorized under these By-Laws. Except as otherwise provided in this Article X, the Executive Director may take action as authorized without providing prior notice to the Board of Commissioners.

XI. DEFENSE AND INDEMNIFICATION OF INDIVIDUALS

1. As used in this Article XI, the term "indemnified party" shall mean an individual who is a Commissioner, officer, or employee of the Port Authority. The terms "Commissioner," "officer," and "employee" shall include a former Commissioner, officer, and employee, and the estate or a judicially appointed personal representative of such present or former Commissioner, officer, or employee.

2. Upon compliance by an indemnified party with the provisions of paragraph 8 of this Article XI, the Port Authority shall provide for the defense of the indemnified party in any civil action or proceeding in any state or federal court arising out of any alleged act or omission which occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties; or which is brought pursuant to section nineteen hundred eighty-one or nineteen hundred eighty-three of title forty-two of the United States Code and the act or omission underlying the action occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties. The Port Authority shall not provide for a defense where such civil action or proceeding is brought by or on behalf of the Port Authority or to recover Port Authority funds.

3. Where an individual seeking indemnification delivers process and a request for a defense to General Counsel as required by paragraph 8 of this Article XI, General Counsel shall take the necessary steps on behalf of the individual in order to avoid entry of a default judgment pending resolution of any question pertaining to the determination

to provide for a defense. General Counsel shall represent such individual; provided, however, that General Counsel shall, with the approval of the Executive Director (in accordance with policies adopted by the Board of Commissioners), assign outside counsel where General Counsel determines, based upon an investigation and review of the facts and circumstances of the case, that representation by General Counsel would be inappropriate; or whenever a court of competent jurisdiction determines that a conflict of interest exists and that the individual is entitled to be represented by outside counsel.

4. The Port Authority shall indemnify and save harmless an indemnified party in the amount of any judgment obtained against such indemnified party in any state or federal court, or in the amount of any settlement of a claim, or shall pay such judgment or settlement; provided, however, that the act or omission from which such judgment or settlement arose occurred while the indemnified party was acting within the scope of Port Authority employment or duties; and provided, further, that the Port Authority shall not indemnify and save harmless or pay under this Article XI where the injury or damage resulted from actual fraud, actual malice, willful misconduct or intentional wrongdoing on the part of the party seeking indemnification, or where the Port Authority has brought the action.

5. Any proposed settlement or final judgment which may be subject to indemnification or payment by the Port Authority in accordance with these By-Laws, if not inconsistent with the provisions of this Article XI, shall, as applicable, be authorized for payment in accordance with the provisions of these By-Laws; provided, however, that General Counsel has determined that such proposed settlement or final judgment is in the best interest of the Port Authority. Nothing in this Article XI shall be construed to authorize the Port Authority to indemnify and save harmless or pay an indemnified party with respect to a settlement not so reviewed and approved by General Counsel.

6. Nothing in this Article XI shall require the Port Authority to indemnify or save harmless an indemnified party with respect to fines or penalties; provided, however, that the Port Authority shall indemnify and save harmless an indemnified party in the amount of any costs, attorneys' fees, damages, fines, or penalties which may be imposed by reason of an adjudication that an indemnified party, acting within the scope of Port Authority employment or duties, has, without willfulness or intent, violated a prior order, judgment, consent decree, or stipulation of settlement entered in any court of the State of New York or New Jersey or of the United States.

7. The Port Authority may, consistent with applicable law, provide for a defense when punitive damages are sought or criminal charges are asserted, in connection with any alleged act or omission which occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties, based upon an investigation and review of the facts and circumstances and a determination by General Counsel that provision of such defense would be in the best interest of the Port Authority; provided, however, that the Port Authority shall provide reimbursement of defense costs incurred by or on behalf of an indemnified party in defense of a criminal proceeding arising out of such an act or omission, upon acquittal or

dismissal of the criminal charges. Furthermore, the Port Authority may, consistent with applicable law, indemnify or save harmless an indemnified party with respect to fines or penalties, based upon an investigation and review of the facts and circumstances of the case and a determination by General Counsel that to indemnify and save harmless such indemnified party would be in the best interest of the Port Authority.

8. The benefits of this Article XI shall be conditioned upon (i) delivery to General Counsel of the original or a copy of any summons, complaint, process, notice, demand or pleading within five days after receipt or service of such document, such delivery being deemed a request by the party seeking indemnification that the Port Authority provide for defense pursuant to this Article XI; (ii) the full cooperation of the indemnified party in the defense of such action or proceeding and in defense of any action or proceeding against the Port Authority based upon the same act or omission, and in the prosecution of any appeal; and (iii) the agreement of the indemnified party that the Port Authority shall be entitled to withdraw such defense and demand reimbursement from such party for costs incurred in connection with such defense in the event that, upon further discovery, indemnification is not required or otherwise warranted under this Article XI.

9. The benefits of this Article XI shall inure only to an indemnified party as defined herein and shall not enlarge or diminish the rights of any other party. This Article XI shall not in any way affect the obligation of any claimant to give any notice otherwise required by any provision of law. The provisions of this Article XI shall not be construed to impair, alter, limit, or modify the rights and obligations of any insurer under any policy of insurance.

10. Except as otherwise specifically provided herein, the provisions of this Article XI shall not be construed in any way to impair, alter, limit, modify, abrogate, or restrict any immunity available to or conferred upon any unit, entity, Commissioner, officer, or employee of the Port Authority, or any right to defense and/or indemnification provided for any governmental officer or employee by, in accordance with, or by reason of, any other provision of state or federal statutory or common law.

11. In compliance with policies established by the Board of Commissioners, the Executive Director is authorized to publish such rules and regulations as are necessary to effectuate the purposes of this Article XI.

XII. BUDGET

Whenever reference in these By-Laws is made to a Budget, it shall mean the Budget of the Port Authority, together with a Capital Plan and Strategic Plan, approved or authorized by the Board of Commissioners at a meeting held pursuant to the Open Meetings Policy. Whenever in these By-Laws an officer is vested with powers or discretion by reason of a budget item, such officer shall also have the same powers and discretion in any case where the Board of Commissioners approves or authorizes an expenditure of a specified amount (or of an approximate sum or of an amount not to

exceed a specified sum) for a specified purpose, by resolution or otherwise.

XIII. ANNUAL AUDIT OF FINANCIAL STATEMENTS; ANNUAL REPORT

A. The Port Authority shall prepare financial statements on an annual basis in accordance with accounting principles generally accepted in the United States of America.

B. The Audit Committee of the Port Authority shall arrange for an independent firm of certified public accountants to perform an audit of the financial statements of the Port Authority each year in accordance with auditing standards generally accepted in the United States of America.

C. As a condition to the issuance of the annual financial statements, the Executive Director and the Chief Financial Officer shall be required to make a written certification to the effect that, to the best of their knowledge and belief, the financial and other information in the consolidated financial statements is accurate in all material respects and has been reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and, that on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

D. The Executive Director shall make arrangements for the publication of the annual report submitted to the Governors and Legislatures of the two States as provided by law, which report shall include but not be limited to the following: (i) the Port Authority's annual financial statements; (ii) the independent auditor's report with respect to the annual financial statements; (iii) the certification referred to paragraph C of this Article XIII; and (iv) a list of the compensation, educational background and professional experience of, the 20 highest-paid executive staff members.

XIV. RESERVATION OF POWERS

The powers not delegated by these By-laws are reserved to the Board of Commissioners. The powers vested by these By-Laws in the Committees shall not be construed or deemed to limit the authority of the Board of Commissioners to act in any instance or the statutory veto power of the Governor of each State. If such authority is exercised by the Board of Commissioners, it shall not be construed or deemed to affect the power of the Committees to act in similar cases thereafter. The powers vested in the Executive Director shall not be construed or deemed to affect the power of the Board of

Commissioners to act in any case, nor shall any power vested in the Executive Director be construed or deemed to affect the power of any Committee to act where such power is also vested in a Committee, but where either the Board of Commissioners or any Committee exercises a power in any such case, such action shall not be construed or deemed to affect the power of the Executive Director to act in similar cases in the future.

XV. AMENDMENTS

These By-Laws may be amended by resolution duly adopted at any meeting, of the Board of Commissioners, regular or special, provided that notice of intention to present such resolution shall be given at least two days in advance of the meeting at which the motion to adopt such resolution is made. Such notice may be given by any Commissioner or by any Committee (or by the Secretary at the request of any Commissioner or any Committee). Such notice shall be given to all Commissioners by mail, facsimile, telephone, or in person, at least two days before the meeting; in the alternate, such notice may be given orally at any meeting, in which event such notice shall be noted in the minutes of the meeting at which it is given. Advance notices of motions to amend motions to amend the By-Laws need not, however, be given.

AMENDMENT TO BY-LAWS – GOVERNANCE OF THE PORT AUTHORITY

As part of the Board's continuing review of governance enhancements that improve oversight, accountability and transparency, the Chairman and Vice Chairman recommended that the By-Laws of the Port Authority (and its wholly owned subsidiary corporations) be amended to provide for changes to the current Committee organization and operations.

The proposed By-Laws revisions would provide for enhanced governance of the Port Authority by: (i) revising the organization of the current Committees to reflect a renewed focus on the current issues before and the priorities of the Board; (ii) requiring each Committee, with the approval of the Board, to adopt a formal written charter clearly defining the roles and responsibilities of such Committee, and to review and assess such charter from time to time; (iii) requiring the Committee charters to be posted on the Port Authority's Internet site; (iv) requiring regular meetings of the Committees; and (v) requiring each Committee to provide regular written communications, reports and recommendations to the Board on the results of its oversight and other activities. Together, these changes are intended to further strengthen the Board's oversight responsibilities and the accountability of the agency to the public that it serves.

Conforming changes will be made to the By-Laws of each of the Port Authority's wholly owned subsidiary corporations.

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

RESOLVED, that the proposed amended By-Laws of the Port Authority presently before the Board of Commissioners (a copy of which is annexed to these Minutes) be and they hereby are approved; and it is further

RESOLVED, that the By-Laws of the Port Authority's wholly owned subsidiary corporations be and each hereby is amended consistent with the foregoing.

BY-LAWS OF
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

I. SEAL

The official seal of The Port Authority of New York and New Jersey (hereinafter referred to as the “Port Authority”) shall be a design bearing a combination of the seals of the State of New York and of the State of New Jersey, and bearing the words “THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY — ESTABLISHED BY COMPACT BETWEEN NEW YORK AND NEW JERSEY — APRIL THIRTIETH — 1921.”

II. OFFICERS

The officers of the Port Authority shall be a Chairman, a Vice-Chairman, an Executive Director, a Deputy Executive Director, a General Counsel, a Chief Financial Officer, a Treasurer, a Comptroller, and a Secretary.

III. DUTIES

A. Board of Commissioners — The Board of Commissioners shall establish the policies of the Port Authority and shall be responsible for reviewing and monitoring whether Port Authority procedures and regulations and executive staff’s financial, management, and operational decisions and controls are in compliance with such overall policies. The Board of Commissioners shall receive from the Executive Director reports on a regular basis, and shall cause the Executive Director to provide such reports, in order for the Commissioners to perform their oversight duties described herein. The Board of Commissioners shall also be responsible for adopting the Strategic Plan, Capital Plan, and Budget of the Port Authority. In serving as a Commissioner of the Port Authority, each Commissioner shall act in a fiduciary capacity with a duty of loyalty and care owed to the Port Authority.

B. Chairman — The Chairman shall preside at all meetings of the Board of Commissioners; communicate to the Executive Director and, where appropriate, executive staff, the policies of the Port Authority established by the Board of Commissioners; and be responsible for advancing the mission and promoting the objectives of the Port Authority to members of the general public.

C. Vice-Chairman — The Vice-Chairman shall perform the duties of the Chairman in the event the office of Chairman is vacant, or in the event that the Chairman is unable to perform such duties by reason of illness, disability, or absence.

D. Executive Director — The Executive Director shall manage the operations of the Port Authority in compliance with the agency's policies as established by the Board of Commissioners. The Executive Director shall prepare proposals for presentation to the Board of Commissioners which carry out approved policies or which propose policies for adoption and implement such proposals after presentation to and approval by the Board of Commissioners. In furtherance of these duties, the Executive Director shall hold executive staff responsible and accountable for making financial, management, and operational decisions in compliance with the policies established by the Board of Commissioners, and shall consult with the Board of Commissioners, as necessary, to enable the Commissioners to perform their oversight duties described above. The Executive Director shall sign all deeds of conveyance when authorized by resolution of the Board of Commissioners.

E. Secretary — The Secretary shall prepare the minutes of the meetings of the Board of Commissioners; keep the official records and the seal of the Port Authority; certify, when required to, copies of records; be responsible for administering the Freedom of Information Code providing for access by the public to records of the Port Authority; and perform such other duties as may be assigned by the Chairman.

F. General Counsel — General Counsel shall be legal counsel to the Port Authority and shall also furnish such legal opinions, advice, counsel, and representation as shall, from time to time, be required by the Board of Commissioners. In the performance of these duties, General Counsel is authorized to use Port Authority staff and, with the approval of the Executive Director, to retain outside counsel in accordance with policies established by the Board of Commissioners and guidelines adopted by General Counsel from time to time.

G. Chief Financial Officer — The Chief Financial Officer shall, under the supervision of the Executive Director, act as chief financial officer of the Port Authority and supervise the activities of the Treasurer and the Comptroller.

H. Comptroller — The Comptroller shall, under the supervision of the Chief Financial Officer, be in charge of the books of account of the Port Authority and be responsible for all payments to and expenditures by the Port Authority.

I. Treasurer — The Treasurer shall, under the supervision of the Chief Financial Officer, have custody of all funds and be responsible for investments of the Port Authority.

J. Inspector General — The Inspector General, under the general direction of the Chairman and the Executive Director, shall be charged with the responsibility for receiving and investigating, where appropriate, all complaints regarding wrongdoing, fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority, or third-party individuals or organizations doing business with the Port Authority; and consulting with the Board of Commissioners, the Audit Committee, the Executive Director, and General Counsel, as appropriate; provided, however, that the Inspector

General shall continue to be independent and free from interference in the conduct of the Inspector General's responsibilities. The Inspector General shall provide reports to the Board of Commissioners and, as appropriate under the circumstances, its Committees, with respect to the foregoing.

K. Director of the Audit Department — The Director of the Audit Department shall, under the general direction of the Inspector General, be responsible for the internal auditing functions in the Port Authority and for external auditing of financial and operating records of firms doing business with the Port Authority.

IV. TERM OF OFFICE

All officers of the Port Authority shall hold office until the next annual meeting of the Port Authority, or until their successors are elected or appointed, whichever may be the later.

V. MEETINGS; OPEN MEETINGS POLICY; FREEDOM OF INFORMATION CODE

A. An annual meeting of the Board of Commissioners shall be held each year for the purpose of election of officers. Special meetings of the Board of Commissioners may be called by the Chairman of the Port Authority and shall be called by the Chairman of the Port Authority on request of any two Commissioners, one from each State. The time and place for all annual, regular, and special meetings shall be determined by the Chairman of the Port Authority.

B. The Secretary shall give notice to the Commissioners of annual, regular, and special meetings, specifying the time and place of the meeting, by mail, facsimile, telephone, or in person, at least two days before the meeting. The notice of a special meeting shall specify the subject(s) to be considered thereat. Any Commissioner may waive the requirement for such notice.

C. The provisions of these By-Laws may be suspended by unanimous consent of a quorum of the Board of Commissioners.

D. Quorum — Six Commissioners, three from each State, shall constitute a quorum for all meetings of the Board of Commissioners. In the absence of a quorum at any meeting of the Board of Commissioners, or, if as a result of prospective recusals there would not be a sufficient number of Commissioners present at such meeting to consider any item on the agenda for such meeting, the Committee on Operations is authorized to act for and on behalf of the Board of Commissioners at a special meeting of the Committee on Operations called by the Chairman.

E. Votes – After due debate, the vote shall be recorded upon all resolutions or amendments thereto presented at any meeting of the Board of Commissioners. If three votes from each State shall not be cast therefor (or in case six Commissioners from either State are present, if four votes from such State shall not be cast therefor), the resolution or amendment shall be deemed lost. But a motion to adjourn, to lay on the table, to postpone consideration, or to refer a matter may be carried by a vote of a simple majority of Commissioners present.

F. Order of Business – The order of business at annual, regular, and special meetings of the Board of Commissioners shall be determined by the Chairman of the Port Authority; provided, however, that upon request of any two Commissioners, one from each State, received no less than two days prior to the meeting, a matter shall be placed on the calendar for any meeting as special business.

G. Open Meetings Policy

The Port Authority has an obligation to conduct its business and activities in the public interest and to solicit public participation and make its affairs known to members of the general public. In accordance with this obligation, the Port Authority shall follow an Open Meetings Policy, which shall require that: meetings of the Board of Commissioners and its Committees shall be open to the public consistent with the open meetings laws of the two States; sufficient advance notice shall be provided to members of the general public and representatives of the press of all meetings to be held in open public or closed executive session and, if in closed executive session, the reason(s) therefor; where meetings are held in open public session, anticipated agendas for such meetings shall be provided to members of the general public and representatives of the press sufficiently in advance of such meetings; representatives of all groups and constituencies who may wish to attend meetings held in open public session shall be accommodated; where meetings are held in open public session, members of the public shall have the opportunity to comment to the Board of Commissioners prior to action on those items; materials reflecting actions taken in open public and closed executive session, including minutes of meetings of the Board of Commissioners, shall be released to members of the general public. Meetings of the Board of Commissioners and its Committees (other than meetings held in closed, executive session) are to be publicly broadcast, to the extent technologically feasible.

The term “meeting” as used herein shall refer to any gathering, whether corporeal or by means of communications equipment, which is attended by, or open to, members of the Board of Commissioners, held with the intent, on the part of the Commissioners present, to discuss or act as a unit upon the specific public business of the Port Authority; provided, that the term “meeting” does not mean a gathering (1) attended by less than a quorum, or (2) attended by or open to all the members of three or more similar public bodies at a convention or similar gathering. The term “public business” shall refer to matters that relate in any way, directly or indirectly, to the performance of the functions of the Port Authority or the conduct of its business.

H. Open Meetings Policy – Limited Exceptions

1. In certain limited circumstances, public consideration by the Board of Commissioners (or a Committee thereof) of matters relating to the business and affairs of the Port Authority would clearly endanger the public interest or constitute an unwarranted invasion of the personal privacy of individuals (including Port Authority employees). Accordingly, in such limited circumstances, the Board of Commissioners or Committee may determine to take action on or discuss only such subjects in closed, executive session. Consistent with the open meetings laws of the two States, the following matters may be considered in closed, executive session: (i) public safety or law enforcement; (ii) proposed, pending, or current litigation, judicial or administrative proceedings, and external or internal investigations or audits; (iii) ongoing bargaining or negotiations, reviews of contracts or proposals related to the purchase, sale, or lease of real property or securities where disclosure could affect the public interest; (iv) the necessary consideration of facts that, if made public, would constitute an unwarranted invasion of an individual's personal privacy; (v) the necessary consideration of facts that are deemed confidential, privileged, or private pursuant to federal or state law, regulations, rules, or decisions of court; or (vi) information that, if made public, could impair the Port Authority's right to receive funds from the United States or other grantor.

2. From time to time, the Chairman of the Port Authority may, in the best interests of the Port Authority, permit discussion in public, open session of and action on any matter otherwise exempted under the Open Meetings Policy.

3. In exigent circumstances when required for action, the Chairman of the Port Authority may request that one or more absent Commissioners participate and attend any meeting of the Port Authority through the use of communications equipment.

I. Freedom of Information Code

The Port Authority conducts its business and activities in the public interest and therefore the public should have access to records of the Port Authority. The Port Authority shall follow a Freedom of Information Code consistent with the freedom of information laws of the two States.

The Port Authority shall, to the extent technologically feasible, provide access to the minutes of meetings of the Board of Commissioners and the Committees and to reports provided for in accordance with these By-Laws, by posting such documents on its Internet site, or any successor electronic media designated by the Executive Director for such purposes.

VI. PUBLIC HEARINGS

A. Public hearings shall be held on matters requiring public consideration or public comment and information and may be held upon the request of (i) the Chairman of

the Port Authority or (ii) any two Commissioners, one from each State.

B. Pursuant to direction by the Board of Commissioners, the Executive Director shall have authority to arrange for public hearings, in connection with the budgeting, planning, and programming of the Port Authority, including proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities. In connection therewith, the Executive Director shall

(1) determine the dates, times, and locations in each of the two States for the conduct of such hearings, which shall be designed to encourage the broadest possible attendance and participation, and which, in the case of each hearing pertaining to proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities, shall include the attendance of at least two Commissioners, one from each State;

(2) provide for appropriate notice to be given not less than ten days in advance of such hearings, with notice to be published within the Port District in one or more newspapers of general circulation in each State, on the Port Authority Internet site or any successor electronic media designated by the Executive Director, and through other available electronic media used by the Port Authority, and which, in the case of each hearing pertaining to proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities, shall include the charge or charges proposed to be instituted or changed, shall set forth a comparison of the existing charges with the proposed charges, and shall state the purpose or purposes for which such tolls, fares or other charges are to be instituted or changed and an estimate of the overall increase or decrease in revenues to the Port Authority resulting from such proposed charges;

(3) designate hearing officers (if any) in connection therewith;

(4) arrange for transcripts and reports of the hearings, which shall be made available to all Commissioners prior to the consideration of any proposal; and

(5) take such other action as will effectuate the Port Authority's policy, as established by the Board of Commissioners, for the conduct of public hearings.

VII. NOMINATING COMMITTEE

The Nominating Committee shall consist of all of the Commissioners of the Port Authority except the Chairman of the Port Authority and the Vice-Chairman of the Port Authority.

The Nominating Committee shall meet at least once during the 30 days immediately preceding the annual meeting of the Port Authority to consider a slate of officers for nomination and shall present such slate to the Board of Commissioners. If the office of Chairman of the Port Authority or Vice-Chairman of the Port Authority shall become vacant for any reason other than expiration of term, the Nominating Committee shall meet as soon as practical thereafter. The Nominating Committee may also meet to consider vacancies in any other office or offices.

Meetings of the Nominating Committee shall be held pursuant to notice given by the Secretary at the request of any member of the Committee.

At each meeting of the Nominating Committee, the members thereof shall elect a Chairman of the Committee whose duties shall be to preside at such meeting, and to submit or cause to be submitted to the Board of Commissioners any reports or recommendations adopted at such meeting.

VIII. COMMITTEES OF THE BOARD

The Committees on Capital Planning, Execution and Asset Management; Finance; Operations; Security; Audit; and Governance and Ethics, are established under this Article VIII to provide for the effective and efficient governance of the Port Authority, and to make recommendations to, and act on behalf of, the Board of Commissioners to the extent set forth in these By-Laws and the formal written charter of such Committee.

Each Committee shall, with the approval of the Board of Commissioners, adopt a formal written charter clearly defining the roles and responsibilities of such Committee. Committee charters shall be posted on the Port Authority's Internet site, or any successor electronic media designated by the Executive Director for such purpose. Each Committee shall follow the provisions of its charter in connection with the satisfaction of its responsibilities under these By-Laws, and shall review and reassess such charter from time to time, with any amendments to such charter resulting from such review and reassessment to be made with the approval of the Board of Commissioners.

A Chairman, a Vice-Chairman, and members of all Committees shall be appointed by the Chairman of the Port Authority, who shall be an *ex officio* member of each Committee of which the Chairman of the Port Authority is not a regular member, except the Audit Committee. If one or more regular members are absent from any Committee meeting, the Chairman of the Port Authority shall be counted towards a quorum and entitled to vote on Committee business. The Chairman of the Port Authority shall also be

entitled to vote to decide a tie vote.

The Vice-Chairman of the Port Authority shall likewise be an *ex officio* member of each Committee of which the Vice-Chairman of the Port Authority is not a regular member, except the Audit Committee. The Vice-Chairman of the Port Authority shall be counted towards a quorum and entitled to vote on Committee business under the same circumstances as the Chairman of the Port Authority, but only in the absence of the Chairman of the Port Authority.

A quorum for the conduct of business at any meeting of any Committee shall consist of a number equal to the majority of the regular members, provided that at least one Commissioner from each State shall be present. If there is no quorum at any regular, special, or adjourned meeting of any Committee, then the Commissioner presiding at such Committee meeting may, in order to achieve a quorum, designate any Commissioner present who is not already a member of such Committee as a substitute member *pro tem* to act at such meeting in the place and stead of an absent Committee member. Any Committee member *pro tem* shall be treated as a regular member for purposes of (i) determining whether a quorum is present; (ii) voting; and (iii) determining whether an *ex officio* member may vote. Action shall be taken by a majority vote of the Committee members present; provided that no action of a Committee shall be binding unless at least one Commissioner from each State shall vote in favor thereof.

In order to assure the right of approval or veto by the Governor of each State, any action by a Committee taken pursuant to the powers vested under these By-Laws or its formal written charter shall be considered part of the minutes of the Board of Commissioners.

Whenever a Committee purports to act pursuant to powers vested under these By-Laws or its formal written charter then all third persons are entitled to rely on the Committee's representation that it has power to act.

The Committees shall meet regularly as determined in each Committee's charter, or at the request of the Chairman of the Port Authority, in connection with the conduct of Port Authority business. Each Committee shall provide regular written communications, reports, and recommendations to the Board of Commissioners from time to time, or at the request of the Chairman of the Port Authority, on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

Each Committee shall consist of five regular members (including a Chairman and Vice-Chairman), in addition to *ex officio* members, except the Audit Committee, which shall have no *ex officio* members and shall consist of four regular members (including a Chairman and Vice-Chairman), two from each State, and at least one of whom shall have a high level of financial expertise as determined in accordance with Article VIII of these By-Laws. When two or more Committees have powers relating to the same subject matter, none shall be deemed to have exclusive authority, but such Committees shall

confer and cooperate in regard thereto. Executive management and support staff shall be assigned to each Committee as a continuing resource for such Committee to carry out its oversight responsibilities.

Each Committee shall have the responsibilities and powers set forth below and as may be set forth in its formal written charter, as such formal written charter may be modified from time to time pursuant to these By-Laws:

A. Committee on Capital Planning, Execution and Asset Management

The Committee on Capital Planning, Execution and Asset Management shall:

- (1) have oversight of the Port Authority's Capital Plan and Strategic Plan;
- (2) review the long-term planning for the development of new facilities, the initiation of new business and activities, and studies conducted in furtherance of such purposes;
- (3) keep informed regarding the duties of the Port Authority, whether imposed by statutes or otherwise, and from time to time recommend to the Board of Commissioners such programs and policies as in its opinion may be desirable and as will enable the Port Authority to perform its duties most effectively and in due relation to their order of importance;
- (4) keep informed of the needs of the Port District with regard to marine, air, railroad, and motor vehicle terminals and other transportation and terminal facilities and facilities of commerce and economic development, and matters relating thereto, and, from time to time, make recommendations in reference thereto;
- (5) have general supervision over transportation, terminal and commerce and economic development studies and do all things necessary and convenient to advance such studies;
- (6) have oversight of all construction by the Port Authority, including without limitation rehabilitation, repairs, demolition, and excavation, and shall, from time to time, make such recommendations to the Board of Commissioners in reference to the establishment of policies with respect thereto as in its opinion may be desirable;
- (7) have oversight of agreements and contracts for the acquisition, purchase, lease, and/or use by the Port Authority of real property and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements or contracts;
- (8) have oversight of agreements and contracts for the purchase or

acquisition of materials for use by the Port Authority in connection with construction and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements and contracts; and

(9) have oversight of such other matters as may be set forth in its formal written charter.

B. Committee on Finance

The Committee on Finance shall:

(1) have oversight of the financial affairs of the Port Authority, and, from time to time, make such recommendations to the Board of Commissioners in reference to the establishment of policies with respect thereto as in its opinion may be desirable;

(2) approve the selection of depositories for Port Authority funds and authorize and approve investments and reinvestments thereof;

(3) approve insurance policies and surety bonds, and adopt or approve policies or practices followed in connection with insurance and surety bonds; and

(4) have oversight of such other matters as may be set forth in its formal written charter.

C. Committee on Operations

The Committee on Operations shall have oversight of:

(1) the operation and maintenance of all facilities and properties owned and/or operated by the Port Authority, and shall, from time to time, make such recommendations to the Board of Commissioners in reference to the establishment of policies with respect thereto as in its opinion may be desirable;

(2) agreements and contracts for the acquisition or purchase by the Port Authority of equipment, tools, materials, supplies, or other personal property for use in connection with the operation of any Port Authority facility or property, and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements or contracts;

(3) the sale, consistent with legislation, of real or personal property owned and/or operated by the Port Authority;

(4) personnel matters, and shall approve all agreements with organizations representing Port Authority employee groups relating to wages, working conditions, and benefits; and

(5) such other matters as may be set forth in its formal written charter.

D. Security Committee

The Security Committee shall:

(1) keep informed of the security needs of the facilities and properties owned and/or operated by the Port Authority;

(2) keep informed of the needs of the Port District generally with regard to security matters, and, from time to time, make recommendations in reference thereto; and

(3) have oversight of such other matters as may be set forth in its formal written charter.

E. Audit Committee

The Audit Committee shall:

(1) have oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing, and financial reporting processes; select pursuant to a competitive process, determine the compensation for, and have oversight of the activities of all independent accountants retained for auditing purposes, who shall report directly to the Committee; and keep informed regarding the management of the Port Authority;

(2) recommend, establish, maintain, and reassess procedures for processing complaints regarding accounting, internal controls, or auditing matters, as well as the confidential, anonymous submission of concerns about questionable accounting or auditing practices;

(3) review the annual financial statements of the Port Authority (including certifications by the Executive Director and the Chief Financial Officer required pursuant to Article XIII of these By-Laws) and recommend to the Board of Commissioners the inclusion of such financial statements in the Port Authority's annual report and other publications, as appropriate;

(4) receive from the Inspector General reports regarding concerns and complaints received by the Office of Inspector General involving wrongdoing,

fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority, or third party individuals or organizations doing business with the Port Authority, including the progress of any investigation thereof, as well as referrals made or other matters pursued in connection therewith, and it shall be the duty of the Inspector General to report such information to the Audit Committee. The Audit Committee shall recommend, establish, maintain, and reassess procedures for reviewing reports submitted by the Inspector General with respect to the foregoing; provided, however, that such procedures shall not limit the Inspector General's independence and freedom from interference in the conduct of the Inspector General's responsibilities; and

(5) have oversight of such other matters as may be set forth in its formal written charter.

The (i) appointment of any person to the position of Director of the Audit Department or Inspector General shall not be made or terminated; (ii) salary or benefits of the Director of the Audit Department and the Inspector General shall not be increased or reduced; and (iii) responsibilities of the Director of the Audit Department and the Inspector General shall not be changed in any way, without the approval of the Chairman of the Audit Committee (or of the Board of Commissioners); provided, that any increase or reduction in salary or benefits that may be made with respect to Port Authority department heads generally and would be effective as to the Director of the Audit Department and the Inspector General in the absence of the foregoing requirement of approval shall not require such approval in order to be effective as to the Director of the Audit Department and the Inspector General.

The members of the Audit Committee which, for independence purposes, shall not include the Chairman or Vice-Chairman, shall include at least one member, who in the determination of the Governance and Ethics Committee possesses a high level of financial expertise, which may be demonstrated, among other factors, by a general understanding of (i) generally accepted accounting principles and financial statements; (ii) the preparation or auditing of financial statements of entities comparable to the Port Authority; (iii) the application of such principles in connection with the accounting for estimates, accruals, and reserves; (iv) internal accounting controls; and (v) audit committee functions.

The Audit Committee shall assist the Board of Commissioners in fulfilling its oversight responsibility relating to the Port Authority's compliance with legal or regulatory requirements relating to accounting, auditing, financial reporting, and/or internal controls, all subject to and consistent with the principle that compliance matters which are not primarily related to accounting, auditing, financial reporting, and/or internal controls shall be submitted to the Governance and Ethics Committee.

In addition to other regular written communications, reports, and recommendations required pursuant to these By-Laws, the Audit Committee shall report from time to time to the Board of Commissioners with respect to its oversight activities

and the policies and procedures governing the accounting, auditing, financial reporting, and internal controls of the Port Authority.

F. Governance and Ethics Committee

The Governance and Ethics Committee shall:

(1) have oversight of questions relating to the development of, and compliance with, governance and ethics principles of the Port Authority, and shall, from time to time, make such recommendations in reference thereto as in its opinion may be desirable;

(2) define and make recommendations to the Board of Commissioners with respect to the establishment of policies and practices that will (i) assist in identifying qualifications for prospective appointments to the Board of Commissioners; (ii) evaluate the ongoing performance of the Board of Commissioners and its members; (iii) lead the Board of Commissioners in an annual review and evaluation of the Board of Commissioners' performance, and the effectiveness of Committees; (iv) ensure that the Board of Commissioners and staff are familiar with and committed to the ethics principles and programs that have been adopted by the Port Authority; (v) ensure that each member of the Board of Commissioners has received training with respect to the ethical standards applicable to the member as an unsalaried public officer from the member's state of appointment; (vi) assist the Board of Commissioners in fulfilling its oversight responsibility relating to the Port Authority's compliance with legal and regulatory requirements; (vii) ensure that the Inspector General shall continue to be independent and free from interference in the conduct of the Inspector General's responsibilities; and (viii) require executive staff to annually review Port Authority operations with the specific goal of identifying waste and inefficiencies, and to take appropriate remedial steps that shall be publicly reported.

(3) recommend to the Chairman of the Port Authority changes in the size, composition, and organization of the Committees; policies and practices relating to Board operations; Commissioner policies and practices; and associated matters of corporate governance;

(4) lead the Board of Commissioners in an annual review and evaluation of the Executive Director's performance;

(5) recommend, develop, and maintain a Code of Ethics for the Board of Commissioners and for the staff, which Code shall include (a) requirements for disclosures of outside business dealings of Commissioners and their employers, executive staff, or the immediate family members of Commissioners and executive staff; (b) restrictions on participation by Commissioners, officers, or employees in any contracting decision relating to a family member or firms in which a family member may have an interest; and (c) rules precluding contributions to the

political campaigns of Port Authority Commissioners or officers;

(6) on an annual basis, reassess the adequacy of the Code of Ethics and oversee compliance with such Code;

(7) review the independence and objectivity of the members of the Board of Commissioners and its Committees on a periodic basis (but in no event less than once per year), as well as any relationships such members may have with the Port Authority and/or its wholly owned corporate entities or subsidiaries or otherwise that may reasonably create the appearance of non-independence and/or non-objectivity;

(8) review corporate trends and best practices generally with respect to governance procedures and ethics policies and requirements. In carrying out this responsibility, the Committee shall, on an annual basis, review ethical standards in the two States (and any other jurisdictions whose standards may be useful in determining best practices at the Port Authority) and make recommendations to the Board of Commissioners concerning appropriate practices, including adoption of the higher ethical standard when the two states apply different standards to the same conduct or situation; and

(9) have oversight of such other matters as may be set forth in its formal written charter.

The Governance and Ethics Committee's duties as described herein shall be subject to and consistent with the following:

- (a) compliance matters which are primarily related to accounting, auditing, financial reporting, and/or internal controls shall be subject to the jurisdiction and oversight of the Audit Committee; and
- (b) compliance matters which are not primarily related to accounting, auditing, financial reporting and/or internal controls shall be submitted to the Governance and Ethics Committee, which shall determine the proper handling thereof (including the involvement of other Board Committees, outside advisers and others) with such oversight by the Board of Commissioners as it determines is appropriate.

IX. RULES AND REGULATIONS

In compliance with policies established by the Board of Commissioners, the Executive Director shall establish rules and regulations as required for the conduct of the Port Authority's business, consistent with policies established by the Board of Commissioners.

The Executive Director shall cause such rules and regulations to be filed with the Board of Commissioners at least 30 days prior to the effective date of such rules and regulations. Absent objections by the Board of Commissioners such rules and regulations shall become effective upon the expiration of such 30-day period. If such objections are made, the Board of Commissioners shall, after due consideration, decide upon adoption, amendment or rejection of the proposed rules and regulations.

It is the policy of the Port Authority that the process for adoption of such rules and regulations shall be an open process with the opportunity for the general public to comment on such rules and regulations prior to adoption, and for such purposes such proposed rules and regulations shall be made publicly available at the time they are filed with the Board of Commissioners.

X. EXECUTIVE DIRECTOR POWERS AND RESPONSIBILITIES

The Executive Director shall have the following powers, unless otherwise provided by any resolution of the Board of Commissioners or a Committee thereof, subject to the limitations, if any, of the Budget adopted by the Board of Commissioners. These powers shall be in addition to any other powers conferred by any other provisions of these By-Laws, or by any resolution heretofore or hereafter adopted by the Board of Commissioners or a Committee thereof.

(a) Unless otherwise directed by the Committee on Operations or otherwise provided by any resolution of the Board of Commissioners and subject to the limitations, if any, of the Budget adopted by the Board of Commissioners, the Executive Director is authorized:

(i) To determine and prescribe the duties of new and existing positions and the qualifications for appointments made thereto;

(ii) Subject to the approval of the Chairman of the Committee on Operations, to make permanent appointments to the Port Authority staff;

(iii) To make promotions and demotions within the staff;

(iv) To terminate appointments to the staff subject to the approval of the Chairman of the Committee on Operations whenever approval of the Committee on Operations is not otherwise specifically required;

(v) To create temporary positions and to make temporary appointments thereto for periods not exceeding three (3) months' duration; and

(vi) To grant or authorize the granting of vacation, sick leave, other leave of absence and to establish or modify other employee benefits (other than retirement matters) and to take other action affecting personnel.

(b) The Executive Director is authorized:

(i) to authorize or arrange for the printing and engraving of bonds, notes or other securities or obligations, the issuance whereof has been authorized by the Board of Commissioners;

(ii) to authorize and arrange for the payment of the interest upon and principal of such bonds, notes, or other securities or obligations, in accordance with the resolutions authorizing their issuance, out of any revenues directly pledged therefor, out of any sinking funds or special reserve funds especially established in connection therewith and, in case there are no other moneys available for the payment of such interest and principal, out of the General Reserve Fund if such fund has been pledged as security for such payments;

(iii) to authorize or arrange for the making of payments into such reserve funds during the year for which such payments are to be made out of revenues directly pledged for such purposes, and to authorize or arrange for the making of payments into such sinking funds during the year for which such payments are to be made out of revenues directly pledged for such purposes, out of any special reserve funds especially established in connection with the particular issue of such bonds, notes, securities or other obligations for which such payments are to be made, out of any other special reserve funds available for such purposes, out of any other Port Authority funds available for such purposes, and, in case all the preceding available sources are insufficient to make such payment, then out of the General Reserve Fund; and

(iv) whenever the resolutions of the Board of Commissioners establishing the issue of bonds and the various resolutions of the Board of Commissioners establishing the separate series of such bonds require the redemption of bonds for retirement for sinking fund purposes, to (a) arrange for or authorize the call of such bonds for redemption, within the limitations of said bond resolutions to select or arrange for the selection of the particular bonds to be redeemed, (b) publish or arrange for the publication of notice of redemption, (c) pay or arrange for the payment of such bonds upon the date set for their redemption, and (d) generally do all things necessary or incidental to the redemption and retirement of such bonds.

(c) The Executive Director is authorized to authorize, approve, or award agreements, contracts, or purchase orders for

(i) professional, technical, or advisory services, including but not limited to the services of consultants, engineers, architects, designers, artists, technicians, inspectors, appraisers, and experts of any kind;

(ii) maintenance, repair, rehabilitation, or other operating expenses;

(iii) capital improvements and additions (including major repairs or rehabilitation);

(iv) construction;

(v) materials, equipment or supplies (including the leasing of equipment);

(vi) utility or other services;

(vii) insurance or brokerage services; and

(viii) settlement of claims (not covered under paragraphs (e) or (o) of this Article X)

upon such terms as the Executive Director may deem proper and to enter into or execute the same on behalf of the Port Authority where the amount of any such agreement, contract, or purchase order (inclusive of any renewal or extension) is not in excess of \$2,500,000; provided, however, that the Executive Director may not take such action where the amount of any such agreement, contract, or purchase order (inclusive of any renewal or extension) under subparagraphs (c)(i) through (c)(vii), above, is in excess of

(a) \$1,500,000 but not in excess of \$2,500,000, unless the agreement, contract, or purchase order is awarded to the lowest qualified bidder after public advertisement, or through cooperative governmental purchasing arrangements; or

(b) \$500,000 but not in excess of \$1,500,000, unless the agreement, contract, or purchase order is awarded to the lowest qualified bidder, or the proposer best qualified by reason of cost, responsibility, and capacity to perform the work and whose bid price or proposal is deemed reasonable, after the receipt of competitive bids or proposals; and,

provided, further, in connection with authorizations under subparagraph (c)(viii), above, the Executive Director may settle such claims if the total settlement is not in excess of \$500,000. In addition, the Executive Director may take such actions under this paragraph (c) with respect to an extension, amendment, or modification of any existing agreement, contract, or purchase order either

(a) on terms and conditions at least as favorable to the Port Authority and under which the Port Authority will incur no additional expenditures or obligations; or

(b) where the amount of the extension, amendment, or modification is not in excess of 25 percent of the base amount of the original

agreement, contract, or purchase order, provided however that such excess amount is not greater than \$2,500,000.

(d) In the exercise of authority under this paragraph (d), the Executive Director may take the following actions only upon providing prior notice to the Board of Commissioners. The Executive Director, pursuant to authority granted to the Executive Director in conjunction with the adoption of the Budget or other resolutions of the Board of Commissioners, may, as the Executive Director deems in the best interest of the Port Authority, in connection with agreements, contracts or purchase orders:

(i) (a) award to the bidder or proposer who, in the opinion of the Executive Director, is best qualified by reason of cost, responsibility, experience, and capacity to perform the work and whose bid price or proposal the Executive Director deems reasonable, (b) reject all bids or proposals, (c) solicit new bids or proposals on revised or the same requirements, (d) negotiate with one or more bidders, proposers, or other contractors; or (e) exercise any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreement, contract, or purchase order;

(ii) execute agreements, contracts, or purchase orders and supplemental agreements, contracts or purchase orders with such bidders, proposers, or contractors;

(iii) order extra work and net cost work; and

(iv) authorize payments to contractors or vendors.

(e) The Executive Director may, in connection with any agreement, contract, or purchase order,

(i) require a bond securing the performance thereof and/or the payment of subcontractors, materialmen, workers, and other third persons;

(ii) settle claims arising under or in connection with such agreements (including leases, permits, and licenses, for the use or occupancy of property), contracts, or purchase orders; provided, that the Executive Director may settle such claims if the total settlement is not in excess of \$500,000; and

(iii) authorize the payment to contractors and vendors of all or any portion of their compensation even though not yet payable under the terms of the agreement, contract, or purchase order, in each case whenever the Executive Director deems it advisable under the circumstances.

(f) The Executive Director may acquire temporary interests in real property necessary in connection with construction or operation of Port Authority facilities, provided that the term of any such interest shall not be in excess of five years.

(g) Not less than ten days in advance of any meeting of the Board of Commissioners at which the Board is to consider an action to authorize the sale of real property owned by the Port Authority, the Executive Director shall provide public notice of such proposed action, by posting on the Port Authority's Internet site or any successor electronic media designated by the Executive Director for such purposes.

(h) In compliance with the policies established by the Board of Commissioners, the Executive Director shall, from time to time, adopt appropriate procedural guidelines, consistent with those applied to state authorities in the two States, to ensure that procurement, based on competitive contract-award processes, of agreements and contracts for the purchase of goods and contract services, professional, technical and advisory services, real estate and construction is based on open competition and fairness, with the highest level of integrity, and to discourage attempts by others to influence the Port Authority to achieve preferential, unequal or favored consideration of proposals for procurement based on considerations other than on the merits of such proposals. Such procedural guidelines shall include: restrictions on contacts between Commissioners and staff regarding the procurement process and particular active procurement matters; restrictions on contacts between lobbyists representing contractors, vendors or service providers, and Commissioners and staff, regarding the procurement process and particular active procurement matters; rules controlling flow of procurement inquiries and bids to responsible staff and pursuant to pre-set procedures; advertisement of procurement opportunities by the Port Authority through a broad range of media outlets, to increase vendors' awareness of and participation in the procurement process; and equal opportunity for minority-owned, women-owned and small business enterprises.

(i) In compliance with the policies established by the Board of Commissioners, the Executive Director shall have authority to adopt, rescind, amend, and modify rules and regulations

(i) for and in connection with facilities and properties owned, leased, or operated by the Port Authority and for the conduct of the users thereof and all other persons in or about such facilities or properties, including the officers, employees, or representatives of the Port Authority and of the users of its facilities and properties and people doing business with it or them; and

(ii) for the operation, management, and conduct of the business of the Port Authority and the staff.

(j) The Executive Director shall have authority to enter into any agreement including, but not limited to, leases, permits and licenses, for the use or occupancy of any property owned or operated by the Port Authority and for the use or occupancy of property by the Port Authority or for the exercise of privileges thereat; provided, that such agreement

(i) is for a total term, including any renewals and extensions, of not more than ten years, and the average annual rental (net present value) is not more than \$1,000,000;

(ii) is unconditionally revocable without cause by the Port Authority upon 30 days' notice or less and there is no fixed obligation on the Port Authority in excess of \$1,000,000; or

(iii) substitutes another for the contracting party to an existing agreement.

Any such agreement may contain such indemnity and other provisions as the Executive Director may deem appropriate.

(k) The Executive Director may authorize or arrange for contracts for the sale of personal property owned by the Port Authority upon such terms and conditions as the Executive Director may deem proper and execute the same on behalf of the Port Authority where the value of such personal property is not in excess of \$1,000,000; provided, however, that personal property valued at more than \$250,000 shall not be sold by authority of the Executive Director other than to the highest bidder after public advertisement.

(l) The Executive Director may authorize intervention and participation on behalf of the Port Authority in proceedings before any administrative tribunal of the United States or of the States of New York and New Jersey or their subdivisions affecting the trade, commerce, and economic development of the Port District or the terminal or transportation facilities or facilities of commerce and economic development therein; provided, however, that no statement as to the position of the Port Authority on the issues in the proceedings shall be submitted until the position has been authorized by the Board of Commissioners or the appropriate Committee thereof.

(m) With respect to the operation, planning, and development of Port Authority facilities and to other projects, programs, and studies which have been authorized by the Port Authority, the Executive Director may apply for and accept on behalf of the Port Authority grants from federal, state, or other governmental entities. Expenditures in connection with such grants or projects and activities funded in whole or in part by such grants are, however, subject to consideration and authorization in accordance with the provisions of these By-Laws.

(n) The Executive Director may, in the best interests of the Port Authority, enter into or authorize execution of agreements with federal, state, or other governmental entities for the performance of services by Port Authority employees or the participation by such employees in programs or other activities sponsored in whole or in part by such entities.

(o) The Executive Director shall have authority to settle all claims of and all claims against the Port Authority (not covered under paragraphs (c) and (e) of this Article

X) when the total payment or the amount of damages incurred by the Port Authority is not in excess of \$1,000,000. Claims of and against the Port Authority shall include claims against individuals for which the Port Authority would be responsible under Article XI of these By-Laws; provided, however, that in the case of claims against individuals for which the Port Authority would be responsible under the said Article XI, which are covered by insurance purchased by or on behalf of such individuals, the Port Authority shall pay such claims only to the extent that they are in excess of the amount for which the insurance carriers are responsible.

(p) With respect to Port Authority property or to the operation, planning and development of Port Authority facilities the Executive Director may enter into such indemnity agreements as the Executive Director may deem appropriate.

(q) The Executive Director shall publish on a regular basis comprehensive reports on

(i) transactions of the Port Authority relating to the business and activities of the Port Authority, which reports shall identify vendors retained to perform services through the procurement process and the terms of their engagements; and

(ii) expenditures and operations of the Port Authority, identifying its programs and associated expenditures, which shall also be delivered to the Governors of New York and New Jersey;

provided, however, that the failure of the Executive Director to report the same shall not affect the validity of any action taken by the Executive Director with respect thereto.

(r) The Executive Director is authorized to delegate in whole or in part any power, authority, or discretion conferred upon the Executive Director by these By-Laws, or by any resolution heretofore or hereafter adopted by the Board of Commissioners to any other officer or member of the executive staff; provided, however, that the Executive Director shall file all delegations with the Secretary; and, provided further, that this power shall not apply to any case where the Executive Director is authorized to sign checks, drafts, or commercial paper, or deeds of conveyance of real property, or to have access to safe deposit boxes

(s) In exigent circumstances, the Executive Director, after consultation with the Chairman of the Port Authority (which requirement for consultation is waived if the Chairman of the Port Authority cannot be contacted through reasonable means and in a reasonable period of time), may take any action, whether or not otherwise authorized in these By-Laws, with respect to the property or facilities, projects, programs, and business of the Port Authority, or the rules and regulations or fees, fares, tolls, and other charges relating thereto. The Executive Director shall report such action to the Board of Commissioners. The Executive Director shall notify the Chairman of the Port Authority of any contract entered into pursuant to this provision.

Whenever the Executive Director purports to act pursuant to power vested under these By-Laws, then all third persons are entitled to rely on the Executive Director's representation that the Executive Director has the power to act.

The powers conferred upon the Executive Director under these By-Laws shall be discretionary and, unless otherwise expressly provided, shall not be construed to impose upon the Executive Director a requirement to execute any agreement, contract, or purchase order, or to take any other action authorized under these By-Laws. Except as otherwise provided in this Article X, the Executive Director may take action as authorized without providing prior notice to the Board of Commissioners.

XI. DEFENSE AND INDEMNIFICATION OF INDIVIDUALS

1. As used in this Article XI, the term "indemnified party" shall mean an individual who is a Commissioner, officer, or employee of the Port Authority. The terms "Commissioner," "officer," and "employee" shall include a former Commissioner, officer, and employee, and the estate or a judicially appointed personal representative of such present or former Commissioner, officer, or employee.

2. Upon compliance by an indemnified party with the provisions of paragraph 8 of this Article XI, the Port Authority shall provide for the defense of the indemnified party in any civil action or proceeding in any state or federal court arising out of any alleged act or omission which occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties; or which is brought pursuant to section nineteen hundred eighty-one or nineteen hundred eighty-three of title forty-two of the United States Code and the act or omission underlying the action occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties. The Port Authority shall not provide for a defense where such civil action or proceeding is brought by or on behalf of the Port Authority or to recover Port Authority funds.

3. Where an individual seeking indemnification delivers process and a request for a defense to General Counsel as required by paragraph 8 of this Article XI, General Counsel shall take the necessary steps on behalf of the individual in order to avoid entry of a default judgment pending resolution of any question pertaining to the determination to provide for a defense. General Counsel shall represent such individual; provided, however, that General Counsel shall, with the approval of the Executive Director (in accordance with policies adopted by the Board of Commissioners), assign outside counsel where General Counsel determines, based upon an investigation and review of the facts and circumstances of the case, that representation by General Counsel would be inappropriate; or whenever a court of competent jurisdiction determines that a conflict of interest exists and that the individual is entitled to be represented by outside counsel.

4. The Port Authority shall indemnify and save harmless an indemnified party in the amount of any judgment obtained against such indemnified party in any state or

federal court, or in the amount of any settlement of a claim, or shall pay such judgment or settlement; provided, however, that the act or omission from which such judgment or settlement arose occurred while the indemnified party was acting within the scope of Port Authority employment or duties; and provided, further, that the Port Authority shall not indemnify and save harmless or pay under this Article XI where the injury or damage resulted from actual fraud, actual malice, willful misconduct or intentional wrongdoing on the part of the party seeking indemnification, or where the Port Authority has brought the action.

5. Any proposed settlement or final judgment which may be subject to indemnification or payment by the Port Authority in accordance with these By-Laws, if not inconsistent with the provisions of this Article XI, shall, as applicable, be authorized for payment in accordance with the provisions of these By-Laws; provided, however, that General Counsel has determined that such proposed settlement or final judgment is in the best interest of the Port Authority. Nothing in this Article XI shall be construed to authorize the Port Authority to indemnify and save harmless or pay an indemnified party with respect to a settlement not so reviewed and approved by General Counsel.

6. Nothing in this Article XI shall require the Port Authority to indemnify or save harmless an indemnified party with respect to fines or penalties; provided, however, that the Port Authority shall indemnify and save harmless an indemnified party in the amount of any costs, attorneys' fees, damages, fines, or penalties which may be imposed by reason of an adjudication that an indemnified party, acting within the scope of Port Authority employment or duties, has, without willfulness or intent, violated a prior order, judgment, consent decree, or stipulation of settlement entered in any court of the State of New York or New Jersey or of the United States.

7. The Port Authority may, consistent with applicable law, provide for a defense when punitive damages are sought or criminal charges are asserted, in connection with any alleged act or omission which occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties, based upon an investigation and review of the facts and circumstances and a determination by General Counsel that provision of such defense would be in the best interest of the Port Authority; provided, however, that the Port Authority shall provide reimbursement of defense costs incurred by or on behalf of an indemnified party in defense of a criminal proceeding arising out of such an act or omission, upon acquittal or dismissal of the criminal charges. Furthermore, the Port Authority may, consistent with applicable law, indemnify or save harmless an indemnified party with respect to fines or penalties, based upon an investigation and review of the facts and circumstances of the case and a determination by General Counsel that to indemnify and save harmless such indemnified party would be in the best interest of the Port Authority.

8. The benefits of this Article XI shall be conditioned upon (i) delivery to General Counsel of the original or a copy of any summons, complaint, process, notice, demand or pleading within five days after receipt or service of such document, such delivery being deemed a request by the party seeking indemnification that the Port Authority provide for

defense pursuant to this Article XI; (ii) the full cooperation of the indemnified party in the defense of such action or proceeding and in defense of any action or proceeding against the Port Authority based upon the same act or omission, and in the prosecution of any appeal; and (iii) the agreement of the indemnified party that the Port Authority shall be entitled to withdraw such defense and demand reimbursement from such party for costs incurred in connection with such defense in the event that, upon further discovery, indemnification is not required or otherwise warranted under this Article XI.

9. The benefits of this Article XI shall inure only to an indemnified party as defined herein and shall not enlarge or diminish the rights of any other party. This Article XI shall not in any way affect the obligation of any claimant to give any notice otherwise required by any provision of law. The provisions of this Article XI shall not be construed to impair, alter, limit, or modify the rights and obligations of any insurer under any policy of insurance.

10. Except as otherwise specifically provided herein, the provisions of this Article XI shall not be construed in any way to impair, alter, limit, modify, abrogate, or restrict any immunity available to or conferred upon any unit, entity, Commissioner, officer, or employee of the Port Authority, or any right to defense and/or indemnification provided for any governmental officer or employee by, in accordance with, or by reason of, any other provision of state or federal statutory or common law.

11. In compliance with policies established by the Board of Commissioners, the Executive Director is authorized to publish such rules and regulations as are necessary to effectuate the purposes of this Article XI.

XII. BUDGET

Whenever reference in these By-Laws is made to a Budget, it shall mean the Budget of the Port Authority, together with a Capital Plan and Strategic Plan, approved or authorized by the Board of Commissioners at a meeting held pursuant to the Open Meetings Policy. Whenever in these By-Laws an officer is vested with powers or discretion by reason of a budget item, such officer shall also have the same powers and discretion in any case where the Board of Commissioners approves or authorizes an expenditure of a specified amount (or of an approximate sum or of an amount not to exceed a specified sum) for a specified purpose, by resolution or otherwise.

XIII. ANNUAL AUDIT OF FINANCIAL STATEMENTS; ANNUAL REPORT

A. The Port Authority shall prepare financial statements on an annual basis in accordance with accounting principles generally accepted in the United States of America.

B. The Audit Committee of the Port Authority shall arrange for an independent firm of certified public accountants to perform an audit of the financial statements of the Port Authority each year in accordance with auditing standards generally accepted in the United States of America.

C. As a condition to the issuance of the annual financial statements, the Executive Director and the Chief Financial Officer shall be required to make a written certification to the effect that, to the best of their knowledge and belief, the financial and other information in the consolidated financial statements is accurate in all material respects and has been reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and, that on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

D. The Executive Director shall make arrangements for the publication of the annual report submitted to the Governors and Legislatures of the two States as provided by law, which report shall include but not be limited to the following: (i) the Port Authority's annual financial statements; (ii) the independent auditor's report with respect to the annual financial statements; (iii) the certification referred to paragraph C of this Article XIII; and (iv) a list of the compensation, educational background and professional experience of, the 20 highest-paid executive staff members.

XIV. RESERVATION OF POWERS

The powers not delegated by these By-laws are reserved to the Board of Commissioners. The powers vested by these By-Laws in the Committees shall not be construed or deemed to limit the authority of the Board of Commissioners to act in any instance or the statutory veto power of the Governor of each State. If such authority is exercised by the Board of Commissioners, it shall not be construed or deemed to affect the power of the Committees to act in similar cases thereafter. The powers vested in the Executive Director shall not be construed or deemed to affect the power of the Board of Commissioners to act in any case, nor shall any power vested in the Executive Director be construed or deemed to affect the power of any Committee to act where such power is also vested in a Committee, but where either the Board of Commissioners or any Committee exercises a power in any such case, such action shall not be construed or deemed to affect the power of the Executive Director to act in similar cases in the future.

XV. AMENDMENTS

These By-Laws may be amended by resolution duly adopted at any meeting of the Board of Commissioners, regular or special, provided that notice of intention to present such resolution shall be given at least two days in advance of the meeting at which the motion to adopt such resolution is made. Such notice may be given by any Commissioner or by any Committee (or by the Secretary at the request of any Commissioner or any Committee). Such notice shall be given to all Commissioners by mail, facsimile, telephone, or in person, at least two days before the meeting; in the alternate, such notice may be given orally at any meeting, in which event such notice shall be noted in the minutes of the meeting at which it is given. Advance notices of motions to amend motions to amend the By-Laws need not, however, be given. Any amendment of the formal written charter of a Committee adopted pursuant to these By-Laws shall follow the procedures set forth in this Article XV for the amendment of the By-Laws.

AMENDMENT TO BY-LAWS AND APPROVAL OF COMMITTEE CHARTERS

It was recalled that at its August 1, 2012 meeting, as part of the Board's continuing review of governance enhancements that improve oversight, accountability and transparency, the Board amended the By-Laws of the Port Authority (and its wholly owned subsidiary corporations) to provide for changes to the current Committee organization and operations, which included, among other things, a requirement that each Committee, with the approval of the Board, adopt a formal written charter defining the roles and responsibilities of such Committee.

Since that time, and consistent with direction provided by the Chairman and Vice-Chairman of the Port Authority, each Committee has prepared a formal written charter for consideration by the Board today. In addition, in view of the development of detailed charters defining the roles and responsibilities of each of the Board's Committees, it was recommended that the By-Laws be further amended to delete the general responsibilities and powers set forth therein for the Committees.

Conforming (i) charters for the Committees of the Boards of the Port Authority's wholly owned entities will be prepared and (ii) changes will be made to the By-Laws of each of the Port Authority's wholly owned subsidiary corporations.

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

RESOLVED, that the proposed amended By-Laws of the Port Authority presently before the Board of Commissioners (a copy of which is annexed to these Minutes) be and it hereby is approved; and it is further

RESOLVED, that Committee charters (copies of which are annexed to these Minutes) for each of the Board's Committees, as established pursuant to Article VIII of the By-Laws, be and they hereby are approved; and it is further

RESOLVED, that Committee charters of the Boards of the Port Authority's wholly owned subsidiary corporations to be prepared be and each hereby is approved and the By-Laws of the Port Authority's wholly owned subsidiary corporations be and each hereby is amended, in each case, consistent with the foregoing; and it is further

RESOLVED, that the Executive Director be and he hereby is directed to arrange for the posting of amended By-Laws and Committee charters on the Port Authority's Internet site.

BY-LAWS OF
THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

I. SEAL

The official seal of The Port Authority of New York and New Jersey (hereinafter referred to as the “Port Authority”) shall be a design bearing a combination of the seals of the State of New York and of the State of New Jersey, and bearing the words “THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY — ESTABLISHED BY COMPACT BETWEEN NEW YORK AND NEW JERSEY — APRIL THIRTIETH — 1921.”

II. OFFICERS

The officers of the Port Authority shall be a Chairman, a Vice-Chairman, an Executive Director, a Deputy Executive Director, a General Counsel, a Chief Financial Officer, a Treasurer, a Comptroller, and a Secretary.

III. DUTIES

A. Board of Commissioners — The Board of Commissioners shall establish the policies of the Port Authority and shall be responsible for reviewing and monitoring whether Port Authority procedures and regulations and executive staff’s financial, management, and operational decisions and controls are in compliance with such overall policies. The Board of Commissioners shall receive from the Executive Director reports on a regular basis, and shall cause the Executive Director to provide such reports, in order for the Commissioners to perform their oversight duties described herein. The Board of Commissioners shall also be responsible for adopting strategic plans, capital plans, and budgets of the Port Authority. In serving as a Commissioner of the Port Authority, each Commissioner shall act in a fiduciary capacity with a duty of loyalty and care owed to the Port Authority.

B. Chairman — The Chairman shall preside at all meetings of the Board of Commissioners; communicate to the Executive Director and, where appropriate, executive staff, the policies of the Port Authority established by the Board of Commissioners; and be responsible for advancing the mission and promoting the objectives of the Port Authority to members of the general public.

C. Vice-Chairman — The Vice-Chairman shall perform the duties of the Chairman in the event the office of Chairman is vacant, or in the event that the Chairman is unable to perform such duties by reason of illness, disability, or absence.

D. Executive Director — The Executive Director shall manage the operations of the Port Authority in compliance with the agency's policies as established by the Board of Commissioners. The Executive Director shall prepare proposals for presentation to the Board of Commissioners which carry out approved policies or which propose policies for adoption and implement such proposals after presentation to and approval by the Board of Commissioners. In furtherance of these duties, the Executive Director shall hold executive staff responsible and accountable for making financial, management, and operational decisions in compliance with the policies established by the Board of Commissioners, and shall consult with the Board of Commissioners, as necessary, to enable the Commissioners to perform their oversight duties described above. The Executive Director shall sign all deeds of conveyance when authorized by resolution of the Board of Commissioners.

E. Secretary — The Secretary shall prepare the minutes of the meetings of the Board of Commissioners; keep the official records and the seal of the Port Authority; certify, when required to, copies of records; be responsible for administering the Freedom of Information Code providing for access by the public to records of the Port Authority; and perform such other duties as may be assigned by the Chairman.

F. General Counsel — General Counsel shall be legal counsel to the Port Authority and shall also furnish such legal opinions, advice, counsel, and representation as shall, from time to time, be required by the Board of Commissioners. In the performance of these duties, General Counsel is authorized to use Port Authority staff and, with the approval of the Executive Director, to retain outside counsel in accordance with policies established by the Board of Commissioners and guidelines adopted by General Counsel from time to time.

G. Chief Financial Officer — The Chief Financial Officer shall, under the supervision of the Executive Director, act as chief financial officer of the Port Authority and supervise the activities of the Treasurer and the Comptroller.

H. Comptroller — The Comptroller shall, under the supervision of the Chief Financial Officer, be in charge of the books of account of the Port Authority and be responsible for all payments to and expenditures by the Port Authority.

I. Treasurer — The Treasurer shall, under the supervision of the Chief Financial Officer, have custody of all funds and be responsible for investments of the Port Authority.

J. Inspector General — The Inspector General, under the general direction of the Chairman and the Executive Director, shall be charged with the responsibility for receiving and investigating, where appropriate, all complaints regarding wrongdoing, fraud, waste, and abuse by Commissioners, officers, and employees of the Port Authority, or third-party individuals or organizations doing business with the Port Authority; and consulting with the Board of Commissioners, the Audit Committee, the Executive Director, and General Counsel, as appropriate; provided, however, that the Inspector

General shall continue to be independent and free from interference in the conduct of the Inspector General's responsibilities. The Inspector General shall provide reports to the Board of Commissioners and, as appropriate under the circumstances, its Committees, with respect to the foregoing.

K. Director of the Audit Department — The Director of the Audit Department shall, under the general direction of the Inspector General, be responsible for the internal auditing functions in the Port Authority and for external auditing of financial and operating records of firms doing business with the Port Authority.

With respect to the Director of the Audit Department and Inspector General, the (i) appointment of any person to the position of Director of the Audit Department or Inspector General shall not be made or terminated; (ii) salary or benefits of the Director of the Audit Department and the Inspector General shall not be increased or reduced; and (iii) responsibilities of the Director of the Audit Department and the Inspector General shall not be changed in any way, without the approval of the Chairman of the Audit Committee (or of the Board of Commissioners); provided, that any increase or reduction in salary or benefits that may be made with respect to Port Authority department heads generally and would be effective as to the Director of the Audit Department and the Inspector General in the absence of the foregoing requirement of approval shall not require such approval in order to be effective as to the Director of the Audit Department and the Inspector General.

IV. TERM OF OFFICE

All officers of the Port Authority shall hold office until the next annual meeting of the Port Authority, or until their successors are elected or appointed, whichever may be the later.

V. MEETINGS; OPEN MEETINGS POLICY; FREEDOM OF INFORMATION CODE

A. An annual meeting of the Board of Commissioners shall be held each year for the purpose of election of officers. Special meetings of the Board of Commissioners may be called by the Chairman of the Port Authority and shall be called by the Chairman of the Port Authority on request of any two Commissioners, one from each State. The time and place for all annual, regular, and special meetings shall be determined by the Chairman of the Port Authority.

B. The Secretary shall give notice to the Commissioners of annual, regular, and special meetings, specifying the time and place of the meeting, by mail, facsimile, telephone, or in person, at least two days before the meeting. The notice of a special meeting shall specify the subject(s) to be considered thereat. Any Commissioner may waive the requirement for such notice.

C. The provisions of these By-Laws may be suspended by unanimous consent of a quorum of the Board of Commissioners.

D. Quorum – Six Commissioners, three from each State, shall constitute a quorum for all meetings of the Board of Commissioners. In the absence of a quorum at any meeting of the Board of Commissioners, or, if as a result of prospective recusals there would not be a sufficient number of Commissioners present at such meeting to consider any item on the agenda for such meeting, the Committee on Operations is authorized to act for and on behalf of the Board of Commissioners at a special meeting of the Committee on Operations called by the Chairman.

E. Votes – After due debate, the vote shall be recorded upon all resolutions or amendments thereto presented at any meeting of the Board of Commissioners. If three votes from each State shall not be cast therefor (or in case six Commissioners from either State are present, if four votes from such State shall not be cast therefor), the resolution or amendment shall be deemed lost. But a motion to adjourn, to lay on the table, to postpone consideration, or to refer a matter may be carried by a vote of a simple majority of Commissioners present.

F. Order of Business – The order of business at annual, regular, and special meetings of the Board of Commissioners shall be determined by the Chairman of the Port Authority; provided, however, that upon request of any two Commissioners, one from each State, received no less than two days prior to the meeting, a matter shall be placed on the calendar for any meeting as special business.

G. Open Meetings Policy

The Port Authority has an obligation to conduct its business and activities in the public interest and to solicit public participation and make its affairs known to members of the general public. In accordance with this obligation, the Port Authority shall follow an Open Meetings Policy, which shall require that: meetings of the Board of Commissioners and its Committees shall be open to the public consistent with the open meetings laws of the two States; sufficient advance notice shall be provided to members of the general public and representatives of the press of all meetings to be held in open public or closed executive session and, if in closed executive session, the reason(s) therefor; where meetings are held in open public session, anticipated agendas for such meetings shall be provided to members of the general public and representatives of the press sufficiently in advance of such meetings; representatives of all groups and constituencies who may wish to attend meetings held in open public session shall be accommodated; where meetings are held in open public session, members of the public shall have the opportunity to comment to the Board of Commissioners prior to action on those items; materials reflecting actions taken in open public and closed executive session, including minutes of meetings of the Board of Commissioners, shall be released to members of the general public. Meetings of the Board of Commissioners and its Committees (other than meetings held in closed, executive session) are to be publicly broadcast, to the extent technologically feasible.

The term “meeting” as used herein shall refer to any gathering, whether corporeal or by means of communications equipment, which is attended by, or open to, members of the Board of Commissioners, held with the intent, on the part of the Commissioners present, to discuss or act as a unit upon the specific public business of the Port Authority; provided, that the term “meeting” does not mean a gathering (1) attended by less than a quorum, or (2) attended by or open to all the members of three or more similar public bodies at a convention or similar gathering. The term “public business” shall refer to matters that relate in any way, directly or indirectly, to the performance of the functions of the Port Authority or the conduct of its business.

H. Open Meetings Policy – Limited Exceptions

1. In certain limited circumstances, public consideration by the Board of Commissioners (or a Committee thereof) of matters relating to the business and affairs of the Port Authority would clearly endanger the public interest or constitute an unwarranted invasion of the personal privacy of individuals (including Port Authority employees). Accordingly, in such limited circumstances, the Board of Commissioners or Committee may determine to take action on or discuss only such subjects in closed, executive session. Consistent with the open meetings laws of the two States, the following matters may be considered in closed, executive session: (i) public safety or law enforcement; (ii) proposed, pending, or current litigation, judicial or administrative proceedings, and external or internal investigations or audits; (iii) ongoing bargaining or negotiations, reviews of contracts or proposals related to the purchase, sale, or lease of real property or securities where disclosure could affect the public interest; (iv) the necessary consideration of facts that, if made public, would constitute an unwarranted invasion of an individual’s personal privacy; (v) the necessary consideration of facts that are deemed confidential, privileged, or private pursuant to federal or state law, regulations, rules, or decisions of court; or (vi) information that, if made public, could impair the Port Authority’s right to receive funds from the United States or other grantor.

2. From time to time, the Chairman of the Port Authority may, in the best interests of the Port Authority, permit discussion in public, open session of and action on any matter otherwise exempted under the Open Meetings Policy.

3. In exigent circumstances when required for action, the Chairman of the Port Authority may request that one or more absent Commissioners participate and attend any meeting of the Port Authority through the use of communications equipment.

I. Freedom of Information Code

The Port Authority conducts its business and activities in the public interest and therefore the public should have access to records of the Port Authority. The Port Authority shall follow a Freedom of Information Code consistent with the freedom of information laws of the two States.

The Port Authority shall, to the extent technologically feasible, provide access to the minutes of meetings of the Board of Commissioners and the Committees and to reports provided for in accordance with these By-Laws, by posting such documents on its Internet site, or any successor electronic media designated by the Executive Director for such purposes.

VI. PUBLIC HEARINGS

A. Public hearings shall be held on matters requiring public consideration or public comment and information and may be held upon the request of (i) the Chairman of the Port Authority or (ii) any two Commissioners, one from each State.

B. Pursuant to direction by the Board of Commissioners, the Executive Director shall have authority to arrange for public hearings, in connection with the budgeting, planning, and programming of the Port Authority, including proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities. In connection therewith, the Executive Director shall

(1) determine the dates, times, and locations in each of the two States for the conduct of such hearings, which shall be designed to encourage the broadest possible attendance and participation, and which, in the case of each hearing pertaining to proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities, shall include the attendance of at least two Commissioners, one from each State;

(2) provide for appropriate notice to be given not less than ten days in advance of such hearings, with notice to be published within the Port District in one or more newspapers of general circulation in each State, on the Port Authority Internet site or any successor electronic media designated by the Executive Director, and through other available electronic media used by the Port Authority, and which, in the case of each hearing pertaining to proposals for instituting or changing tolls and fares imposed for use of the Port Authority's vehicular tunnels and bridges and passenger rail facilities, shall include the charge or charges proposed to be instituted or changed, shall set forth a comparison of the existing charges with the proposed charges, and shall state the purpose or purposes for which such tolls, fares or other charges are to be instituted or changed and an estimate of the overall increase or decrease in revenues to the Port Authority resulting from such proposed charges;

(3) designate hearing officers (if any) in connection therewith;

(4) arrange for transcripts and reports of the hearings, which shall be made available to all Commissioners prior to the consideration of any proposal; and

(5) take such other action as will effectuate the Port Authority's policy, as established by the Board of Commissioners, for the conduct of public hearings.

VII. NOMINATING COMMITTEE

The Nominating Committee shall consist of all of the Commissioners of the Port Authority except the Chairman of the Port Authority and the Vice-Chairman of the Port Authority.

The Nominating Committee shall meet at least once during the 30 days immediately preceding the annual meeting of the Port Authority to consider a slate of officers for nomination and shall present such slate to the Board of Commissioners. If the office of Chairman of the Port Authority or Vice-Chairman of the Port Authority shall become vacant for any reason other than expiration of term, the Nominating Committee shall meet as soon as practical thereafter. The Nominating Committee may also meet to consider vacancies in any other office or offices.

Meetings of the Nominating Committee shall be held pursuant to notice given by the Secretary at the request of any member of the Committee.

At each meeting of the Nominating Committee, the members thereof shall elect a Chairman of the Committee whose duties shall be to preside at such meeting, and to submit or cause to be submitted to the Board of Commissioners any reports or recommendations adopted at such meeting.

VIII. COMMITTEES OF THE BOARD

The Committees on Capital Planning, Execution and Asset Management; Finance; Operations; Security; Audit; and Governance and Ethics, are established under this Article VIII to provide for the effective and efficient governance of the Port Authority, and to make recommendations to, and act on behalf of, the Board of Commissioners to the extent set forth in these By-Laws and the formal written charter of such Committee.

Each Committee shall, with the approval of the Board of Commissioners, adopt a formal written charter clearly defining the roles and responsibilities of such Committee. Committee charters shall be posted on the Port Authority's Internet site, or any successor electronic media designated by the Executive Director for such purpose. Each Committee shall follow the provisions of its charter in connection with the satisfaction of its responsibilities under these By-Laws, and shall review and reassess such charter from

time to time, with any amendments to such charter resulting from such review and reassessment to be made with the approval of the Board of Commissioners.

A Chairman, a Vice-Chairman, and members of all Committees shall be appointed by the Chairman of the Port Authority, who shall be an *ex officio* member of each Committee of which the Chairman of the Port Authority is not a regular member, except the Audit Committee. If one or more regular members are absent from any Committee meeting, the Chairman of the Port Authority shall be counted towards a quorum and entitled to vote on Committee business. The Chairman of the Port Authority shall also be entitled to vote to decide a tie vote.

The Vice-Chairman of the Port Authority shall likewise be an *ex officio* member of each Committee of which the Vice-Chairman of the Port Authority is not a regular member, except the Audit Committee. The Vice-Chairman of the Port Authority shall be counted towards a quorum and entitled to vote on Committee business under the same circumstances as the Chairman of the Port Authority, but only in the absence of the Chairman of the Port Authority.

A quorum for the conduct of business at any meeting of any Committee shall consist of a number equal to the majority of the regular members, provided that at least one Commissioner from each State shall be present. If there is no quorum at any regular, special, or adjourned meeting of any Committee, then the Commissioner presiding at such Committee meeting may, in order to achieve a quorum, designate any Commissioner present who is not already a member of such Committee as a substitute member *pro tem* to act at such meeting in the place and stead of an absent Committee member. Any Committee member *pro tem* shall be treated as a regular member for purposes of (i) determining whether a quorum is present; (ii) voting; and (iii) determining whether an *ex officio* member may vote. Action shall be taken by a majority vote of the Committee members present; provided that no action of a Committee shall be binding unless at least one Commissioner from each State shall vote in favor thereof.

In order to assure the right of approval or veto by the Governor of each State, any action by a Committee taken pursuant to the powers vested under these By-Laws or its formal written charter shall be considered part of the minutes of the Board of Commissioners.

Whenever a Committee purports to act pursuant to powers vested under these By-Laws or its formal written charter then all third persons are entitled to rely on the Committee's representation that it has power to act.

The Committees shall meet as determined in each Committee's charter, or at the request of the Chairman of the Port Authority, in connection with the conduct of Port Authority business. Each Committee shall provide written communications, reports, and recommendations to the Board of Commissioners from time to time, or at the request of the Chairman of the Port Authority, on the results of its oversight and other activities,

including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

Each Committee shall consist of five regular members (including a Chairman and Vice-Chairman), in addition to *ex officio* members, except the Audit Committee, which shall have no *ex officio* members and shall consist of four regular members (including a Chairman and Vice-Chairman), two from each State, and at least one of whom shall have a high level of financial expertise as determined in accordance with Article VIII of these By-Laws. When two or more Committees have powers relating to the same subject matter, none shall be deemed to have exclusive authority, but such Committees shall confer and cooperate in regard thereto. Executive management and support staff shall be assigned to each Committee as a continuing resource for such Committee to carry out its oversight responsibilities.

The members of the Audit Committee which, for independence purposes, shall not include the Chairman or Vice-Chairman, shall include at least one member, who in the determination of the Governance and Ethics Committee possesses a high level of financial expertise, which may be demonstrated, among other factors, by a general understanding of (i) generally accepted accounting principles and financial statements; (ii) the preparation or auditing of financial statements of entities comparable to the Port Authority; (iii) the application of such principles in connection with the accounting for estimates, accruals, and reserves; (iv) internal accounting controls; and (v) audit committee functions.

IX. RULES AND REGULATIONS

In compliance with policies established by the Board of Commissioners, the Executive Director shall establish rules and regulations as required for the conduct of the Port Authority's business, consistent with policies established by the Board of Commissioners.

The Executive Director shall cause such rules and regulations to be filed with the Board of Commissioners at least 30 days prior to the effective date of such rules and regulations. Absent objections by the Board of Commissioners such rules and regulations shall become effective upon the expiration of such 30-day period. If such objections are made, the Board of Commissioners shall, after due consideration, decide upon adoption, amendment or rejection of the proposed rules and regulations.

It is the policy of the Port Authority that the process for adoption of such rules and regulations shall be an open process with the opportunity for the general public to comment on such rules and regulations prior to adoption, and for such purposes such proposed rules and regulations shall be made publicly available at the time they are filed with the Board of Commissioners.

X. EXECUTIVE DIRECTOR POWERS AND RESPONSIBILITIES

The Executive Director shall have the following powers, unless otherwise provided by any resolution of the Board of Commissioners or a Committee thereof, subject to the limitations, if any, of the Budget adopted by the Board of Commissioners. These powers shall be in addition to any other powers conferred by any other provisions of these By-Laws, or by any resolution heretofore or hereafter adopted by the Board of Commissioners or a Committee thereof.

(a) Unless otherwise directed by the Committee on Operations or otherwise provided by any resolution of the Board of Commissioners and subject to the limitations, if any, of the Budget adopted by the Board of Commissioners, the Executive Director is authorized:

(i) To determine and prescribe the duties of new and existing positions and the qualifications for appointments made thereto;

(ii) Subject to the approval of the Chairman of the Committee on Operations, to make permanent appointments to the Port Authority staff;

(iii) To make promotions and demotions within the staff;

(iv) To terminate appointments to the staff subject to the approval of the Chairman of the Committee on Operations whenever approval of the Committee on Operations is not otherwise specifically required;

(v) To create temporary positions and to make temporary appointments thereto for periods not exceeding three (3) months' duration; and

(vi) To grant or authorize the granting of vacation, sick leave, other leave of absence and to establish or modify other employee benefits (other than retirement matters) and to take other action affecting personnel.

(b) The Executive Director is authorized:

(i) to authorize or arrange for the printing and engraving of bonds, notes or other securities or obligations, the issuance whereof has been authorized by the Board of Commissioners;

(ii) to authorize and arrange for the payment of the interest upon and principal of such bonds, notes, or other securities or obligations, in accordance with the resolutions authorizing their issuance, out of any revenues directly pledged therefor, out of any sinking funds or special reserve funds especially established in connection therewith and, in case there are no other moneys available for the payment of such interest and principal, out of the General Reserve Fund if such fund has been pledged as security for such payments;

(iii) to authorize or arrange for the making of payments into such reserve funds during the year for which such payments are to be made out of revenues directly pledged for such purposes, and to authorize or arrange for the making of payments into such sinking funds during the year for which such payments are to be made out of revenues directly pledged for such purposes, out of any special reserve funds especially established in connection with the particular issue of such bonds, notes, securities or other obligations for which such payments are to be made, out of any other special reserve funds available for such purposes, out of any other Port Authority funds available for such purposes, and, in case all the preceding available sources are insufficient to make such payment, then out of the General Reserve Fund; and

(iv) whenever the resolutions of the Board of Commissioners establishing the issue of bonds and the various resolutions of the Board of Commissioners establishing the separate series of such bonds require the redemption of bonds for retirement for sinking fund purposes, to (a) arrange for or authorize the call of such bonds for redemption, within the limitations of said bond resolutions to select or arrange for the selection of the particular bonds to be redeemed, (b) publish or arrange for the publication of notice of redemption, (c) pay or arrange for the payment of such bonds upon the date set for their redemption, and (d) generally do all things necessary or incidental to the redemption and retirement of such bonds.

(c) The Executive Director is authorized to authorize, approve, or award agreements, contracts, or purchase orders for

(i) professional, technical, or advisory services, including but not limited to the services of consultants, engineers, architects, designers, artists, technicians, inspectors, appraisers, and experts of any kind;

(ii) maintenance, repair, rehabilitation, or other operating expenses;

(iii) capital improvements and additions (including major repairs or rehabilitation);

(iv) construction;

(v) materials, equipment or supplies (including the leasing of equipment);

(vi) utility or other services;

(vii) insurance or brokerage services; and

(viii) settlement of claims (not covered under paragraphs (e) or (o) of this Article X)

upon such terms as the Executive Director may deem proper and to enter into or execute the same on behalf of the Port Authority where the amount of any such agreement, contract, or purchase order (inclusive of any renewal or extension) is not in excess of \$2,500,000; provided, however, that the Executive Director may not take such action where the amount of any such agreement, contract, or purchase order (inclusive of any renewal or extension) under subparagraphs (c)(i) through (c)(vii), above, is in excess of

- (a) \$1,500,000 but not in excess of \$2,500,000, unless the agreement, contract, or purchase order is awarded to the lowest qualified bidder after public advertisement, or through cooperative governmental purchasing arrangements; or
- (b) \$500,000 but not in excess of \$1,500,000, unless the agreement, contract, or purchase order is awarded to the lowest qualified bidder, or the proposer best qualified by reason of cost, responsibility, and capacity to perform the work and whose bid price or proposal is deemed reasonable, after the receipt of competitive bids or proposals; and,

provided, further, in connection with authorizations under subparagraph (c)(viii), above, the Executive Director may settle such claims if the total settlement is not in excess of \$500,000. In addition, the Executive Director may take such actions under this paragraph (c) with respect to an extension, amendment, or modification of any existing agreement, contract, or purchase order either

- (a) on terms and conditions at least as favorable to the Port Authority and under which the Port Authority will incur no additional expenditures or obligations; or
- (b) where the amount of the extension, amendment, or modification is not in excess of 25 percent of the base amount of the original agreement, contract, or purchase order, provided however that such excess amount is not greater than \$2,500,000.

(d) In the exercise of authority under this paragraph (d), the Executive Director may take the following actions only upon providing prior notice to the Board of Commissioners. The Executive Director, pursuant to authority granted to the Executive Director in conjunction with the adoption of the Budget or other resolutions of the Board of Commissioners, may, as the Executive Director deems in the best interest of the Port Authority, in connection with agreements, contracts or purchase orders:

- (i) (a) award to the bidder or proposer who, in the opinion of the Executive Director, is best qualified by reason of cost, responsibility, experience, and capacity to perform the work and whose bid price or proposal the Executive Director deems reasonable, (b) reject all bids or proposals, (c) solicit new bids or proposals on revised or the same requirements, (d) negotiate with one or more

bidders, proposers, or other contractors; or (e) exercise any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreement, contract, or purchase order;

(ii) execute agreements, contracts, or purchase orders and supplemental agreements, contracts or purchase orders with such bidders, proposers, or contractors;

(iii) order extra work and net cost work; and

(iv) authorize payments to contractors or vendors.

(e) The Executive Director may, in connection with any agreement, contract, or purchase order,

(i) require a bond securing the performance thereof and/or the payment of subcontractors, materialmen, workers, and other third persons;

(ii) settle claims arising under or in connection with such agreements (including leases, permits, and licenses, for the use or occupancy of property), contracts, or purchase orders; provided, that the Executive Director may settle such claims if the total settlement is not in excess of \$500,000; and

(iii) authorize the payment to contractors and vendors of all or any portion of their compensation even though not yet payable under the terms of the agreement, contract, or purchase order, in each case whenever the Executive Director deems it advisable under the circumstances.

(f) The Executive Director may acquire temporary interests in real property necessary in connection with construction or operation of Port Authority facilities, provided that the term of any such interest shall not be in excess of five years.

(g) Not less than ten days in advance of any meeting of the Board of Commissioners at which the Board is to consider an action to authorize the sale of real property owned by the Port Authority, the Executive Director shall provide public notice of such proposed action, by posting on the Port Authority's Internet site or any successor electronic media designated by the Executive Director for such purposes.

(h) In compliance with the policies established by the Board of Commissioners, the Executive Director shall, from time to time, adopt appropriate procedural guidelines, consistent with those applied to state authorities in the two States, to ensure that procurement, based on competitive contract-award processes, of agreements and contracts for the purchase of goods and contract services, professional, technical and advisory services, real estate and construction is based on open competition and fairness, with the highest level of integrity, and to discourage attempts by others to influence the Port Authority to achieve preferential, unequal or favored consideration of proposals for

procurement based on considerations other than on the merits of such proposals. Such procedural guidelines shall include: restrictions on contacts between Commissioners and staff regarding the procurement process and particular active procurement matters; restrictions on contacts between lobbyists representing contractors, vendors or service providers, and Commissioners and staff, regarding the procurement process and particular active procurement matters; rules controlling flow of procurement inquiries and bids to responsible staff and pursuant to pre-set procedures; advertisement of procurement opportunities by the Port Authority through a broad range of media outlets, to increase vendors' awareness of and participation in the procurement process; and equal opportunity for minority-owned, women-owned and small business enterprises.

(i) In compliance with the policies established by the Board of Commissioners, the Executive Director shall have authority to adopt, rescind, amend, and modify rules and regulations

(i) for and in connection with facilities and properties owned, leased, or operated by the Port Authority and for the conduct of the users thereof and all other persons in or about such facilities or properties, including the officers, employees, or representatives of the Port Authority and of the users of its facilities and properties and people doing business with it or them; and

(ii) for the operation, management, and conduct of the business of the Port Authority and the staff.

(j) The Executive Director shall have authority to enter into any agreement including, but not limited to, leases, permits and licenses, for the use or occupancy of any property owned or operated by the Port Authority and for the use or occupancy of property by the Port Authority or for the exercise of privileges thereat; provided, that such agreement

(i) is for a total term, including any renewals and extensions, of not more than ten years, and the average annual rental (net present value) is not more than \$1,000,000;

(ii) is unconditionally revocable without cause by the Port Authority upon 30 days' notice or less and there is no fixed obligation on the Port Authority in excess of \$1,000,000; or

(iii) substitutes another for the contracting party to an existing agreement.

Any such agreement may contain such indemnity and other provisions as the Executive Director may deem appropriate.

(k) The Executive Director may authorize or arrange for contracts for the sale of personal property owned by the Port Authority upon such terms and conditions as the Executive Director may deem proper and execute the same on behalf of the Port

Authority where the value of such personal property is not in excess of \$1,000,000; provided, however, that personal property valued at more than \$250,000 shall not be sold by authority of the Executive Director other than to the highest bidder after public advertisement.

(l) The Executive Director may authorize intervention and participation on behalf of the Port Authority in proceedings before any administrative tribunal of the United States or of the States of New York and New Jersey or their subdivisions affecting the trade, commerce, and economic development of the Port District or the terminal or transportation facilities or facilities of commerce and economic development therein; provided, however, that no statement as to the position of the Port Authority on the issues in the proceedings shall be submitted until the position has been authorized by the Board of Commissioners or the appropriate Committee thereof.

(m) With respect to the operation, planning, and development of Port Authority facilities and to other projects, programs, and studies which have been authorized by the Port Authority, the Executive Director may apply for and accept on behalf of the Port Authority grants from federal, state, or other governmental entities. Expenditures in connection with such grants or projects and activities funded in whole or in part by such grants are, however, subject to consideration and authorization in accordance with the provisions of these By-Laws.

(n) The Executive Director may, in the best interests of the Port Authority, enter into or authorize execution of agreements with federal, state, or other governmental entities for the performance of services by Port Authority employees or the participation by such employees in programs or other activities sponsored in whole or in part by such entities.

(o) The Executive Director shall have authority to settle all claims of and all claims against the Port Authority (not covered under paragraphs (c) and (e) of this Article X) when the total payment or the amount of damages incurred by the Port Authority is not in excess of \$1,000,000. Claims of and against the Port Authority shall include claims against individuals for which the Port Authority would be responsible under Article XI of these By-Laws; provided, however, that in the case of claims against individuals for which the Port Authority would be responsible under the said Article XI, which are covered by insurance purchased by or on behalf of such individuals, the Port Authority shall pay such claims only to the extent that they are in excess of the amount for which the insurance carriers are responsible.

(p) With respect to Port Authority property or to the operation, planning and development of Port Authority facilities the Executive Director may enter into such indemnity agreements as the Executive Director may deem appropriate.

(q) The Executive Director shall publish on a regular basis comprehensive reports
on

(i) transactions of the Port Authority relating to the business and activities of the Port Authority, which reports shall identify vendors retained to perform services through the procurement process and the terms of their engagements; and

(ii) expenditures and operations of the Port Authority, identifying its programs and associated expenditures, which shall also be delivered to the Governors of New York and New Jersey;

provided, however, that the failure of the Executive Director to report the same shall not affect the validity of any action taken by the Executive Director with respect thereto.

(r) The Executive Director is authorized to delegate in whole or in part any power, authority, or discretion conferred upon the Executive Director by these By-Laws, or by any resolution heretofore or hereafter adopted by the Board of Commissioners to any other officer or member of the executive staff; provided, however, that the Executive Director shall file all delegations with the Secretary; and, provided further, that this power shall not apply to any case where the Executive Director is authorized to sign checks, drafts, or commercial paper, or deeds of conveyance of real property, or to have access to safe deposit boxes

(s) In exigent circumstances, the Executive Director, after consultation with the Chairman of the Port Authority (which requirement for consultation is waived if the Chairman of the Port Authority cannot be contacted through reasonable means and in a reasonable period of time), may take any action, whether or not otherwise authorized in these By-Laws, with respect to the property or facilities, projects, programs, and business of the Port Authority, or the rules and regulations or fees, fares, tolls, and other charges relating thereto. The Executive Director shall report such action to the Board of Commissioners. The Executive Director shall notify the Chairman of the Port Authority of any contract entered into pursuant to this provision.

Whenever the Executive Director purports to act pursuant to power vested under these By-Laws, then all third persons are entitled to rely on the Executive Director's representation that the Executive Director has the power to act.

The powers conferred upon the Executive Director under these By-Laws shall be discretionary and, unless otherwise expressly provided, shall not be construed to impose upon the Executive Director a requirement to execute any agreement, contract, or purchase order, or to take any other action authorized under these By-Laws. Except as otherwise provided in this Article X, the Executive Director may take action as authorized without providing prior notice to the Board of Commissioners.

XI. DEFENSE AND INDEMNIFICATION OF INDIVIDUALS

1. As used in this Article XI, the term “indemnified party” shall mean an individual who is a Commissioner, officer, or employee of the Port Authority. The terms “Commissioner,” “officer,” and “employee” shall include a former Commissioner, officer, and employee, and the estate or a judicially appointed personal representative of such present or former Commissioner, officer, or employee.

2. Upon compliance by an indemnified party with the provisions of paragraph 8 of this Article XI, the Port Authority shall provide for the defense of the indemnified party in any civil action or proceeding in any state or federal court arising out of any alleged act or omission which occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties; or which is brought pursuant to section nineteen hundred eighty-one or nineteen hundred eighty-three of title forty-two of the United States Code and the act or omission underlying the action occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties. The Port Authority shall not provide for a defense where such civil action or proceeding is brought by or on behalf of the Port Authority or to recover Port Authority funds.

3. Where an individual seeking indemnification delivers process and a request for a defense to General Counsel as required by paragraph 8 of this Article XI, General Counsel shall take the necessary steps on behalf of the individual in order to avoid entry of a default judgment pending resolution of any question pertaining to the determination to provide for a defense. General Counsel shall represent such individual; provided, however, that General Counsel shall, with the approval of the Executive Director (in accordance with policies adopted by the Board of Commissioners), assign outside counsel where General Counsel determines, based upon an investigation and review of the facts and circumstances of the case, that representation by General Counsel would be inappropriate; or whenever a court of competent jurisdiction determines that a conflict of interest exists and that the individual is entitled to be represented by outside counsel.

4. The Port Authority shall indemnify and save harmless an indemnified party in the amount of any judgment obtained against such indemnified party in any state or federal court, or in the amount of any settlement of a claim, or shall pay such judgment or settlement; provided, however, that the act or omission from which such judgment or settlement arose occurred while the indemnified party was acting within the scope of Port Authority employment or duties; and provided, further, that the Port Authority shall not indemnify and save harmless or pay under this Article XI where the injury or damage resulted from actual fraud, actual malice, willful misconduct or intentional wrongdoing on the part of the party seeking indemnification, or where the Port Authority has brought the action.

5. Any proposed settlement or final judgment which may be subject to indemnification or payment by the Port Authority in accordance with these By-Laws, if not inconsistent with the provisions of this Article XI, shall, as applicable, be authorized

for payment in accordance with the provisions of these By-Laws; provided, however, that General Counsel has determined that such proposed settlement or final judgment is in the best interest of the Port Authority. Nothing in this Article XI shall be construed to authorize the Port Authority to indemnify and save harmless or pay an indemnified party with respect to a settlement not so reviewed and approved by General Counsel.

6. Nothing in this Article XI shall require the Port Authority to indemnify or save harmless an indemnified party with respect to fines or penalties; provided, however, that the Port Authority shall indemnify and save harmless an indemnified party in the amount of any costs, attorneys' fees, damages, fines, or penalties which may be imposed by reason of an adjudication that an indemnified party, acting within the scope of Port Authority employment or duties, has, without willfulness or intent, violated a prior order, judgment, consent decree, or stipulation of settlement entered in any court of the State of New York or New Jersey or of the United States.

7. The Port Authority may, consistent with applicable law, provide for a defense when punitive damages are sought or criminal charges are asserted, in connection with any alleged act or omission which occurred or is alleged in the complaint to have occurred while the individual was acting within the scope of Port Authority employment or duties, based upon an investigation and review of the facts and circumstances and a determination by General Counsel that provision of such defense would be in the best interest of the Port Authority; provided, however, that the Port Authority shall provide reimbursement of defense costs incurred by or on behalf of an indemnified party in defense of a criminal proceeding arising out of such an act or omission, upon acquittal or dismissal of the criminal charges. Furthermore, the Port Authority may, consistent with applicable law, indemnify or save harmless an indemnified party with respect to fines or penalties, based upon an investigation and review of the facts and circumstances of the case and a determination by General Counsel that to indemnify and save harmless such indemnified party would be in the best interest of the Port Authority.

8. The benefits of this Article XI shall be conditioned upon (i) delivery to General Counsel of the original or a copy of any summons, complaint, process, notice, demand or pleading within five days after receipt or service of such document, such delivery being deemed a request by the party seeking indemnification that the Port Authority provide for defense pursuant to this Article XI; (ii) the full cooperation of the indemnified party in the defense of such action or proceeding and in defense of any action or proceeding against the Port Authority based upon the same act or omission, and in the prosecution of any appeal; and (iii) the agreement of the indemnified party that the Port Authority shall be entitled to withdraw such defense and demand reimbursement from such party for costs incurred in connection with such defense in the event that, upon further discovery, indemnification is not required or otherwise warranted under this Article XI.

9. The benefits of this Article XI shall inure only to an indemnified party as defined herein and shall not enlarge or diminish the rights of any other party. This Article XI shall not in any way affect the obligation of any claimant to give any notice otherwise required by any provision of law. The provisions of this Article XI shall not be

construed to impair, alter, limit, or modify the rights and obligations of any insurer under any policy of insurance.

10. Except as otherwise specifically provided herein, the provisions of this Article XI shall not be construed in any way to impair, alter, limit, modify, abrogate, or restrict any immunity available to or conferred upon any unit, entity, Commissioner, officer, or employee of the Port Authority, or any right to defense and/or indemnification provided for any governmental officer or employee by, in accordance with, or by reason of, any other provision of state or federal statutory or common law.

11. In compliance with policies established by the Board of Commissioners, the Executive Director is authorized to publish such rules and regulations as are necessary to effectuate the purposes of this Article XI.

XII. BUDGET

Whenever reference in these By-Laws is made to a Budget, it shall mean the Budget of the Port Authority, together with a Capital Plan and Strategic Plan, approved or authorized by the Board of Commissioners at a meeting held pursuant to the Open Meetings Policy. Whenever in these By-Laws an officer is vested with powers or discretion by reason of a budget item, such officer shall also have the same powers and discretion in any case where the Board of Commissioners approves or authorizes an expenditure of a specified amount (or of an approximate sum or of an amount not to exceed a specified sum) for a specified purpose, by resolution or otherwise.

XIII. ANNUAL AUDIT OF FINANCIAL STATEMENTS; ANNUAL REPORT

A. The Port Authority shall prepare financial statements on an annual basis in accordance with accounting principles generally accepted in the United States of America.

B. The Audit Committee of the Port Authority shall arrange for an independent firm of certified public accountants to perform an audit of the financial statements of the Port Authority each year in accordance with auditing standards generally accepted in the United States of America.

C. As a condition to the issuance of the annual financial statements, the Executive Director and the Chief Financial Officer shall be required to make a written certification to the effect that, to the best of their knowledge and belief, the financial and other information in the consolidated financial statements is accurate in all material respects and has been reported in a manner designed to present fairly the Port Authority's net assets, changes in net assets, and cash flows, in conformity with accounting principles generally accepted in the United States of America; and, that on the basis that the cost of internal controls should not outweigh their benefits, the Port Authority has established a

comprehensive framework of internal controls to protect its assets from loss, theft, or misuse, and to provide reasonable (rather than absolute) assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

D. The Executive Director shall make arrangements for the publication of the annual report submitted to the Governors and Legislatures of the two States as provided by law, which report shall include but not be limited to the following: (i) the Port Authority's annual financial statements; (ii) the independent auditor's report with respect to the annual financial statements; (iii) the certification referred to paragraph C of this Article XIII; and (iv) a list of the compensation, educational background and professional experience of, the 20 highest-paid executive staff members.

XIV. RESERVATION OF POWERS

The powers not delegated by these By-Laws are reserved to the Board of Commissioners. The powers vested by or pursuant to these By-Laws in the Committees shall not be construed or deemed to limit the authority of the Board of Commissioners to act in any instance or the statutory veto power of the Governor of each State. If such authority is exercised by the Board of Commissioners, it shall not be construed or deemed to affect the power of the Committees to act in similar cases thereafter. The powers vested in the Executive Director shall not be construed or deemed to affect the power of the Board of Commissioners to act in any case, nor shall any power vested in the Executive Director be construed or deemed to affect the power of any Committee to act where such power is also vested in a Committee, but where either the Board of Commissioners or any Committee exercises a power in any such case, such action shall not be construed or deemed to affect the power of the Executive Director to act in similar cases in the future.

XV. AMENDMENTS

These By-Laws may be amended by resolution duly adopted at any meeting of the Board of Commissioners, regular or special, provided that notice of intention to present such resolution shall be given at least two days in advance of the meeting at which the motion to adopt such resolution is made. Such notice may be given by any Commissioner or by any Committee (or by the Secretary at the request of any Commissioner or any Committee). Such notice shall be given to all Commissioners by mail, facsimile, telephone, or in person, at least two days before the meeting; in the alternate, such notice may be given orally at any meeting, in which event such notice shall be noted in the minutes of the meeting at which it is given. Advance notices of motions to amend motions to amend the By-Laws need not, however, be given. Any amendment of the formal written charter of a Committee adopted pursuant to these By-Laws shall follow the procedures set forth in this Article XV for the amendment of the By-Laws.

CHARTER OF THE COMMITTEE ON CAPITAL PLANNING, EXECUTION AND ASSET MANAGEMENT OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Committee on Capital Planning, Execution and Asset Management (the "Committee") with the approval on September 20, 2012 of the Board of Commissioners (the "Board") of The Port Authority of New York and New Jersey (the "Port Authority") to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority ("By-Laws").

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the planning and execution of capital projects and the management of assets of the Port Authority.

II. Authority

The Committee has the authority (through the Board's approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee's responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee's responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting, and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matters are to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) Have oversight of the development, implementation and updating of the Port Authority's capital plans and programs, including the duration thereof, and recommend for approval of the Board, such capital plans and programs;
- (2) Jointly with the Committee on Finance, have oversight of the development of, and recommend for the approval of the Board, the Port Authority's capital budget;
- (3) Jointly with the Committee on Security, have oversight of the development and updating of the security component of the Port Authority's capital plans and programs;
- (4) Have oversight of the development and implementation of a consolidated asset management plan and review quarterly reports from the Executive Director to the Board with respect to capital asset management against the plan's established goals (using standardized performance metrics where appropriate);
- (5) Have oversight of the long-term planning, including studies conducted in furtherance thereof, for the development of new facilities and commercial ventures and the initiation of new business opportunities related to existing Port Authority assets;
- (6) Keep informed of the needs of the Port District with regard to marine, air, railroad, and motor vehicle terminals and other transportation and terminal facilities and facilities of commerce and economic development, and matters relating thereto, and, from time to time, make recommendations in reference thereto;

- (7) Have oversight of transportation, terminal and commerce and economic development studies;
- (8) Have oversight of all construction by the Port Authority, including without limitation rehabilitation, repairs, demolition, excavation, and, from time to time, make such recommendations to the Board in reference to the establishment of policies with respect thereto as in its opinion may be desirable;
- (9) Have oversight of all agreements and contracts for the acquisition, purchase, lease, and/or use by the Port Authority of real property and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements or contracts;
- (10) Jointly with the Committee on Operations, have oversight of the sale, consistent with legislation, of all real or personal property owned by the Port Authority;
- (11) Have oversight of all agreements and contracts for the purchase or acquisition of materials for use by the Port Authority in connection with construction and for the exercise of any rights and the performance of any obligations vested in or assumed by the Port Authority under such agreements and contracts;
- (12) Jointly with the Committee on Operations, have oversight of all environmental initiatives and policies of the Port Authority;
- (13) Have oversight of all sub-committees of the Committee; and
- (14) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.

CHARTER OF THE COMMITTEE ON FINANCE OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Committee on Finance (the “Committee”) with the approval on September 20, 2012 of the Board of Commissioners (the “Board”) of The Port Authority of New York and New Jersey (the “Port Authority”) to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority (“By-Laws”).

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the financial affairs of the Port Authority.

II. Authority

The Committee has the authority (through the Board’s approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting,

and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matters are to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) Have oversight of the financial affairs of the Port Authority, and, from time to time, make such recommendations to the Board in reference to the establishment of policies with respect thereto as in its opinion may be desirable;
- (2) Jointly with the Committee on Operations, have oversight of the development of, and recommend for the approval of the Board, the Port Authority's operating budget;
- (3) Jointly with the Committee on Capital Planning, Execution and Asset Management, have oversight of the development of, and recommend for the approval of the Board, the Port Authority's capital budget;
- (4) Review quarterly reports from the Executive Director to the Board with respect to the results from the application of the Port Authority's Integrated Financial Model (the "Model") to ensure:
 - a. the continuing validity of the assumptions utilized in the Model; and
 - b. that the financial performance of the Port Authority meets operating and capital funding requirements, and that such performance is consistent with the various financial metrics applicable to the Port Authority's financial performance;
- (5) Have oversight of the Port Authority's issuance of debt and overall access to the capital markets, including relationships with rating agencies and other capital markets participants;
- (6) Approve the selection of depositories for Port Authority funds and authorize and approve investments and reinvestments thereof;

- (7) Have oversight of the Port Authority's selection of underwriters, financial advisors, and other participants in Port Authority financing transactions;
- (8) Have oversight of the development of a long-range risk management financing plan for adoption by the Board, and of the implementation of such long-range risk management financing plan;
- (9) Approve insurance policies and/or programs and surety bonds, and adopt or approve policies or practices followed in connection with insurance policies and/or programs and surety bonds;
- (10) Have oversight of the development of policies and plans to address pension and other related liabilities arising from the retirement of employees of the Port Authority and its related entities, and review quarterly reports from the Executive Director to the Board with respect thereto;
- (11) Have oversight of the consideration of alternative financing strategies to improve financial capacity and/or reduce the cost of capital;
- (12) Have oversight of all sub-committees of the Committee; and
- (13) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.

CHARTER OF THE COMMITTEE ON OPERATIONS OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Committee on Operations (the “Committee”) with the approval on September 20, 2012 of the Board of Commissioners (the “Board”) of The Port Authority of New York and New Jersey (the “Port Authority”) to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority (“By-Laws”).

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the operations of the Port Authority.

II. Authority

The Committee has the authority (through the Board’s approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting, and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matters are to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) Have oversight of the operation and maintenance of all facilities and properties owned and/or operated by the Port Authority;
- (2) Have oversight of the Executive Director's and Deputy Executive Director's performance in managing the operations of the Port Authority;
- (3) Jointly with the Committee on Finance, have oversight of the development of, and recommend for the approval of the Board, the Port Authority's operating budget;
- (4) Have oversight of all agreements and contracts for the acquisition or purchase by the Port Authority of equipment, tools, materials, supplies, or other personal property for use in connection with the operation of all facilities and properties owned and/or operated by the Port Authority, and for the exercise of all rights and the performance of all obligations vested in or assumed by the Port Authority under such agreements or contracts;
- (5) Have oversight of all personnel matters, and approve all agreements with organizations representing Port Authority employee groups relating to wages, working conditions and benefits;
- (6) Jointly with the Committee on Capital Planning, Execution and Asset Management, have oversight of the sale, consistent with legislation, of all real or personal property owned by the Port Authority;

- (7) Review quarterly reports from the Executive Director to the Board on the operating performance, financial (including overtime and benefits costs) or otherwise, of the Port Authority, and assess the performance relative to forecasts and staff's corrective action plans if necessary, and advise the Board with respect to the results of such review;
- (8) Have oversight of the Port Authority's communications strategies, transparency initiatives, and federal, state and local government, interagency and other constituent relations;
- (9) Jointly with the Committee on Capital Planning, Execution and Asset Management, have oversight of all environmental initiatives and policies of the Port Authority;
- (10) Have oversight of all legal matters of the Port Authority and review reports from the General Counsel concerning the status of pending or anticipated legal matters;
- (11) Review quarterly reports from the Executive Director to the Board on the Port Authority's efforts to implement performance improvement initiatives that focus on revenue generation, operating cost containment, and associated productivity and efficiency improvements, and to take appropriate remedial steps related thereto, and advise the Board with respect to the results of such review;
- (12) Have oversight of all sub-committees of the Committee; and
- (13) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.

CHARTER OF THE COMMITTEE ON SECURITY OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Committee on Security (the “Committee”) with the approval on September 20, 2012 of the Board of Commissioners (the “Board”) of The Port Authority of New York and New Jersey (the “Port Authority”) to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority (“By-Laws”).

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the reform and continuing development of the Port Authority’s policies and practices related to security and the implementation and ongoing performance thereof.

II. Authority

The Committee has the authority (through the Board’s approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting, and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matters are to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) Have oversight of the reform, continuing development and implementation of all security functions at the Port Authority so as to ensure that security is a permanent agency-wide priority and that the Board and the staff are familiar with and committed to the security principles and programs that have been adopted by the Port Authority;
- (2) Have oversight of the establishment and operation of a Port Authority Security Department, and ensure that such department has the necessary powers, authority, and resources to effectively and efficiently implement the Port Authority's security mission;
- (3) Jointly with the Committee on Capital Planning, Execution and Asset Management, have oversight of the development and updating of the security component of the Port Authority's capital plans and programs;
- (4) Review quarterly reports from the Executive Director to the Board on the performance of the Port Authority and its related entities with respect to security matters, and assess the performance relative to specific performance metrics relevant to security matters;
- (5) Have oversight of annual security goals and the development and implementation of a security strategy across all facilities and line departments to achieve those goals;
- (6) Review (a) reports received from law enforcement personnel and regulators; and (b) other legal and regulatory matters that may have a material effect on Port Authority security matters and operations, including any significant liabilities or anticipated significant expenditures with respect thereto;

- (7) Review current and proposed security-related programs, policies, practices and compliance issues covering the Port Authority's facilities and operations, including: (a) the Port Authority's security assessment practices; (b) significant developments related to security that may have an impact on the Port Authority, and on its processes for complying with applicable laws and regulations; (c) information security, public disclosure and public relations; (d) development and implementation of security regulations for line departments and tenants; (e) measures taken to ensure compliance with applicable governmental security mandates; (f) establishment and implementation of an agency-wide cyber security program; (g) development and conduct of security-related training for all line departments and employees; (h) administration of current security-related capital and technology contracts; (i) engagement and management of security providers and subcontractors; (j) performance of self-assessments, site assessments and annual audits to monitor effectiveness; and (k) any significant liabilities or significant expenditures with respect thereto;
- (8) Review corporate trends and best practices generally with respect to security;
- (9) Review relevant governmental security standards and practices, including of those entities with jurisdiction within the Port District (and other standards which may be useful in determining best practices for the Port Authority), and make recommendations to the Board concerning appropriate practices;
- (10) Monitor applicable federal, state, and international legislative and regulatory initiatives and the Port Authority's activities and relationships with government authorities on security matters, and related significant matters of public policy;
- (11) Jointly with the Audit Committee, have oversight of the Port Authority's activities in connection with applications for designation and certification of various qualifying items under the Support Anti-Terrorism by Fostering Effective Technology ("SAFETY") Act;
- (12) Have oversight of all sub-committees of the Committee; and
- (13) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Audit Committee (the “Committee”) with the approval on September 20, 2012 of the Board of Commissioners (the “Board”) of The Port Authority of New York and New Jersey (the “Port Authority”) to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority (“By-Laws”).

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the accounting, auditing, financial reporting processes, and internal controls of the Port Authority.

II. Authority

The Committee has the authority (through the Board’s approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting, and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matter is to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) Have oversight of the quality and integrity of the Port Authority's framework of internal controls, compliance systems, and accounting, auditing and financial reporting processes and the identification and management of enterprise risks to the Port Authority.
- (2) In connection with its responsibilities related to Auditors and Auditor Independence:
 - a. Select pursuant to a competitive process the Independent Auditors to: (i) audit the financial statements, books and accounts of the Port Authority and its wholly-owned entities and (ii) be solely accountable to the Board and the Committee.
 - b. Have oversight of the activities of the Independent Auditors and receive direct reports from the Independent Auditors.
 - c. Review on at least an annual basis a formal written statement from the Independent Auditors that discloses all relationships between the Independent Auditors and its related entities and the Port Authority and its related entities, consistent with Independence Standards Board Standard No. 1, and any subsequent modifications.
 - d. Have the power to determine the compensation of the Independent Auditors and approve the Independent Auditor's fees.
 - e. Have the power to discharge the Independent Auditors when circumstances warrant.
 - f. Work to resolve any disagreements that arise between the Port Authority's financial management staff and the Independent Auditors and report any prolonged impasse to the Board.
 - g. Present an evaluation of the Independent Auditor's qualifications, performance and independence to the Board annually. To be in a position to make such evaluation, the Committee shall:
 - i. Obtain and review a report by the Independent Auditors describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by professional authorities, within the preceding five

years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

ii. Review and evaluate the lead partner of the Independent Auditors; and

iii. Review the Independent Auditor's performance with the executive staff involved in the financial management of the Port Authority;

h. Review any proposed services not specifically included in the engagement agreement which are to be provided to the Port Authority by the Independent Auditors.

(3) In connection with its responsibilities related to Financial Reporting:

- a. Meet with the Independent Auditors and executive staff involved in the Port Authority's financial management, prior to the annual audit to review the scope and audit procedures of the proposed audit and, at the completion of the audit, meet again with the Independent Auditors to review audit results and discuss the Independent Auditors' judgment, comments and recommendations about the quality, not just the acceptability, of the Port Authority's accounting principles as applied in its financial reporting.
- b. Review the annual audited financial statements, the written certification by the Executive Director and the Chief Financial Officer with respect thereto, and any interim financial statements released to the public, with executive staff involved in the financial management of the Port Authority and the Independent Auditors and with each of them separately.
- c. Recommend to the Board inclusion of the annual audited financial statements in the Port Authority's annual report and other publications, as appropriate.
- d. Obtain and review a report of the Independent Auditors prior to the release of any audited financial statements of the Port Authority with respect to:
 - i. all critical accounting policies and practices to be used;
 - ii. all alternative treatments of financial information within generally accepted accounting principles that have been discussed with those involved in the financial management of the Port Authority, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors; and
 - iii. other material written communications between the Independent Auditors and those involved in the financial management of the Port Authority, such as any management letter or schedule of unadjusted differences.

- e. Review any major changes to the Port Authority's auditing and accounting principles and practices as suggested by the Independent Auditors or executive staff involved in the financial management of the Port Authority.
 - f. Review with the Independent Auditors and the executive staff involved in the financial management of the Port Authority, the extent to which changes or improvements in financial or accounting practices have been implemented.
 - g. Discuss with the Independent Auditors their evaluation of the Port Authority's financial, accounting and auditing personnel and the cooperation that the Independent Auditors received during the course of their audit, and any audit problems or difficulties, including any restrictions on the scope of work or access to required information and management's response to the problem or difficulty.
 - h. Establish regular and separate systems of reporting to the Committee by executive staff involved in the financial management of the Port Authority, and the Independent Auditors regarding any significant judgments made by executive staff involved in the financial management of the Port Authority in preparation of the financial statements and the view of each as to appropriateness of such judgments.
 - i. Discuss with the appropriate members of the executive staff of the Port Authority, the Port Authority's major financial risk exposures and the steps taken to monitor and control such exposures, including the Port Authority's risk assessment and risk management policies.
- (4) In connection with its responsibilities related to Compliance and Internal Controls:
- a. Establish and maintain procedures for the receipt, retention and treatment of complaints received by the Port Authority regarding accounting, internal accounting controls or auditing matters (including anonymous submission of concerns about questionable accounting or auditing practices), including protocols by which such matters are assigned to the appropriate department within the Port Authority and reported to the Committee.
 - b. Have oversight of the Port Authority's compliance with legal or regulatory requirements relating to accounting, auditing, financial reporting and/or internal controls.
 - c. Review with the Independent Auditors and executive staff involved in the financial management of the Port Authority, the adequacy and effectiveness of the accounting and financial controls of the Port Authority, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures would be desirable. Particular emphasis will be given to the effectiveness of such internal controls to prevent, as well as detect, any payments, transactions or procedures that might be deemed illegal or otherwise

improper, in recognition of the principle that the cost of internal controls should not outweigh their benefits.

- d. Review the findings of any examinations by regulatory and other third party agencies.
- (5) In connection with its responsibilities related to Internal Audit:
 - a. Review the performance and effectiveness of the Port Authority's internal audit function, including the budget, staffing, organization, independence and proposed audit plans of the Audit Department.
 - b. Have the final authority to review and approve the annual audit plan.
 - c. Review a summary of findings from completed internal audits and a progress report on the proposed internal audit plan.
 - (6) In connection with its responsibilities related to the Inspector General:
 - a. Receive from the Inspector General reports regarding concerns and complaints received by the Office of the Inspector General involving wrongdoing, fraud, waste and abuse by a Commissioner, officer or employee of the Port Authority, or by a third party doing business with the Port Authority.
 - b. Establish and maintain procedures for receiving reports submitted by the Inspector General to the Committee, provided, however, that such procedures shall not limit the Inspector General's independence and freedom from interference in the conduct of the Inspector General's responsibilities.
 - (7) Review with General Counsel, on not less than a semiannual basis, all material litigation and other significant legal matters that may have a material impact on the Port Authority's financial reporting and internal controls;
 - (8) Jointly with the Committee on Security, have oversight of the Port Authority's activities in connection with applications for designation and certification of various qualifying items under the Support Anti-Terrorism by Fostering Effective Technology ("SAFETY") Act;
 - (9) Have oversight of all sub-committees of the Committee; and
 - (10) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.

CHARTER OF THE COMMITTEE ON GOVERNANCE AND ETHICS OF THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

This Charter was adopted by the Committee on Governance and Ethics (the “Committee”) with the approval on September 20, 2012 of the Board of Commissioners (the “Board”) of The Port Authority of New York and New Jersey (the “Port Authority”) to provide certain guidelines that the Committee shall follow in connection with the satisfaction of its responsibilities under the By-Laws of the Port Authority (“By-Laws”).

I. Function

The Committee shall be governed by the By-Laws and assist the Board in fulfilling its oversight responsibilities relating to the development of, and compliance with, the governance and ethics principles of the Port Authority.

II. Authority

The Committee has the authority (through the Board’s approval of this Charter) for and on behalf of the Port Authority to take any and all action to satisfy its responsibilities under the By-Laws and this Charter, including arranging for services to be received from external resources as deemed appropriate by the Committee. The Chairman of the Committee, in coordination with the Executive Director, shall assign executive management and support staff to serve as a continuing resource for the Committee.

The Committee has the authority to form subcommittees and assign tasks to those subcommittees as deemed appropriate by the Committee, but not otherwise delegate to such subcommittees the authority to take independent actions in connection with the satisfaction of the Committee’s responsibilities under the By-Laws and this Charter. Each subcommittee shall provide periodic reports to the Committee with respect to the performance of the assigned tasks and shall make recommendations to the Committee with respect to any actions to be considered by the Committee or the Board resulting from the performance of such tasks.

III. Meetings

The Committee shall meet as determined by the Chairman of the Committee, or at the request of the Chairman of the Port Authority, in connection with the satisfaction of the Committee’s responsibilities. In addition, to ensure effective communication and coordination between the Committees of the Board, the Committees shall meet with each other as determined by the Chairmen of the Committees, or at the request of the Chairman of the Port Authority.

Meetings of the Committee shall be conducted in accordance with the By-Laws. The Chairman of the Committee, in coordination with the Secretary, shall establish the agenda for each Committee meeting, and determine when the agenda requires that a matter be considered in closed, executive session of the Committee. The Secretary shall provide the Committee with all material information pertinent to matters appearing on the Committee agenda in sufficient time for the Committee to review such materials prior to the Committee meeting at which such matters are to be considered.

IV. Reports

The Committee shall provide, unless otherwise requested by the Chairman of the Port Authority, written communications, reports and recommendations to the Board on the results of its oversight and other activities, including any recommendations which in its opinion may be desirable regarding policies and procedures to govern the Port Authority.

V. Powers and Responsibilities

The Committee shall:

- (1) In connection with its Governance responsibilities:
 - a. Assist in identifying qualifications for prospective appointments to the Board;
 - b. Evaluate the performance of the Board and its members;
 - c. Lead the Board in an annual review and evaluation of the Board's performance;
 - d. Lead the Board in an annual review and evaluation of the performance and effectiveness of the Board Committees;
 - e. Ensure that the Board and staff are familiar with and committed to the ethics principles and programs that have been adopted by the Port Authority;
 - f. Assist the Board in fulfilling its oversight responsibility relating to compliance with legal and regulatory requirements;
 - g. Ensure that the Inspector General shall continue to be independent and free from interference in the conduct of the Inspector General's responsibilities;
 - h. Make recommendations to the Chairman of the Port Authority concerning the size, composition, and organization of Board Committees;
 - i. Make recommendations to the Chairman of the Port Authority concerning policies and practices relating to Board operations, policies and practices for members of the Board, and associated matters of corporate governance;

- j. Lead the Board in an annual review and evaluation of the Executive Director's performance; and
 - k. Review corporate trends and best practices generally with respect to governance procedures;
- (2) In connection with its Ethics oversight responsibilities:
- a. Review the Code of Ethics and Financial Disclosure presently applicable to the staff, and the Commissioners' Ethics Policy to which the Board has subscribed;
 - b. Recommend, develop, and maintain a Code of Ethics for the members of the Board and staff;
 - c. Reassess the adequacy of the Code of Ethics on an annual basis;
 - d. Review the independence and objectivity of the members of the Board on a periodic basis (no less than once per year);
 - e. Review corporate trends and best practices generally with respect to ethics policies and procedures;
 - f. Annually review the ethical standards of the States of New York and New Jersey (and other standards which may be useful in determining best practices for the Port Authority), and make recommendations to the Board concerning appropriate practices. Such practices shall include adoption of the higher ethical standard when the two States apply different standards to the same conduct or situation; and
 - g. Ensure that each member of the Board has received training with respect to the ethical standards applicable to the member as an unsalaried public officer from the member's state of appointment;
- (3) In connection with its Compliance oversight responsibilities:
- a. Review and have oversight of compliance with the Code of Ethics for the Board of Commissioners and for the staff; and
 - b. Consider compliance matters, which are not primarily related to accounting, auditing, financial reporting, and/or internal controls;
- (4) Have oversight of all sub-committees of this Committee; and
- (5) Review and assess the adequacy of this Charter from time to time and recommend any revisions to the Board for its approval.

BOARD OF COMMISSIONERS – CODE OF ETHICS

It is the policy of The Port Authority of New York and New Jersey that the Commissioners and employees reflect the highest standards of integrity in the public service. As the governing body of the Port Authority, the Board of Commissioners has from time to time expressed its continuing belief that it is essential that the conduct of the Commissioners and employees of the Port Authority hold the respect and confidence of the peoples of the States of New York and New Jersey and that the public know that no conflict exists between private interests and official duties.

To this end, the Board, on April 10, 1980, directed the Executive Director to promulgate a Code of Ethics for the staff to provide a clear statement of the principles governing the conduct of Port Authority employees and those doing business with the Port Authority. Accordingly, there has been a Code of Ethics and Financial Disclosure, as amended from time to time, for staff for the last twenty-eight years. In addition, from time to time the Board has expressed its continued commitment to the highest principles of ethical conduct, updating its ethics policy to indicate that each Commissioner shall conform to the conflict of interest laws applicable to unsalaried officers of their respective States.

The Port Authority's By-Laws, as adopted by the Board on May 22, 2008 (the By-Laws), provide for the Governance and Ethics Committee to, among other items, recommend, develop and maintain a Code of Ethics for the Board.

On the recommendation of the Governance and Ethics Committee in accordance with Article VIII, Section G-5 of the By-Laws, the Board is adopting a Code of Ethics incorporating applicable requirements of law (which are substantially similar in the States of New York and New Jersey with respect to unsalaried public officers) and Port Authority policy to govern the conduct of Port Authority Commissioners.

Whereupon, the following resolution was unanimously adopted with Commissioners Bauer, Chasanoff, Coscia, Grayson, Hochberg, Holmes, Pocino, Sartor, Silverman and Steiner voting in favor; none against:

RESOLVED, that the Code of Ethics for Port Authority Commissioners set forth immediately below, which shall also apply to such Commissioners when acting as Directors of Port Authority wholly owned entities, is hereby adopted.

Code of Ethics for Port Authority Commissioners

1. Standards of Conduct

Each Commissioner shall comply with all applicable laws, rules and regulations applicable to the Commissioner as an unsalaried public officer from his/her state of appointment.

If a Commissioner believes he or she has an actual or potential conflict of interest with respect to a particular matter, the Commissioner shall promptly notify General Counsel. If a Commissioner receives a contact from a lobbyist seeking to solicit or secure a Port Authority contract at any point in the procurement process, the Commissioner shall report the contact to General Counsel.

2. Disclosure

Solely for purposes of providing financial disclosure to General Counsel, each Commissioner shall furnish General Counsel annually with financial information consistent in format and substance with the information required to be filed by unpaid officers who hold policy-making positions in the state of his or her appointment. Subsequent to providing this annual information, during the year each Commissioner shall furnish General Counsel with any material changes in the information provided, and call to General Counsel's attention any other specific relationships with firms with which the Port Authority or one of its wholly owned entities does, or may do, business.

Commissioners shall disclose, on an annual basis, any outside business dealings that they, their employers, or their immediate family members (which for purposes of providing this disclosure shall be limited to their spouses or domestic partners and dependent children) have had with the Port Authority during the previous year. Such disclosure shall be made in a certification submitted by each Commissioner to General Counsel, who shall cause a schedule incorporating the information provided in such certifications to be provided to the Board and posted on the Port Authority's Internet Web site.

3. Campaign Contributions

A Commissioner shall not request or demand that any Port Authority employee make or offer to make any monetary contribution to the political campaign of a Commissioner, or to any political campaign committee for the specific benefit of a Commissioner.

-end-

Serving in the Public Interest:

The Guide to Port Authority Ethical Standards



THE PORT AUTHORITY OF NY & NJ

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Introduction

All of us who are associated with The Port Authority of New York and New Jersey take pride in an organization which is considered to be one of the outstanding public agencies in the nation. We have achieved this reputation because of our high standards of performance, clear dedication to our mission, and strong belief in our core values: Responsibility, Quality, Accountability, Integrity.

To emphasize our high ethical standards, the Port Authority (PA) has published, over the years, administrative policies and publications to provide standards for employee conduct and performance. Each of us is expected to be familiar with these instructions and policies and to act in a manner consistent with the spirit as well as the letter of these standards. For example, you should not, by your conduct, give the appearance that anyone can improperly influence you, nor should you act in a way that might reasonably lead to the conclusion that you are engaged in acts which are in violation of the public trust.

This guide contains several examples which illustrate what would (or would not) constitute a violation of certain policies or provisions. While some of these may appear to be obvious to you, many of the examples have been written so as to be clear to any reader.

Our standards of ethical conduct call for a high degree of discipline and judgment in carrying out our work responsibilities. It is our intention to enforce these standards diligently to maintain the level of integrity to which we all mutually aspire. Accordingly, a breach of

our standards or other wrongful behavior will subject an employee to disciplinary action, including dismissal when warranted.

It should be clear, however, that by maintaining a commitment to do what is right and fair with respect to the public we serve and the organization as a whole, we will sustain and continue to strengthen the well-deserved reputation that the PA has earned for **SERVING IN THE PUBLIC INTEREST.**

In any case where an employee believes his/her situation at work might present a conflict or other ethical issue, the employee must immediately disclose the details to the attorney designated by General Counsel under the Code of Ethics and Financial Disclosure.

Example: Bob's daughter is a high-ranking officer and part owner in Acme Corporation. Bob may not, in the course of his Port Authority duties, administer a contract or otherwise participate in transactions between the Port Authority and Acme Corporation.

Example: Margaret's duties include typing leases and she is acquainted with an individual employed by Big Firm, Inc., which is renegotiating a lease with the Port Authority. Even though she is typing this lease, if she is not involved in the transaction through decision, approval, disapproval, recommendation, influence, advice, investigation or audit, or the individual is not a member of her immediate family, Margaret does not have a conflict of interest.

References: AP 20-1.15, General Rules and Regulations

Post-Employment Restrictions

People who have served as Port Authority employees are covered by the post-employment restrictions contained in the Code of Ethics and Financial Disclosure.

The post-employment restrictions address ethics problems that sometimes arise when a Port Authority employee leaves Port Authority service to work else-

where. These restrictions are necessary to prevent Port Authority employees who know they are leaving Port Authority service from, consciously or otherwise, giving favorable treatment to potential employers or acting so as to situate themselves better for contemplated employment elsewhere. Port Authority policy minimizes the potential for impropriety or the appearance of impropriety by prohibiting participation in any capacity, by a former Port Authority employee, on behalf of anyone other than the Port Authority, in connection with any contract, including a lease or a claim, in matters where the Port Authority is a party or has a direct and substantial interest, for one (1) year after an individual leaves the Port Authority.

An exception to the one-year bar has been established for individuals who were not required to file a Financial Disclosure Statement (see "Financial Disclosure," below) prior to leaving Port Authority service and whose employment has been terminated because of participation in a retirement incentive program, or because of economy, consolidation or abolition of functions, curtailment of activities or other reduction in the work force.

A former Port Authority employee is permanently barred from participating in any capacity, on behalf of anyone other than the Port Authority, in connection with any contract, including a lease, or a claim in which the former employee participated directly or indirectly while a Port Authority employee, where the Port Authority is a party or has a direct and substantial interest.

for the use of the information is expected, the employee must immediately advise the person that he/she cannot accept any such information relating to the Port Authority or to their Port Authority duties in confidence and that he/she has no authority to commit the Port Authority to pay for any information or its use. This policy relates only to information submitted with the primary aim of financial profit to the submitter, and its provisions do not apply to transactions that arise in the normal course of Port Authority business. The objective of the policy is to protect the Port Authority against claims alleging that information of a commercial nature disclosed to the Port Authority was used by it either in violation of a confidential relationship or in violation of an implied promise to pay for it.

(Any questions concerning what confidential information may or may not be disclosed should be brought first to the attention of your unit supervisor or department head, as appropriate, for instruction.)

References: AP 20-1.15, PAI and AP 20-6.02, General Rules and Regulations

Financial Disclosure

The Port Authority uses a number of methods to focus attention on our individual ethical responsibilities, chief among which is the Financial Disclosure Statement filing requirement under the Code of Ethics and Financial Disclosure. This Statement allows employees to consider and document their outside financial and other interests, and serves to remind employees about the importance of avoiding situations where certain aspects of their private lives may come into ethical conflict with their duties and responsibilities as Port Authority employees.

By making information about the activities and investments of covered individuals available to the attorney designated under the Code of Ethics and Financial Disclosure and the public, the Port Authority and the people it serves can better determine the existence of a conflict of interest or potential violation of public trust.

Every employee at or above Level B-97, and other employees designated from time to time by their director based on the nature of the employee's job responsibilities, must complete a Financial Disclosure Statement and submit it to the Law Department on or before May 1 of each year. Such employees who have not previously filed a Statement must file within 30 days of hiring or promotion, as well. Information is requested concerning the employee and certain members of his or her family.

A filer may, at the time a Statement is completed, certify as to the lack of an interest or involvement in a Port Authority transaction on the part of a spouse or unmarried dependent child, in lieu of making certain detailed disclosure with respect to such family member.

The information disclosed in the Statement is subject to internal and public inspection within the limits provided in the Code of Ethics and Financial Disclosure and the Port Authority's policy and procedure on Freedom of Information. The Code requires each Statement submitted to the Law Department to be filed under lock and key, with limited internal access to a Statement. When a member of the public asks to inspect a Statement, the employee who filed it is advised of the request and the identity of the requester before a decision is made on the request. The employee is advised of the final decision, when made.

for others. No transportation or any kind of special treatment is to be solicited or accepted from Port Authority patrons or tenants.

Furthermore, in no instance should employees use their Port Authority employment to secure jobs with Port Authority contractors, tenants or others with whom we do business on behalf of members of their own or of another employee's family.

Example: Stu is a Port Authority employee whose car is towed from his apartment development because the vehicle's registration expired. He is told by his Building Manager that in order to claim the vehicle he will have to pay the \$90 towing fee as well as \$15 per day in storage charges. When Stu contacts the towing company to arrange to reclaim the vehicle, he realizes that the company is the same one that has the exclusive vehicle towing contract for his facility. Stu may not try to use his status as a Port Authority employee to attempt to get a discount or waiver of fees for the tow job.

References: AP 20-1.15, General Rules and Regulations

Gifts and Gratuities

Employees are not to offer or accept gifts or gratuities of any kind, or accept cash, cash discounts or other favors which might tend to obligate them to any individual or organization which does or is likely to do business with the Port Authority. Where retail discounts are available to the general public or where retail discounts are available to all employees (Port Authority and non-Port Authority) who work at a multi-tenant facility, such discounts may be

accepted. Gratuities may be accepted where they are specifically authorized (such as tips to Redcaps). In addition, employees should not accept any kind of special treatment from patrons, tenants, or organizations doing business or which are likely to do business with the Port Authority. Further, supervisors should never solicit contributions from any employee under their supervision.

Gifts of trifling value (for example, souvenir T-Shirts, coffee mugs) may be accepted as long as they are not intended to influence or reward the recipient. Clearance should be obtained from the employee's director.

If an employee is compelled to accept a gift other than one of trifling value, it should be brought to Port Authority offices to be put in the custody of the Port Authority.

Example: Patricia is an Accountant in the Comptroller's Department. Her responsibilities include processing payments to a vendor, Tom Mackenzie. During the holiday season, Tom sends Patricia a basket of cheer valued at \$300 to thank her for providing assistance during the year. Patricia should advise her supervisor of the gift she received and return the basket of cheer to the vendor with a letter indicating that it cannot be accepted under Port Authority policies.

Example: Jane, a Senior Property Representative, travels to Asia to meet with potential tenants for the World Trade Center. As is their custom, they present her with a gift. Since it would be an affront for Jane not to accept the gift, she should accept it. Jane should turn the gift over to the Port Authority's custody for possible public display.

Example: John is a Manager at Port Newark and he attends (at the Port Authority's expense) a dinner sponsored by an association of port tenants. A raffle takes place for a four-day Bermuda cruise. If John wins the cruise, he cannot accept the prize, since the Port Authority paid for him to attend this function.

References: PAI 20-1.06, AP 30-3.51

Outside Employment

Port Authority employees are required to request and obtain permission from their unit head and their director to engage in compensated non-Port Authority employment (including but not limited to self-employment, sole proprietorship, partnership, family-owned corporation, etc.). Permission may be granted provided that the work performed, whether for others or oneself, is in accord with the Code of Ethics and Financial Disclosure, is not prejudicial to the Port Authority's interests and the employee's job duties do not suffer. Such permission must be obtained at least on an annual basis. Permission to engage in outside employment does not relieve employees from compliance with the Code of Ethics and Financial Disclosure.

Supervisors should not solicit or engage any employee under their supervision to perform outside employment.

Example: Betty, who works in the Aviation Department, is in regular and continuous contact with Never Ice, a company that provides de-icing chemicals and delivery systems for airplanes and runways. Her

Port Authority duties involve the award and administration of supply and services procurement contracts for Port Authority airport facilities. One of these contracts is with Never Ice. She may not be retained by Never Ice as an expert witness on airport de-icing procedures in a lawsuit involving a 1985 accident in Philadelphia.

Example: Archie is an Associate Designer (Electrical) in the Engineering Department. He may do "freelance" artwork and drafting work on his own time for certain corporate clients, provided he gets prior written approval from his unit head and director, on the basis that (1) his Port Authority duties will not suffer, (2) such outside employment is not prejudicial to the Port Authority's interests, and (3) he does not participate in Port Authority transactions involving his outside clients (and so does not have a conflict of interest under the Code of Ethics and Financial Disclosure).

References: PAI and AP 20-1.04, AP 20-1.15, General Rules and Regulations, Office of the Executive Director - Office Memoranda 9-81 and 15-87

Political Activities

Given the unique bi-state character of the Port Authority, independent of state and local elections, the agency since its inception has carried out its responsibilities in a non-partisan manner for the public good. Accordingly, partisan political involvement is inappropriate. Employees must not use their official authority or influence to interfere with elections or nominations for any federal, state, county, or municipal office or actively

Discrimination and Harassment

The Port Authority, as part of its commitment to equal employment opportunity, prohibits acts of discrimination or harassment on the part of any employees on the basis of sex, race, color, religion, age, national origin, or disability. Furthermore, sexual harassment (including but not limited to unwelcome sexual advances, requests for sexual favors, and other verbal and physical conduct of a sexual nature) is also prohibited. Behavior constitutes sexual harassment when:

- submission to such conduct is made, either explicitly or implicitly, a term or condition of an individual's employment; or
- submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or
- such conduct has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

In prohibiting such discrimination and harassment, the Port Authority reaffirms its belief that every employee must be treated with dignity and respect. We expect all employees to support our policy by acting in accordance with it and by bringing any violations of this policy to our attention. Any complaints should be referred to the Manager, Office of Equal Opportunity in the Human Resources Department, or to your immediate supervisor (or, if this is not possible, to a higher level manager), or to the Employee Complaint Representative for your department or office.

References: Office of the Executive Director - Office Memoranda 8-87, 4-92 and 3-98, Human Resources Department Bulletin 94-1

Solicitations by Employees

No employee shall, without the express written approval of the Executive Director, solicit or accept from any Port Authority patron, tenant or other person doing business with the Port Authority, either for himself/herself or any organization or group, any of the following: a contribution, gift, subscription, or other thing of value, either directly or through the medium of tickets to benefits or other functions, advertising space in programs, or any device whatsoever.

Supervisory employees are never to solicit contributions from those under their supervision.

No transportation or any kind of special treatment is to be solicited or accepted from Port Authority patrons or tenants.

Example: Chris is a Manager in the Office of Business and Job Opportunity. In addition to his work responsibilities, Chris also volunteers his time at UNICEF. During the holiday season, Chris assists UNICEF by selling greeting cards to support a specific cause. Chris cannot ask any employee that he supervises nor any person or firm that does business with the Port Authority to purchase these cards.

Example: Fred is a Port Authority line department advertising manager. He may solicit orders from individuals and firms doing business with the Port Authority for advertising in a magazine published by the Port Authority.

References: PAI 15-5.01, General Rules and Regulations

Port Authority Contracts, Funds, Equipment & Property

Contract Administration

Staff who are involved in the development, selection and administration of Port Authority contracts are entrusted with a substantial responsibility, as these functions directly impact upon the expenditure of public funds. The long-standing policies and procedures in this area are addressed in many forms, including the By-Laws, delegations of authority, the Authorization Procedures Manual, Office Memoranda, departmental procedure manuals and bulletins.

Employees engaged in these activities must be mindful not to put themselves in a situation which causes a conflict of interest, whether actual or potential, including situations which may give the appearance of a conflict of interest.

No Port Authority employee or consultant shall participate in any way in preparation, award or negotiation of a contract or in review or resolution of a claim in connection with such a contract if the employee or consultant has a financial interest in the contractor or potential contractor or if the employee or consultant has an arrangement for future employment or for any other business relationship with the contractor or potential contractor. If the possibility of such an arrangement is the subject of previous or current discussion, or if the employee has reason to believe it will be the subject of future discussion, or if the employee has any financial interest (substantial or not) in the contractor or potential contractor, or if an employee has reason to believe that any other situation exists which might be viewed as a

conflict of interest regardless of the employee's opinion, then in every such case the employee must disclose such information to his/her supervisor prior to the employee becoming involved in the contract. The supervisor shall advise his/her department head, who shall bring the matter to the attention of the Law Department's designated ethics attorney, assigned by General Counsel to consider questions of conflicts of interest. This does not attempt to state the complete responsibilities of an employee to avoid conflicts of interest. Sound judgment and common sense must always be applied.

Example: Bob is the Contract Administrator for the ABC Coldspot Refrigeration contract at LaGuardia Airport. When Bob's home air conditioner breaks down, the ABC technician on the airport job site offers to take a look at it. The technician diagnoses and repairs the problem, for which Bob is billed and pays the bill. Even though Bob made full payment (at ABC's regular service rates), his utilization of ABC for this work gives the appearance of impropriety in view of his role as Contract Administrator.

References: AP 20-1.15, Office of the Executive Director - Office Memorandum 8-78

Safeguarding Funds and Property

All employees are responsible for complying with measures developed for safeguarding funds and property. In general, employees may not remove, take custody of, or dispose of Port Authority property without authorization. Any employee knowing or having good

be transported other than authorized Port Authority employees, official guests and non-employees involved in official functions and activities. In general, vehicles may not be used for commuting to and from private residences unless appropriate authorization is granted. All operators of Port Authority vehicles are subject to applicable Port Authority, state, and municipal motor vehicle regulations.

Example: Bill works at the World Trade Center and has a 7:00 AM meeting scheduled for the next day at LaGuardia Airport, so he has received authorization to take a pool vehicle home overnight. He and his wife have made plans to meet his friends for dinner that evening. Although the place at which he is meeting them is on his way home (as is his wife's office), he may not use the Port Authority vehicle to pick up his wife and travel to the dinner.

References: PAI and AP 15-3.02

Personal Telephone Charges

Personal phone calls are permitted to certain local area codes within the limits described in the current policies on this subject. Employees are required to make reimbursement for other personal phone calls. Employees are expected to exercise prudent judgment to ensure that the length and frequency of calls are kept to a minimum.

References: PAI 30-3.03, AP 30-4.01

Port Authority Information

Public Access to Port Authority Records and Public Release of Information

The Port Authority subscribes to the principle that the public has the right of access to records within the purview of the Port Authority's established Freedom of Information policy. All records, including records stored electronically, are available for public inspection or copying, except those specifically exempted. Determinations of what information is available under the Port Authority's Freedom of Information policy are made by the Secretary of the Port Authority and requests which are denied may be appealed to General Counsel. For Freedom of Information requests that come from members of the media, or that could involve the media, the Office of the Secretary will consult with the Director of Media Relations.

Any information disseminated regarding our policies or activities must be accurate and consistent. The responsibility for releasing information to the media when a Freedom of Information request is not involved is therefore centralized in the office of the Director of the Media Relations Department, with the approval of other directors and above, as appropriate.

It is now possible to disseminate Port Authority data and information directly from one's computer terminal. However, no data may be released to the public without the reviews as described in the preceding paragraphs. Exception to this is data and information already

is agreed to by his supervisor and is consistent with the terms and conditions of the software licensing agreement.

References: Computer Information Ownership and Access Standard, Computer Information Security Standards, AP 15-4.03

When necessary for official or business purposes, the Port Authority reserves the right to access, inspect, monitor and/or log all computing activity and resources. For example, the Port Authority reserves the right to inspect computer resources to ensure that actual use is consistent with this policy. The Port Authority may use data, logs, diaries and archives in accordance with its normal business practices and policies (including compliance with requests from appropriate legal authorities and regulatory agencies) and for adherence with this policy.

Depending upon content, data stored on users' individual devices or on network/shared devices may constitute records of the Port Authority and the organizational data retention schedules (Record Retention Manual) and policies on access to such data (the Freedom of Information policy) are applicable. E-mail is automatically deleted from a user's mailbox and backup storage 120 days from the date of receipt, without notice.

When using Port Authority accounts and sending electronic mail over the Internet, the expression of personal opinions not germane to the carrying out of Port Authority business could be misconstrued as an official position of the Port Authority. This could cause embar-

assment for all involved, and should be avoided. Also to be avoided in the course of using Port Authority computing resources are:

- (i) transmission, retrieval, creation, viewing, display or storage of any pornographic, harassing, threatening, abusive, defamatory, obscene or sexually explicit materials, or materials which contain ethnic slurs or racial epithets, or which generally disparage others based on their race, religion, national origin, sex, sexual orientation, age, disability, religious beliefs or political affiliation, or which contain other unlawful material.
- (ii) accessing other computing resources without authorization, or attempting to circumvent authorization procedures or controls;
- (iii) dissemination or printing of any material (including articles and software) that violates copyright laws or software licensing agreements;
- (iv) transmitting confidential, proprietary or business-sensitive information;
- (v) interfering with or disrupting network users, services or equipment either within the Port Authority or on the Internet;
- (vi) conducting marketing or business transactions;
- (vii) solicitation of funds and other activities for religious or political causes or outside business;
- (viii) conducting unauthorized not-for-profit business activities;

Authority might be liable to pay royalties for the use of patents or inventions by Port Authority employees; and to allow for royalty-free license to be granted to other public agencies in New York and New Jersey.

Whenever a Port Authority employee in the course of his or her duties conceives an idea for a new or unusual material, piece of equipment or process, the idea may not be disclosed to anyone outside the employ of the Port Authority until the employee's director or manager has consulted with the Law Department.

Example: Dan, a Maintenance Supervisor, invents a special tool for installing radio antennas. Dan should not disclose this idea to anyone outside of the Port Authority until his director or manager consults with the Law Department.

References: PAI and AP 20-6.01

Discipline

Violation of any of the rules and policies outlined here or other rules promulgated by the Port Authority can cause any employee to be subject to discipline, including termination of employment, regardless of rank, status, tenure, or classification.

With respect to the disciplinary process, employees should consult the applicable AP's, PAI's or Memoranda of Agreement to obtain information regarding discipline for their classification.

References: PAI and AP 20-1.10, 20-1.11

Your Rights and Responsibilities

All employees must cooperate in authorized investigations of any act, omission or occurrence in or upon Port Authority property (including but not limited to misconduct, accidents, crime and the like), provided, however, that this rule shall not require any employee to give evidence against himself or herself in connection with the investigation of an alleged act of misconduct on his/her part.

References: General Rules and Regulations

(iii) provides both senior staff and the interested department(s) with the opportunity to comment on the Port Authority's interest in the waiver; (iv) acts within its mandate as set forth in the Code; and (v) ensures that its decisions reflect a consistent application of the standards of the Code.

Requests for Advisory Opinions: If you have any questions about your own activities or the application of the Code of Ethics and Financial Disclosure, you should contact the attorney designated by General Counsel to provide guidance (see "Designated Ethics Attorney" below). A formal request for an advisory opinion must be in writing and must deal with a real, not hypothetical, situation.

Designated Ethics Attorney: General Counsel has designated an attorney to make determinations regarding the propriety of employee actions under the Code of Ethics and Financial Disclosure. To reach the designated ethics attorney contact the Office of General Counsel at (212) 435-6910.

The Office of the Inspector General

The Office of the Inspector General reports directly to the Executive Director. The Office assists in maintaining the integrity of the Port Authority through investigative programs that include inquiry into allegations of criminal behavior and serious administrative misconduct by employees, and attempts by non-Port Authority employees to corrupt or unlawfully interfere with Port Authority operations. All matters referred to this Office will be handled in the strictest confidence. Individuals may express concerns and complaints in writing to: The Port Authority of NY & NJ, Office of Inspector

General, One World Trade Center, Suite 7767, New York, NY 10048, or by calling the 24-hour "hot line" at (212) 435-6400 or (973) 961-6600 ext. 6400, or by 24-hour pager at (917) 788-6277, or via E-mail to rv-etten@panynj.gov, or via Internet at www.panynj.gov/ig/igmain1.htm, or in person by stopping in at the World Trade Center office.

The Manager, Office of Equal Opportunity

The Manager, Office of Equal Opportunity in the Human Resources Department has been designated as the person to whom complaints or allegations regarding discrimination and harassment may be addressed and also provides proactive consulting support to local management on actual or potential EEO issues.

The Manager, Office of Equal Opportunity is also responsible for assisting in the resolution of problems informally in an early stage at the local level by working closely with appropriate managerial and supervisory staff. He/she coordinates conflict resolution and mediation, provides guidance and advice to local department management, and gives attention to the training of managers and other staff on the handling of EEO and sexual harassment issues.

Any employee who believes that he/she has been discriminated against or harassed, should contact the Manager, Office of Equal Opportunity at (212) 435-5556.

Office of the Executive Director – Office Memoranda

- 8-78 April 21, 1978 - Construction and other Procurement Contracts: Meetings, Negotiations, Prequalification, Conflict of Interest
- 9-81 August 5, 1981 - Outside Employment
- 8-87 March 27, 1987 - Equal Opportunity and Affirmative Action
- 15-87 October 23, 1987 - Outside Employment
- 4-92 Policy on Sexual Harassment
- 11-92 August 13, 1992 - Appointment of Inspector General
- 7-93 September 1, 1993 - Human Rights Policy - Employment Decisions on the Basis of Marital Status, Arrest Record or Prior Criminal Conviction
- 3-98 December 14, 1998 - Policy on Sexual Harassment
- 4-99 May 20, 1999 - Policy on Media Contacts

Departmental Bulletins and Memoranda

- Audit Dept. Bulletin 88-2: April 1, 1988
(Office of Inspector General)
- Audit Dept. Bulletin 88-3: June 3, 1988
(Office of Inspector General, Hot Line and Post Office Box)
- Human Resources Dept. Bulletin 92-1: February 10, 1992
(Meeting the Needs of Patrons, Employees and Potential Employees with Disabilities - Compliance with the Americans with Disabilities Act of 1990.)
- Human Resources Dept. Bulletin 94-1: May 5, 1994
(Appointment of Manager, Equal Opportunity)
- Human Resources Dept. Memorandum (Director): June 16, 1999
(Designation of Department and Office Employee Complaint Representatives as alternative source to handle complaints of discrimination, harassment and/or retaliation)

Other Important References

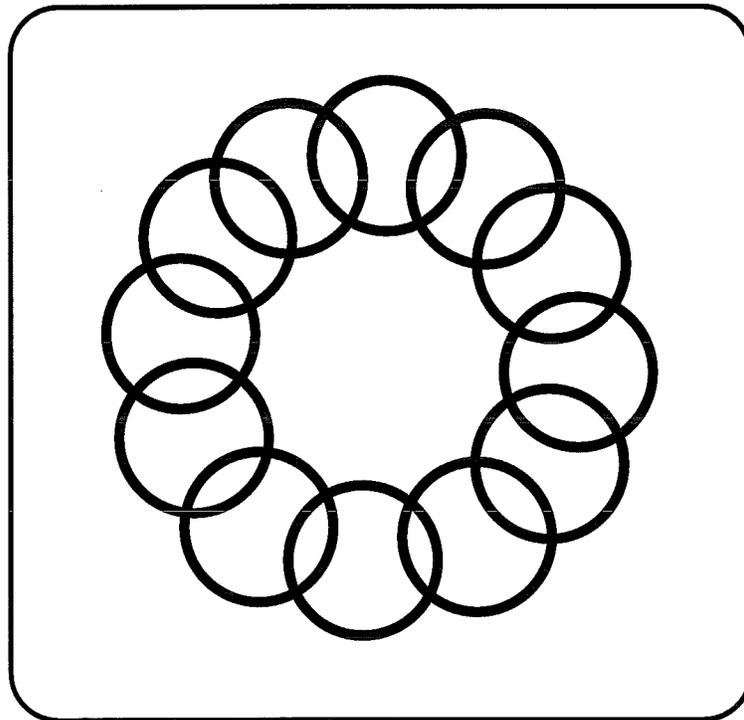
- The General Rules and Regulations for All Port Authority Employees
- Computer Information Security Standards
- Computer Information Ownership and Access Standard
- Applicable Memoranda of Agreement
- Business Expense Account Management Guide
- Form PA 618 (Petty Cash Voucher)
- Form PA 3375, Financial Disclosure Statement (and instructions)

Directory of Key Contacts

- Audit Department (Director) (212) 435-6565
- Designated Ethics Attorney (212) 435-6227
- Employment (Manager) (212) 435-4601
- Equal Opportunity (Manager) (212) 435-5556
- Chief of Staff (Executive Advisor) (212) 435-8148
- Expenditure Review (212) 435-8629
- Freedom of Information Policy (212) 435-2542
- General Counsel (212) 435-6910
- Human Resources Department (Director) (212) 435-4650
- Human Resources Policies and Procedures (212) 435-4507
- Information Security (212) 435-7658
- Office of the Inspector General (212) 435-6400 or (973) 961-6600, ext. 6400 (24 Hours)
- Corporate Communications (Director) (212) 435-7572

General Rules And Regulations

For All Port Authority Employees



This booklet describes essential Port Authority policies on standards of conduct and performance, safety, ethics, financial matters, and other topics. It explains the rules and regulations which apply to you and every employee to help you understand your role both on and off the job. Please keep this booklet available for easy reference.

Along with this booklet, the Port Authority also publishes or other sources of information with which you should be familiar. They include:

- the Port Authority Instructions (PAIs)
- the Operation and Maintenance Standards and Instruction Manuals
- departmental and facility rules
- various safety booklets.

The rules provided in this booklet apply to all Port Authority employees. No existing rule, regulation, order or directive which is inconsistent with the rules and regulations here published shall have any effect. Departmental or work unit rules or regulations consistent with the rules and regulations in this booklet are hereby preserved and authorized, and all existing and future Port Authority Instructions must be complied with.

April 1990

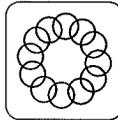
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1. Applying The Rules

These rules cover a number of areas, as may be seen by the outlined Table of Contents. *A thorough knowledge of the rules is essential.* If there is anything in them that you do not understand, ask your immediate supervisor for an explanation. If you need to refer to the PAI's in the Administrative Manual, and do not have direct access to a copy, contact your supervisor or unit head.

1. Every effort must be made to carry out these rules, in both their letter and their spirit.
2. It is each employee's responsibility to observe all official regulations and instructions affecting the operations of Port Authority properties, revenues and other related matters.
3. All instructions from supervisors, no matter how stated, transmitted or received, must be followed. Instructions printed on official Port Authority forms, cards, or passes have the same validity as any formal regulations.



2. Ethics

Individual and group ethics are basically the same. The highest standards applied in upholding a personal reputation should be applied to protecting the good name of the Port Authority and your position as a trusted employee. (In addition, see PAI 20-1.15, Code of Ethics and Financial Disclosure.)

General

1. No employee may, directly or indirectly, use or attempt to use his employment with the Port Authority to secure unwarranted privileges, exemptions or other benefits for himself or for others.
2. Attempts to obtain preferential treatment within the Port Authority through "influence," political or otherwise, are strictly prohibited.

3. It is imperative that employees be honest and accurate. In presenting information, if you are not sure of all the facts or details, or their completeness, be sure to indicate the limits to which you can vouch for its accuracy.

4. All employees designated in or pursuant to the Code of Ethics and Financial Disclosure (PAI 20-1.5) must submit a Financial Disclosure Statement (form PA 3375) to the Law Department on or before May 1 of each year.

A newly hired or promoted employee subject to the financial disclosure requirement must submit a Financial Disclosure Statement to the Law Department no later than thirty calendar days after the date on which the employee commences his or her duties.

Soliciting and Purchasing

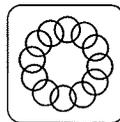
1. No transportation or any kind of special treatment is to be solicited or accepted from Port Authority patrons or tenants.

2. It is forbidden to accept awards or gratuities from patrons or tenants in connection with work as an employee of the Port Authority. Accepting valuable articles from them in payment for personal services or as a pledge for future payment of fees or money loaned is prohibited. Gratuities may be accepted where they are specifically authorized, such as tips to Skycaps. For further details on this subject, see PAI 20-1.06.

3. Unless there is authorization from the responsible department head, an employee should neither solicit nor contribute, directly or indirectly, money or valuables to be used in matters affecting the Port Authority or people connected with it. (See PAI 15-5.01).

4. Supervisory employees are never to solicit contributions from those under their supervision.

5. Purchases should never be made from persons on Port Authority property unless they are officially authorized vendors. These authorized vendors must display identification issued by the Port Authority.



3. Conduct

These are the rules covering the areas of good taste and proper conduct in relations with fellow employees and the public. In these areas, individual tastes and habits must sometimes take second place to the needs and preferences of the group.

On the Job

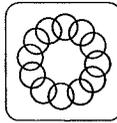
1. Employees on duty must never, under any circumstances, brandish weapons or engage in horseplay.
2. Employees should never enter into altercations while on duty.
3. a) Consumption of intoxicants by employees while engaged in the duties of their employment or in uniform is prohibited, except with the approval of the proper authority.
b) Possession or use of narcotics on Port Authority property is prohibited.
4. Gambling on Port Authority property is prohibited.
5. Uniformed employees should never smoke while on duty, except in rest rooms or authorized areas.
6. Relations with fellow employees, as well as those with the public and supervisors, should be handled with tact and courtesy at all times. The use of abusive or indecent language is prohibited.

Off the Job

1. Time off duty should not be used in a manner which is likely to hinder employees from the efficient performance of their duties or to bring discredit upon the Port Authority. Consumption of intoxicants or use of narcotics prior to reporting for the performance of the duties of Port Authority employment, in such measure as to impair an employee's ability to perform these duties properly, is prohibited, *as is any other activity having the same effect.*
2. Affiliation with groups or organizations which may interfere with the employee's proper performance of his Port Authority duties is barred. If there is any doubt concerning the acceptability of any such affiliation, your department head should be consulted for approval.

3. Full-time Port Authority employees should not engage in services for compensation for other individuals or organizations, except with approval in advance. Approval may be granted by the employee's supervisor, department head, and the Personnel Director. For a full statement of this rule, see PAI 20-1.04.

4. As public servants, Port Authority employees must not participate in certain kinds of partisan political activity - as outlined in PAI 20-1.07. These restrictions are not, of course, intended to interfere with their rights as citizens to vote and express their personal views on political subjects and candidates.



4. Public Relations

Because the public tends to judge an organization by its employees, it is essential that their behavior be above reproach.

1. No employee shall commit any act or neglect any duty which in any way is prejudicial to good order, discipline, or efficiency, or reflects unfavorably upon the good name or reputation of the Port Authority or those of the general public, whether or not such act or neglect is specifically mentioned in these rules.

2. It is important that public and business contacts be conducted with politeness and respect. Polite handling of complaints and criticisms, and immediate corrective action or reference to a supervisor, are necessary.

3. An employee's name and/or number shall be given promptly to anyone on request.

4. Employees assigned to guide visitors who are not Port Authority employees should make every effort to see that the visitors observe all appropriate rules and regulations.

5. Employees should be on the alert at all times to prevent members of the general public from committing the following acts:

- a) destroying, injuring, defacing, or disturbing in any way any

sign, equipment, marker, or other structure or any other public property of the Port Authority facilities.

b) abandoning any personal property, discarding litter in places other than in designated receptacles.

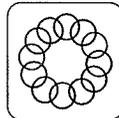
c) smoking in prohibited places.

6. a) Before being permitted access to the non-public facilities or portions of facilities, all persons not regularly employed by the Port Authority are required to report to the office of the Manager of a facility. For a full statement on this policy, see PAI 50-1.03.

b) Before admission can be granted to any site where construction or demolition projects are in progress, Port Authority employees not engaged in work on that site must have some form of written authorization by a department or division head. This is in addition to the usual Port Authority identification card.

7. Publicity, such as answers to queries from public and private news agencies, should be given out only with the approval of the Public Affairs Department, as stated in PAI 50-1.01. All requests for publicity, either spoken or written, should be referred to the immediate supervisors, who will in turn refer them to the Public Affairs Department.

8. Public speeches concerning the Port Authority may be made only with the approval of the Director of Public Affairs.



5. Doing The Job

Each Port Authority position involves the performance of certain stated duties and has certain standards of performance which must be met. There are also certain general regulations covering employees' overall responsibilities regarding their work.

General Duties

1. An employee must maintain an acceptable standard of performance in order to be retained in his position.

2. Port Authority work must be performed whenever and wherever assigned, except when an employee is so unqualified to do the work that he may endanger himself and others by doing it. This exception applies particularly to emergencies - when an employee may increase, rather than decrease, the danger of the situation by performing tasks for which he is not qualified.

3. An employee, even if he is generally assigned to fixed hours, may be called in at any time it is necessary (except that if he is on sick leave, he may only be called in by, or with the approval of, the Medical Director).

4. Employees under medical restriction as to their work activities should work only within the limits of these restrictions. They should call their supervisor's attention to the restrictions if assigned to work contrary to them.

5. Being in the proper place at the proper time constitutes a part of the work just as much as any specific duties. Therefore, excessive absence or tardiness may be considered sufficient cause for disciplinary action.

6. Employees directly serving patrons and tenants should not leave their assigned posts until they are relieved or excused. Employees on shift work must under no circumstances leave their posts until officially relieved.

7. It is essential that employees be alert at all times while on the job. Only such reading or writing as is authorized or necessary to the job may be done while on duty. Sleeping or dozing on duty is a serious infraction.

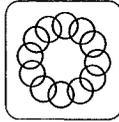
Working Uniforms

1. The assigned Port Authority badges, insignia, and uniforms shall be worn at all times while on duty. No badges, decorations or insignia other than those authorized should be worn on these uniforms. Uniforms may be worn only while on duty, and may not be worn home without specific approval.

2. Employees must wear the uniforms and safety equipment assigned to them for performing their duties, except in extreme emergency.

3. Employees should use the assigned locker rooms when changing their clothing. They must not leave clothing at any other location in their facility, except in emergency or as designated by the facility manager.

4. Cleanliness and care in the maintenance of uniforms is the responsibility of each employee to whom uniforms are assigned. When the cleaning of uniforms is provided by the Port Authority, it is the employee's duty to use clean uniforms as needed; when the employee receives a uniform allowance, he is responsible for proper uniform maintenance.



6. Reporting Attendance And Absence

The efficiency of an organization can be seriously impaired when normal procedures of reporting attendance and absence are not followed. In the usual daily routine, and especially in emergencies, it is often necessary to locate a person on short notice. Therefore, the regulations in this section are based on both considerateness and efficiency.

General

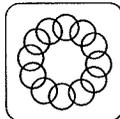
1. All employees newly assigned to a facility should report to the manager's office for indoctrination.
2. Going on and off duty should be recorded in person, in the method followed by the work unit. Time recording must never be made for another employee.
3. No employee may willfully absent himself from his assignment without the approval of his supervisor. Except in emergency, employees must give adequate notice when requesting excused time, compensatory time or unscheduled vacation.
4. Changes in name, home address, or telephone number, as well as changes which affect benefits coverage (i.e., marital status, addition of dependent, etc.) should be reported to the Personnel Department in accordance with procedures available from the employee's unit supervisor.

Vacation and Illness Absences

1. It is important that employees leaving for vacation inform their immediate supervisor how and where they may be reached.
2. Absence because of illness or other justifiable reason should be reported to the immediate supervisor (or, for police, the Desk Officer) as early as possible but not later than:
 - a) Police - *at least two hours before* the start of their scheduled tour.
 - b) Shift workers - *at least one hour before* their scheduled starting time.
 - c) Other field employees - *at least 1/2 hour before* scheduled starting time.
 - d) All other employees - *no more than 1/2 hour after* scheduled starting time.

Notification should be made by the employee if possible, or by another adult or responsible person. In all cases the following information should be given: employee's name, job title, reason for absence (including symptoms of illness); where employee may be reached. (See PAI 20-3.04.)

3. For absences continuing for more than one day, employees should continue to report in whatever manner their supervisor indicates.
4. Employees on sick leave, receiving pay, need the approval of the Medical Director or their supervisor before leaving their place of residence, except to visit a physician or a Port Authority clinic.
5. When the Medical Director considers it necessary, employees on sick leave must allow the Office of Medical Services to make whatever examinations are deemed advisable.
6. An employee who becomes ill on duty or has been absent due to injury received on duty must obtain approval from a Port Authority physician before returning to work.



7. Safety And Sanitary Conditions

The importance of safe working conditions can never be over-emphasized. Most hazards can be eliminated through careful thought and the observance of basic safety rules.

General

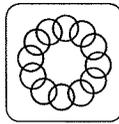
1. Employees are expected to inform the general public of the safety rules when it is necessary. Personnel assigned to guide visitors are responsible for the visitors' awareness of all safety rules of that location.
2. Any unsafe condition should be reported immediately to the supervisor or other responsible person, and every effort should be made to correct it on the spot or minimize the hazard by posting or circulating a warning notice until a qualified repairman is assigned to the job.
3. All possible precautions should be taken to prevent loss of life, personal injury, fires and other damage to or on Port Authority property. If an accident occurs, full particulars should be reported promptly to the supervisor and recorded and reported in the correct manner, as stated in PAI 55-3.01. If injury occurs to a Port Authority employee, he must prepare a report of the injury on Form PA 360, and send it to his supervisor in accordance with PAI 55-3.01.
4. Employees must participate in fire, civil defense and other drills as may be prescribed by the Port Authority.
5. Employees should be familiar with the locations of fire alarm boxes, other devices of emergency notification, and with the locations of all portable fire extinguishers and hose lines in their usual work area, emergency notification of their supervisor and/or the manager.
6. Oil wastes, wastepaper, and other waste combustible materials must be kept in approved receptacles during the tour and removed at the prescribed regular intervals.
7. At the end of every tour, all debris must be removed from the work site. Hazardous objects or conditions must either be removed or remedied before leaving the job, or else adequate safeguards—labeling, etc.—must be provided.
8. Radiators and steam pipes, window ledges, locker tops, etc. must be kept clear and no materials stored upon them.

Smoking

1. Smoking is permitted on Port Authority property, except in locations officially designated as non-smoking areas. Some of the major non-smoking areas at the facilities are: decks and cargo holds of ships, barges, tugs, or any other vessels loading or unloading grain; mechanical equipment rooms, storerooms, waste rooms, and battery storage rooms; docks, vessels, transit sheds, and warehouses; airport hangars, fuel stations, aircraft ramps, areas within 50 feet of a gasoline truck or of a plane taking on fuel, and all areas with "No Smoking" signs.
2. The carrying of matches, lighters or other smoking material into restricted areas, by employees or by others, elsewhere than in the locker rooms or other officially designated areas, is prohibited.

Sanitation

1. To provide for the safety of property and the health of employees, a high standard of cleanliness and general housekeeping must be maintained.
2. Garbage, papers, refuse and all other waste materials must be placed in receptacles provided for that purpose.



8. Port Authority Property And Its Use

The obligation to respect other people's private property is a basic law of democratic society. Respect for public property is equally essential, since public property belongs to all the people in a community.

General

1. Employees entrusted with Port Authority property are responsible for its proper care, economical use and serviceability. Defective or inadequate equipment should be reported to the responsible supervisor.

2. Cooperation in the care and maintenance of Port Authority buildings, grounds, uniforms and equipment is essential. These should be kept in good order and sanitary condition by those assigned to their use and control.
3. Port Authority facilities, equipment, electricity, heat, telephones, water and other services should be used with regard for economy and efficiency. All lights and all power for machinery not in use should be shut off, including noon hour or other times when no work is being done.
4. Port Authority tools, materials and equipment may not be removed from the property without authorization.
5. No Port Authority property may be sold or otherwise conveyed to any Port Authority employee or member of the employee's immediate family, even after its retirement. Employees must not knowingly purchase or in any way obtain such retired property, even after it has been sold. (See PAI 25-3.06, Disposition of Office and Operating Equipment.)
6. Abandoned or lost property should be safeguarded by the finder and placed in the custody of the Lost Property Custodian. (See PAI 15-5.02). Loss of Port Authority property, and information about lost or found property, should be reported promptly.

Damage Reporting and Repairs

1. Any irregularities, hazards or defects in Port Authority property should be brought promptly to the attention of your supervisor or the one with authority to correct them. For defective electrical, office or mechanical equipment, the appropriate maintenance work order form must be prepared by the supervisor.
2. Employees must not change, tamper with, repair or operate any piece of equipment, stationary or movable, not assigned to their care, maintenance or operation. When work is needed on such equipment, employees should report the need to their supervisor, who will inform the responsible person.

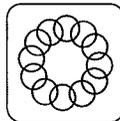
Motor Vehicles

1. Only properly licensed and qualified employees may operate Port Authority motor vehicles, and then only as assigned and directed by the proper authority.

2. Operators of Port Authority motor vehicles must obey the rules of the road, traffic laws and speed limit notices, both on and off Port Authority property, as well as the orders and signals of Port Authority watchmen and Police Officers.

3. Employees operating motor vehicles are responsible for their safe and economical use, and for the proper recordings on Form PA 70, as stated in PAI 15-3.04. Carrying unauthorized persons is always prohibited.

4. While on Port Authority property, motor vehicles that are not in use should be placed in the designated parking area or garage. If it is necessary at any time or place to leave a Port Authority vehicle unattended, it must be locked.



9. Financial And Legal Matters

If they are not managed with honesty and good judgment, money matters can often lead to great difficulties. The following rules relate to financial and legal matters which might arise in connection with your Port Authority position. It is also important that personal affairs be so conducted that the Port Authority does not become involved in the private financial or legal problems of its employees. If difficulty does arise, you may consult your supervisor or client representative in the Personnel Department.

In Relation to The Port Authority

1. Employees should not make purchases nor incur a debt or liability chargeable against the Port Authority, nor should they sell, give away, destroy or otherwise dispose of the Port Authority's property, without authorization.

2. Employees may not discuss, negotiate for, collect or accept monies for any existing or potential claims for damage done to or on Port Authority property or for injuries to persons on Port Authority property without the approval of the Law Department.

3. All employees must cooperate in authorized investigations of any act, omission or occurrence in or upon Port Authority property (including, but not limited to misconduct, accidents, crime and the like), provided, however, that this rule shall not require any employee to give evidence against himself in connection with the investigation of an alleged act of misconduct on his part.

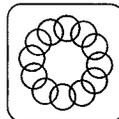
4. An employee may not receive on behalf of the Port Authority any subpoena, summons, court order or other form of court process except as authorized by the Law Department.

5. Employees may not settle any action against a third person which arises from an alleged injury for which the employee is receiving, or is eligible to receive, benefits under the Worker's Compensation Law of the State of New York or the State of New Jersey without having notified his facility manager or department head and the Worker's Compensation agent in writing.

6. An employee who files a criminal complaint in connection with his employment with the Port Authority may not withdraw that complaint except: (a) by authorization of his department head with the concurrence of the Law Department, or (b) as instructed by a representative of the Law Department during the course of proceedings resulting from the complaint.

Personal

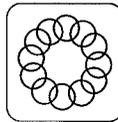
Employees should not incur debts that they are unwilling or unable to pay. In the event of assignments, attachments, and/or garnishments of wages, they are subject to the provisions of PAI 20-2.08.



10. Disciplinary Action

It is sensible and simple to avoid situations and behavior which make disciplinary action necessary. Discipline is embarrassing and unpleasant for parties concerned, but in a large organization the importance of fair and efficient enforcement of the rules makes provision for discipline necessary if the many departments are to function properly.

1. Violation of any of the rules in these General Rules and Regulations, *or other rules promulgated by the Port Authority*, can cause employees to be subject to varying degrees of discipline, depending on the circumstances in each case.
2. Disciplinary action may also be taken against employees for repeated violations of orders and rules, for repeated neglect or failure to perform their duties, or for other repeated conduct warranting discipline, *even though action has previously been taken separately on some or all of the series of actions upon which a charge is based*. Such repetition of misconduct is in itself chargeable as a separate offense.
3. An employee under suspension should report to his supervisor in accordance with the supervisor's directions.



Conclusion

The rules in this booklet will remain in effect until changing conditions require their revision. However, no such revisions will be made without consideration of the mutual advantages, benefits and responsibilities of the Port Authority and its employees.

Note: Although issued in revised format, information contained in this booklet constitutes a reprint of the June, 1975 edition and updates the August, 1979 edition. This booklet is not intended to be exhaustive with respect to all the responsibilities of employees, and it does not constitute a contract.

