

195a

*Exhibit P-5*

have been sold at all if Governor Byrne had recommended repeal of the Port Authority covenant a week before instead of a week after the date of the sale, — this because of the impact on investor evaluation of the State's moral pledge.

If the New York repeal bill is vetoed there will be a continued effort in the investment community working with the Port Authority to further its involvement in mass transit within the covenant, including a possible request for bondholder consent to change. If the repeal bill is signed, however, all of this potential effort will unfortunately have to be channeled into the mobilization of investors to uphold the covenant in the long constitutional court battle which will ensue.

Again, please accept our thanks for the courtesy you accorded us in Friday's meeting.

Sincerely yours,

JOHN F. THOMPSON  
President  
The Municipal Forum of New York

JFT:me

cc: Mr. Alan Weeden  
Mr. Truxton B. Pratt, Jr.  
Mr. Amos T. Beason  
Mr. R. Fenn Putman

196a

**Exhibit P-7**

**THE DAILY BOND BUYER**

**FRIDAY, MAY 17, 1974**

**MUNICIPAL BOND CLUB OF NEW YORK**

**EXPRESSES CONCERN ON REPEAL**

The following statement was issued yesterday by the Municipal Bond Club of New York:

“The Municipal Bond Club of New York wishes to express its deep concern regarding recent events affecting the Port Authority of New York and New Jersey. On April 30, 1974, Gov. Brendan T. Byrne signed legislation removing a covenant between the State and the Authority’s bondholders. Such covenant, granted in 1962, provides certain limitations regarding the Authority’s activities in commuter railroad projects. Within the same week, both legislative houses of the State of New York also approved passage of a parallel bill.

“Members of the Municipal Bond Club have relied on the Authority’s representation regarding this covenant for the past 12 years, both in their capacity of underwriting the Authority’s securities and in placing such securities with private and institutional investors. The removal of the covenant may very well be a breach of the bondholders’ contract and adversely affects the investment quality of the Authority’s securities. It is the opinion of a substantial majority of the Municipal Bond Club’s membership that the Authority will be restricted in its ability to finance any of its projects until the situation regarding the covenant is resolved, either by judicial decision or by legislative reinstatement of the covenant.

“That additional extended and/or improved commuter railroad projects are needed in New Jersey and New York

*Exhibit P-7*

is recognized by the Municipal Bond Club membership. The membership is confident, however, that other ways exist for the Port Authority to finance such facilities without jeopardizing the Authority's future ability to finance all aspects of its programs or cause a monetary loss to those who have provided funds in the past for the Authority's presently existing facilities. The 1962 covenant foresaw potential future need for additional commuter railroad facilities and permits the issuance of Authority bonds for such purposes, subject to initially discharging certain financial responsibilities meeting certain financial tests.

"Especially in the light that removal of the covenant apparently is not required to accomplish the goal of providing needed commuter facilities, the Municipal Bond Club has a deep apprehension concerning other programs of the two States. Specifically, if the two States, in harmony, can remove a portion of a contract as strong as a covenant, it puts in doubt the so-called "moral pledge" placed upon hundreds of millions of bonds issued by agencies of the State of New Jersey and placed upon billions of bonds issued by agencies of the State of New York.

"We have a very real and strong concern regarding the already realized loss in market value of the Authority's bonds which our members, in good faith and reliance on the Authority's statements and on the two States' contractual commitments, have sold to investors. We also are very much concerned about the future financing capabilities not only of the Authority, but of many other agencies of each of the States of New Jersey and New York."

198a

**Exhibit P-10**

SECURITIES INDUSTRY ASSOCIATION  
NEWS RELEASE

contact: Bruce M. Spence  
Director of Public Finance  
Securities Industry Association  
(212) 425-2700

FOR IMMEDIATE RELEASE

NEW YORK, N.Y., May 15—The following statement was issued today by the Public Finance Council of the Securities Industry Association:

The Public Finance Council of the Securities Industry Association deplores the action taken by the legislatures of New Jersey and New York to repeal the 1962 Covenant concerning Port of New York Authority expenditures for rail mass transit. In 1962 concurrent legislation adopted by the States authorized the World Trade Center and the takeover of the Port Authority Trans-Hudson (PATH), and included the following in Section 6: "The two states covenant and agree with each other and with the holders of any affected bonds" . . . that no pledged revenues shall be applied . . . "for any railroad purposes whatsoever other than permitted purposes." This covenant served to maintain the strong credit standing and the borrowing power of the Port of New York Authority, and \$1.2 billion bonds were issued under it and sold to investors between March 1962 and May 1973.

The legal strength of State, Municipal and Authority credit over the years has been importantly based on (1) the rule that the statutes under which bonds are issued are an integral part of the bond contract and (2) Article I Section 10 of the Constitution of the United States which provides

*Exhibit P-10*

that "no State shall . . . pass any . . . Law impairing the Obligation of Contracts. . . ." The proposed repeal of the 1962 Covenant is a challenge to both, and thus constitutes a threat to the foundations of municipal credit generally. Repeal would doubtless be followed by extended litigation under the impairment clause, bringing Port Authority financing and projects to a halt.

Both of the States are heavy borrowers, and much of the borrowing for State projects is based on a debt service reserve make-up clause embodied in the statutes under which the bonds are issued. These bonds and their acceptance by investors are dependent to an unusual degree on the good faith of the State. Investor concern expressed to members of this council indicates that repeal will have an especially important adverse effect on this type of financing, and that none of the borrowing by New York and New Jersey will remain entirely unaffected.

Whatever public purposes are to be served, such as mass transit in this case, we are confident that more can be accomplished by working within the constraints of binding commitments than by adopting their unilateral revocation. Public credit depends in a large measure on the good faith of government officials and legislative bodies. Measures such as the proposed repeal are destructive of investor confidence and thus of public credit; the most certain effect is to impair the ability to finance future public projects.

200a

**Excerpt from Exhibit P-36**

FINANCIAL CONDITION AND FUTURE PLANS  
of  
THE PORT OF NEW YORK AUTHORITY

By

AUSTIN J. TOBIN

*Executive Director*

THE PORT OF NEW YORK AUTHORITY

an address before

THE MUNICIPAL FORUM OF NEW YORK  
THE MUNICIPAL BOND CLUB OF NEW YORK  
AND THE BOND CLUB OF NEW JERSEY

April 4, 1962

\* \* \*

“And now, as to the Hudson & Manhattan:

“The Authority’s credit was built and rests today upon the confidence of those who buy our bonds that no project would ever be undertaken which, in the judgment of the Board, would impair the Authority’s credit standing or weaken the investment status of our Consolidated Bonds. Any attempt to drain our revenues and reserves into the endless and increasing deficits of the commuter railroad systems of New York and northern New Jersey would obviously have violated this pledge, destroyed our credit and so ended our usefulness to the people of the Port District.

“Yet the rail commuter problem is of the most serious public consequence and throughout the years we have studied it ourselves, advanced funds for its study by others, and sought to find some area of the problem, or some basis for extending our help, or for such limited assistance as

*Excerpt from Exhibit P-36*

could be extended, without injury to our credit and within the intendment of our pledges and our financial commitments.

“Thus it was that the commuter equipment purchases in New York were financed by a combination of New York State advances, and now by special Port Authority securities guaranteed by the State of New York.\* The State

---

\* “In 1959, a plan was developed by the State of New York to provide financial assistance for the purchase of new railroad commuter cars to replace obsolete equipment now in service on the New York Central, New Haven and Long Island Railroads. This program sought to solve one of the major problems which prevent a more efficient and comfortable commuter railroad service in New York. The Port Authority was named to administer the program for the State.

“Under legislation enacted by the States of New York and New Jersey, the Port Authority is authorized to purchase the railroad cars for lease to the three railroads on behalf of the State of New York.

“The bi-state legislation authorizes the Port Authority to issue a special series of bonds to be known as “New York State Guaranteed Commuter Car Bonds,” which will be guaranteed as to principal and interest by the State of New York.

“The New York Legislature on March 28 of this year gave final approval to a bill implementing the constitutional amendment that places \$100,000,000 of New York State’s credit behind the special bonds that will be used to finance the new rail commuter cars.

“Thus, while the Port Authority will issue these special bonds as agent for the State of New York, the Authority’s credit, revenues or reserves are in no way involved or pledged, in whole or part, in this financing.

“The Port Authority has worked intensively with the railroads, the New York State Director of Transportation, car manufacturers, the Interstate Commerce Commission and other interested parties to complete the development of the program, including the development of design specifications for efficient, economical and comfortable commuter cars.

“In May 1961, an \$8,165,012 contract was awarded for the purchase of 53 electrically powered, air-conditioned commuter cars for use by the New York Central Railroad. The contract awarded to the Pullman-Standard Division of Pullman, Inc., provided for the delivery of all cars under the contract during 1962. The first car delivered

*Excerpt from Exhibit P-36*

Report upon which this program was based concluded that this arrangement was "necessary because the Port Authority has no revenues or reserves which can be applied to this purpose."

"Early last year, the Commissioners advised the New Jersey Legislature that if sound statutory limitations and assurances could be worked out, it would be possible for the Authority to finance the acquisition, modernization and operation of the Hudson & Manhattan Railroad. Vice Chairman James C. Kellogg, III, said to the Legislature:

"On this estimate of the H&M's losses, and if we are able to satisfy prospective investors by statutory assurances that this proposal will not involve the Authority's General Reserve Fund in any other or further commuter deficit operations, \*\*\*we believe we can conscientiously certify, as we must under our indentures, that this financing will not impair the Port Authority's credit. . ."

"I think it is most significant to our bondholders to have been assured directly by the Governors of the States, and by the two State Legislatures, as they have been in the legislation just enacted, that the revenues and reserves on which bondholders have relied in the past are to be safeguarded in the future, and to be further assured by the two States that the Authority's limited participation in commuter rail transit will be kept within boundaries that will not impair the Authority's credit.

---

under the program was formally dedicated in ceremonies at Grand Central Terminal by Governor Rockefeller on March 22.

"On February 28, 1962, a second lease was concluded by the Port Authority on behalf of New York State. This lease was with the Long Island Rail Road and provided for the purchase of a maximum of 60 commuter cars (generally similiar to the New York Central cars) by the Port Authority for lease to that railroad."



*Excerpt from Exhibit P-36*

“The limitation included in the H&M legislation constitutes a legally enforceable contract between the two States and our bondholders. The two States have pledged that Port Authority revenues and reserves will not be committed to H&M extensions or any additional commuter rail projects if our estimated deficits from such proposed rail projects, after debt service, together with the deficits of the H&M and any other commuter rail facilities for which the Port Authority General Reserve is pledged, would exceed an amount equivalent to ten per cent of the amount in the General Reserve Fund. I cannot overestimate the significance of this statutory guarantee. It protects the investment status of the Authority’s outstanding bonds and gives assurance of the continuation of the Authority’s sound credit position. For, under this guarantee, the two States have safeguarded the Authority’s bondholders against dilution of their security by any additional deficit passenger rail facilities beyond the limits carefully spelled out in the statutes.”

“Today, the Authority’s General Reserve Fund totals \$62,600,000. This means that, under the terms of the foregoing limitation, the Commissioners of the Port Authority cannot commit themselves to any extensions of the H&M or any other deficit passenger rail operation if any such extension, together with the existing H&M, would involve us in estimated annual losses beyond 6¼ million dollars. It appears that within a few years, because of our capital requirements and borrowings, the General Reserve Fund may be in the neighborhood of \$100,000,000. At that stage, the limiting figure for commuter railroad deficits would be \$10,000,000. Our present estimates indicate that the total deficit which we could incur in the

*Excerpt from Exhibit P-36*

operation of the Hudson & Manhattan Railroad, including additional transfer points in New Jersey, will fall within this statutory limitation. It should be noted also that, at that time, our forecast net revenues *after* mandatory debt service will be some \$53 million.

“We believe that the Commissioners of the Port Authority will have no difficulty in holding their annual deficits on these Hudson & Manhattan operations within the prescribed limit of ten per cent of the General Reserve. In making the ten-year projections provided by the statute (i.e., for the initial statutory certification before we could increase our rail commutation involvement beyond the basic structure of the existing Hudson & Manhattan Railroad), allowances will, of course, be made for cost increases and other inflationary pressures. Furthermore, the States recognized the need to assure investors of the Port Authority’s ability to control the commuter rail deficits for which it will be responsible and they, therefore, covenanted in the statute that a) they will vest in the Port Authority the sole authority to establish fares and to determine the quality and frequency of service, and b) provide that fares and the extent of service will not be reviewable by the state Public Service Commissions. Interstate fares will be subject to ICC reviews.

“The physical proposals for the Hudson & Manhattan tubes will be of particular interest for those of you who are Jersey commuters. The plan involves the complete replacement of the Hudson & Manhattan rolling equipment, except for the 50 newer cars which were purchased in 1958. We will replace the rest of their equipment, which is entirely obsolete, with about 250 new, fast, comfortable, air-conditioned cars. We will also have to renew the H&M’s power system, signal system, switching and controls and certain trackage.

*Excerpt from Exhibit P-36*

“The combining of these two new projects also includes plans for a completely new terminal here in Manhattan, since we are tearing down the old Hudson Terminal Buildings, 30-50 Church Street. The reconstruction of the terminal will, incidentally, give us an opportunity to redesign the trackage there so as to modify the present restrictive curves that hamper operations in the present terminal.

“The general plan for the long-range improvement of the Hudson & Manhattan includes the provision of transfer stations in the Jersey Meadows which would provide a convenient transfer between the H&M and all of the northern New Jersey commuter railroads, except the Northern Branch of the Erie-Lackawanna. Under this plan, commuters from almost every point in northern New Jersey could transfer either to the Hudson & Manhattan for downtown destinations or to the Pennsylvania Railroad for midtown points.

“These two new projects will cost a great deal of money—at the present time, we estimate their total cost substantially in excess of \$420 million. In the order of two-thirds of this amount will be devoted to the World Trade Center. That part of the financing will be based upon our conclusion and demonstration that the World Trade Center will be self-supporting and that our over-all operation, including all existing facilities, as well as the World Trade Center, will be sufficient to assure the continuance of our strong financial position and earnings record. The statutory limitation in the Hudson & Manhattan legislation which I have outlined will also assure our investors that this limited assumption of commuter deficits will be adequately safeguarded and contained.

“Beyond this particular statutory limitation, I think that I should briefly review the Port Authority’s other and

*Excerpt from Exhibit P-36*

established financial pledges, commitments and contracts with bondholders, with which you are familiar but which, because of their importance to bond buyers, can always bear repetition.

“Essentially, Port Authority Consolidated Bonds—the only medium of financing used since 1952—are secured as follows:

1. By an irrevocable pledge of the net revenues of all the existing facilities, subject only to the lien of certain prior bonds which are no longer issuable and are in the process of being retired.

2. In addition, any net revenues of any year, which exceed what is required to meet interest and principal of bonds which have a first lien on the revenues, must be set aside in a General Reserve Fund and other specific reserve funds. This General Reserve Fund must by law receive all such surplus revenues required to maintain it in an amount equal to 10 per cent of the outstanding debt. The General Reserve Fund is pledged to the bondholder and is available to meet the principal and interest on his bonds in the event any year's revenues should not be sufficient.

“Furthermore, no additional Consolidated Bonds can be issued to raise new capital except upon compliance with an earnings test which requires maximum future annual debt service to be covered 1.3 times by net revenues.

“And finally, no new facility can be brought into the family of General Reserve Fund facilities by the issuance of additional bonds unless the Commissioners of the Authority first certify that the net revenue prospects of such new facility will not materially impair our sound

*Excerpt from Exhibit P-36*

credit standing or the investment status of Consolidated Bonds or our ability to fulfill our commitments to Consolidated Bond holders and others.

“Looking to our future financing, after 1962 and up to 1971, we estimate that we will require approximately \$494,000,000 for the continuation of airport construction and reconstruction, for new piers, docks and marine terminals and for other necessary port facilities. Adding our financial requirements over this period for the two new projects, the World Trade Center and the Hudson & Manhattan, would indicate a total requirement of almost \$1 billion. We estimate that we will be able to finance about 40 per cent of this through the medium of short-term notes due at the end of each year of issuance. If this pattern of our past financing is realized, then we should be coming to market over the years 1963-1971 for about \$565,000,000 in long-term bonds. This would indicate an average of only \$56,000,000 a year, though I should note that the timing of major construction expenditures will be weighted in the earlier years, in which our requirements will continue at the rate of about \$100 million a year, with a rather sharp decline of new financing after 1968.

“Over the next ten-year period, our preliminary estimates indicate that our net revenues will average 1.85 times our mandatory debt service, and in only two years will we experience a coverage of less than 1.8 times.

“During this ten-year period, our debt service will almost double and move up to the \$75,000,000 level. However, even at a coverage of 1.80, we will be earning about \$60,000,000 in net revenues after mandatory long-term debt service. This, it seems to me, offers a considerable safety factor for our bondholders.

“We have asked the consulting engineering firm of Coverdale & Colpitts to review our own ten-year forecast,

*Excerpt from Exhibit P-36*

including our Hudson & Manhattan and World Trade Center figures. When we come to market in the fall, therefore, to begin the financing of these new projects, we will be able to give you the additional assurance afforded by such an outside economic audit of our own figures.

“As we go forward with our financing, the Port Authority’s record, the earning power of our facilities and the strength of our reserves all testify to our ability to maintain and even improve our credit and, at the same time, to carry forward this tremendous and dynamic program of public improvements.

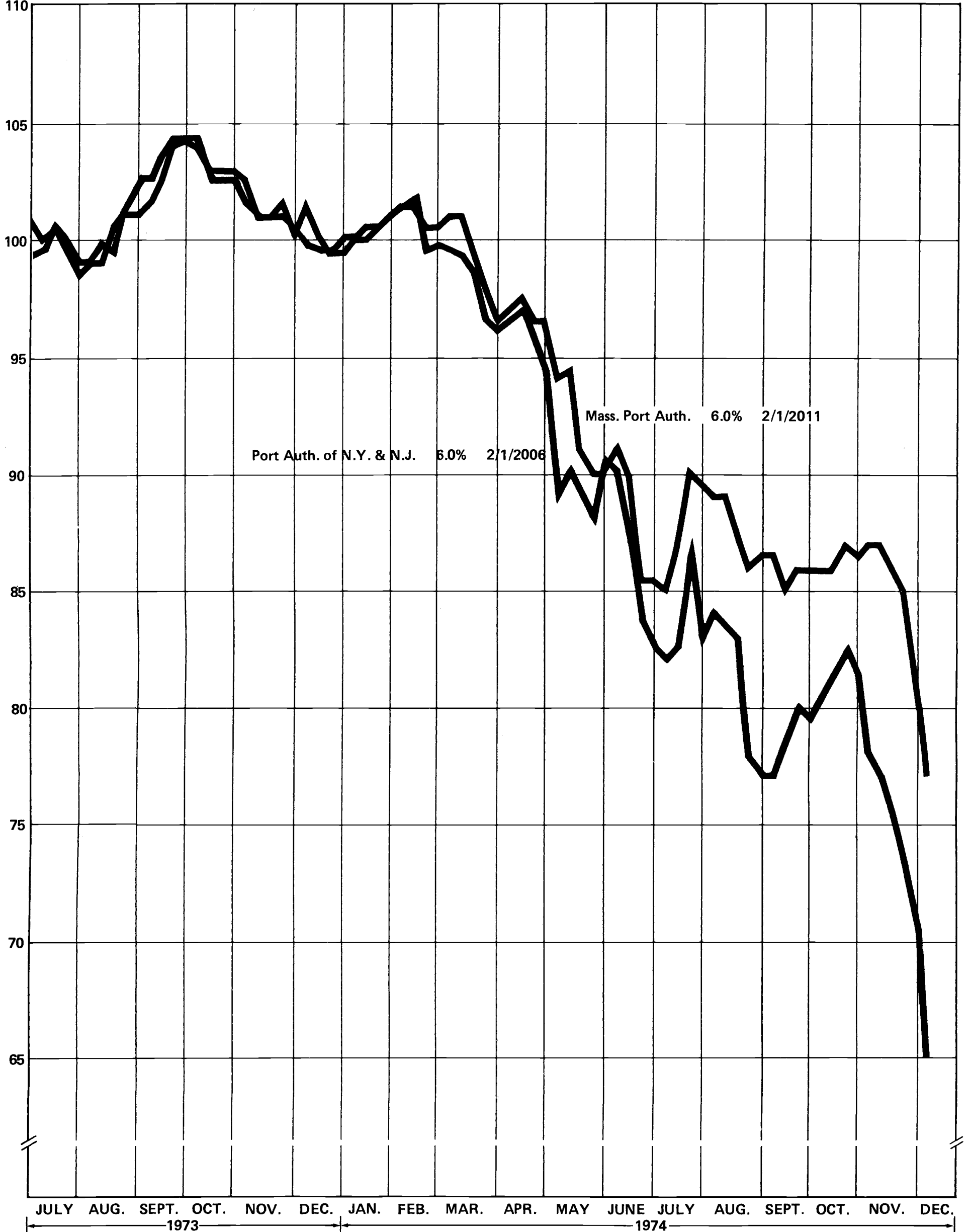
“In closing, I would ask particularly that of all the figures which have to be recited in an accounting such as this, you bear in mind our record of debt retirements—over \$150,000,000 retired in the last three years alone, and no less than \$374,000,000 of debt retired in the last ten years. I ask that you project that record in terms of our ability to carry forward the extensive program that I have outlined today—a program that will mean so much to the future welfare and prosperity of this great and growing Port District of New York and New Jersey.”

Exhibit P-89

COMPARISON OF DOLLAR PRICES

PORT AUTH. OF N.Y. & N.J. 6.0% 2/1/2006  
MASS. PORT AUTH. 6.0% 7/1/2011

Bid Prices



209a

**Exhibit P-89**



**Exhibit P-90**

		<b>Port Authority of New York &amp; New Jersey 6.0% 2/1/2006</b>	<b>Massachusetts Port Authority 6.0% 7/1/2011</b>
1973	7/6	99 <sup>1</sup> / <sub>4</sub>	101
	7/13	99 <sup>1</sup> / <sub>2</sub>	100
	7/20	100 <sup>1</sup> / <sub>2</sub>	100 <sup>1</sup> / <sub>2</sub>
	7/27	100	99 <sup>1</sup> / <sub>2</sub>
	8/3	99	98 <sup>1</sup> / <sub>2</sub>
	8/10	99	99
	8/17	99 <sup>3</sup> / <sub>4</sub>	99
	8/24	99 <sup>1</sup> / <sub>2</sub>	100 <sup>1</sup> / <sub>2</sub>
	8/31	101	101
	9/7	102 <sup>1</sup> / <sub>2</sub>	101
	9/14	102 <sup>1</sup> / <sub>2</sub>	101 <sup>1</sup> / <sub>2</sub>
	9/21	103 <sup>1</sup> / <sub>2</sub>	102 <sup>1</sup> / <sub>2</sub>
	9/28	104 <sup>1</sup> / <sub>2</sub>	104
	10/5	104 <sup>1</sup> / <sub>2</sub>	104 <sup>1</sup> / <sub>4</sub>
	10/12	104 <sup>1</sup> / <sub>2</sub>	104
	10/19	103 <sup>1</sup> / <sub>2</sub>	103
	10/26	103 <sup>1</sup> / <sub>2</sub>	103
	11/2	103 <sup>1</sup> / <sub>2</sub>	103
	11/9	102 <sup>1</sup> / <sub>2</sub>	102 <sup>1</sup> / <sub>2</sub>
	11/16	101	101
	11/23	101	101
	11/30	101	101 <sup>1</sup> / <sub>2</sub>
	12/7	100 <sup>1</sup> / <sub>2</sub>	100
	12/14	99 <sup>3</sup> / <sub>4</sub>	101 <sup>1</sup> / <sub>2</sub>
	12/21	99 <sup>1</sup> / <sub>2</sub>	100
	12/28	99 <sup>1</sup> / <sub>2</sub>	99 <sup>1</sup> / <sub>2</sub>
1974	1/4	100	99 <sup>1</sup> / <sub>2</sub>
	1/11	100	100
	1/18	100 <sup>1</sup> / <sub>2</sub>	100
	1/25	100 <sup>1</sup> / <sub>2</sub>	100 <sup>1</sup> / <sub>2</sub>
	2/1	101	101
	2/8	101 <sup>1</sup> / <sub>4</sub>	101 <sup>1</sup> / <sub>4</sub>
	2/15	100 <sup>3</sup> / <sub>4</sub>	101 <sup>1</sup> / <sub>4</sub>
	2/22	99 <sup>1</sup> / <sub>2</sub>	100 <sup>1</sup> / <sub>2</sub>
	3/1	99 <sup>3</sup> / <sub>4</sub>	100 <sup>1</sup> / <sub>2</sub>
	3/8	99 <sup>1</sup> / <sub>2</sub>	101
	3/15	99 <sup>1</sup> / <sub>4</sub>	101
	3/22	98 <sup>1</sup> / <sub>2</sub>	99 <sup>1</sup> / <sub>2</sub>

211a

*Exhibit P-90*

	<u>Port Authority of New York &amp; New Jersey 6.0% 2/1/2006</u>	<u>Massachusetts Port Authority 6.0% 7/1/2011</u>
3/29	96½	98
4/5	96	96½
4/12	96½	97
4/19	97	97½
4/26	95½	96½
5/3	94½	96½
5/10	89	94
5/17	90	94½
5/24	89	91
5/31	88	90
6/7 <sup>1</sup>	90½	90
6/14	90	91
6/21	87½	90
6/28	83½	86
7/5	82½	86
7/12	82	85
7/19	82½	87
7/26	86½	90
8/2	83	89½
8/9	84	89
8/16	83½	89
8/23	83	87½
8/30	78	86
9/6	77	86½
9/13	77	86½
9/20	78½	85
9/27	80	86
10/4	79½	86
10/11	80½	86
10/18	81½	86
10/25	82½	87
11/1	81½	86½
11/8	78	87
11/15	77	87
11/22	75½	86
11/29	73	85
12/6	70	80
12/13	65	77

212a

**Exhibit P-91**

Exhibit P-91

COMPARISON OF DOLLAR PRICES

PORT AUTH. OF N.Y. & N.J. 6.0% 6/1/2008  
MASS. PORT AUTH. 6.0% 7/1/2011

Bid Prices



**Exhibit P-92**

		<u>Port Authority of New York &amp; New Jersey 6.0% 6/1/2008</u>	<u>Massachusetts Port Authority 6.0% 7/1/2011</u>
1973	7/6	99 $\frac{3}{8}$	101
	7/13	100	100
	7/20	100 $\frac{1}{8}$	100 $\frac{1}{2}$
	7/27	99 $\frac{1}{2}$	99 $\frac{1}{2}$
	8/3	99	98 $\frac{1}{2}$
	8/10	99	99
	8/17	100	99
	8/24	100 $\frac{1}{8}$	100 $\frac{1}{2}$
	8/31	101 $\frac{3}{4}$	101
	9/7	103	101
	9/14	102 $\frac{3}{4}$	101 $\frac{1}{2}$
	9/21	103 $\frac{3}{4}$	102 $\frac{1}{2}$
	9/28	104 $\frac{1}{2}$	104
	10/5	104 $\frac{1}{4}$	104 $\frac{1}{4}$
	10/12	104	104
	10/19	103 $\frac{1}{2}$	103
	10/26	104	103
	11/2	104	103
	11/9	103	102 $\frac{1}{2}$
	11/16	101	101
	11/23	101 $\frac{1}{2}$	101
	11/30	101	101 $\frac{1}{2}$
	12/7	100	100
	12/14	99	101 $\frac{1}{2}$
	12/21	99 $\frac{1}{2}$	100
	12/28	99 $\frac{3}{4}$	99 $\frac{1}{2}$
1974	1/4	99 $\frac{1}{2}$	99 $\frac{1}{2}$
	1/11	101	100
	1/18	101	100
	1/25	101	100 $\frac{1}{2}$
	2/1	100 $\frac{3}{4}$	101
	2/8	101	101 $\frac{1}{4}$
	2/15	100 $\frac{1}{2}$	101 $\frac{1}{4}$
	2/22	99 $\frac{1}{2}$	100 $\frac{1}{2}$
	3/1	99	100 $\frac{1}{2}$
	3/8	100	101
	3/15	99 $\frac{1}{2}$	101
	3/22	98 $\frac{1}{4}$	99 $\frac{1}{2}$

*Exhibit P-92*

	<u>Port Authority of New York &amp; New Jersey 6.0% 6/1/2008</u>	<u>Massachusetts Port Authority 6.0% 7/1/2011</u>
3/29	96	98
4/5	96	96½
4/12	96¾	97
4/19	97½	97½
4/26	95½	96½
5/3	94	96½
5/10	89	94
5/17	90	94½
5/24	89½	91
5/31	88½	90
6/7	86	90
6/14	89½	91
6/21	87½	90
6/28	82½	86
7/5	82	86
7/12	82	85
7/19	82	87
7/26	85	90
8/2	84	89½
8/9	84	89
8/16	83½	89
8/23	82	87½
8/30	78	86
9/6	77½	86½
9/13	77	86½
9/20	77	85
9/27	80	86
10/4	79½	86
10/11	80½	86
10/18	82	86
10/25	83	87
11/1	82	86½
11/8	80	87
11/15	76½	87
11/22	77	86
11/29	73	85
12/6	71	80
12/13	65	77

**Exhibit P-93**

The figures used for these charts are bid prices quoted weekly from the following sources:

## Clifford Drake

Port Authority of N.Y. & N.J.	6.0%	6/1/2008
Mass. Port Authority	6.0%	7/1/2011

## Weeden &amp; Co., Inc.

Port Authority of N.Y. & N.J.	6.0%	2/1/2006
-------------------------------	------	----------

## Municipal Dollar Bond Average

Supplied by Merrill Lynch from figures quoted in "The Daily Bond Buyer"

## Barr Bros.

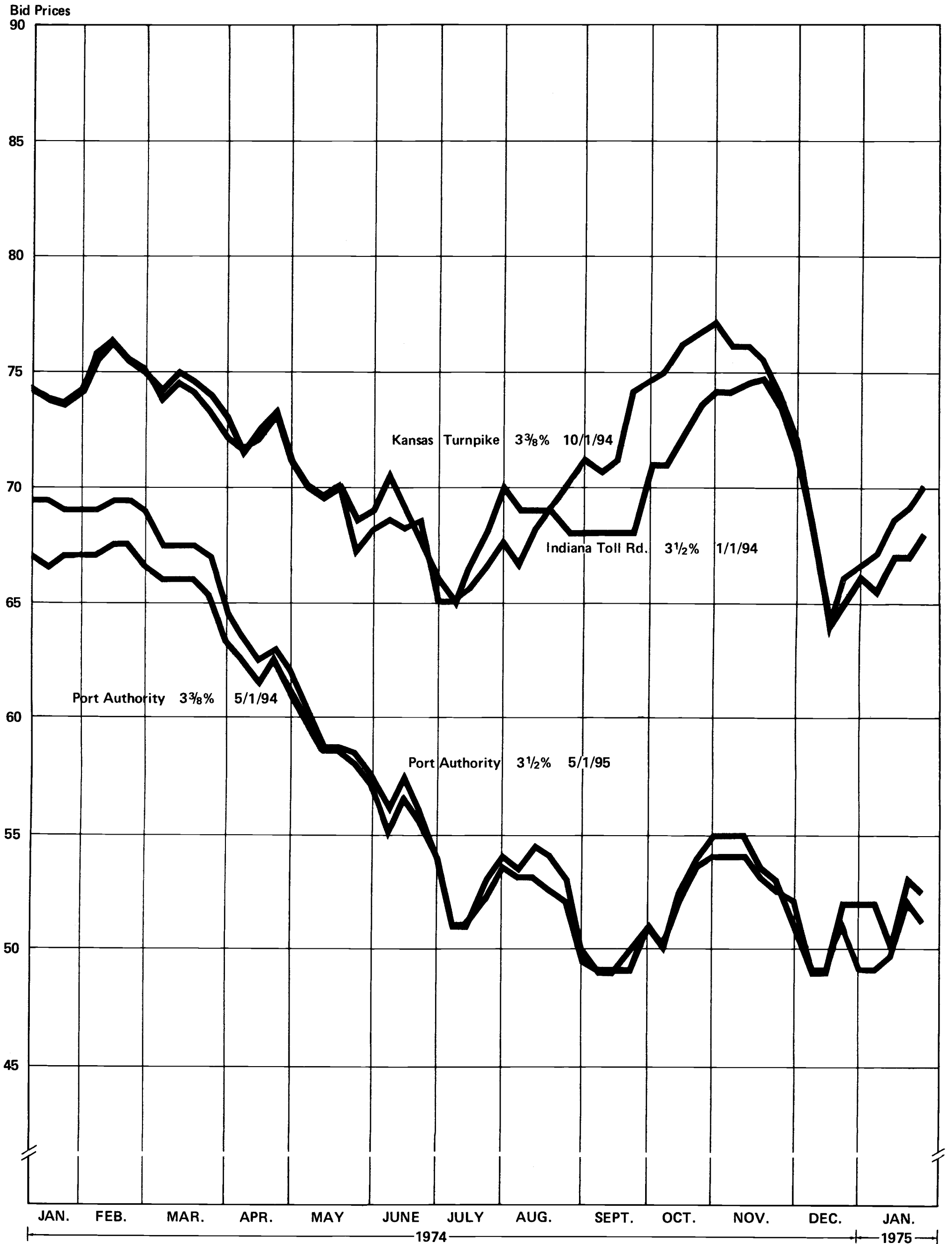
Kansas Turnpike	3 $\frac{3}{8}$ %	10/1/94
Indiana Toll Road	3 $\frac{1}{2}$ %	1/1/94
Port Authority of N.Y. & N.J.	3 $\frac{1}{2}$ %	5/1/95
Port Authority of N.Y. & N.J.	3 $\frac{3}{8}$ %	5/1/94

216a

**Exhibit P-94**



# COMPARISON OF DOLLAR PRICES



**Exhibit P-95**

		<b>Kansas Turnpike</b> $3\frac{3}{8}\%$ <u>10/1/94</u>	<b>Indiana Toll Road</b> $3\frac{1}{2}\%$ <u>1/1/94</u>	<b>Port Authority of N.Y. and N.J.</b> $3\frac{1}{4}\%$ <u>5/1/95</u>	<b>Port Authority of N.Y. and N.J.</b> $3\frac{3}{4}\%$ <u>5/1/94</u>
1974	1/4	74	74 $\frac{1}{4}$	69 $\frac{1}{2}$	67
	1/11	73 $\frac{3}{4}$	73 $\frac{3}{4}$	69 $\frac{1}{2}$	66 $\frac{1}{2}$
	1/18	73 $\frac{1}{2}$	73 $\frac{1}{2}$	69	67
	1/25	74	74	69	67
	2/1	75 $\frac{3}{4}$	75 $\frac{1}{2}$	69	67
	2/8	76 $\frac{1}{4}$	76 $\frac{1}{4}$	69 $\frac{1}{2}$	67 $\frac{1}{2}$
	2/15	75 $\frac{1}{2}$	75 $\frac{1}{2}$	69 $\frac{1}{2}$	67 $\frac{1}{2}$
	2/22	75	75	69	66 $\frac{1}{2}$
	3/1	73 $\frac{3}{4}$	74 $\frac{1}{4}$	67 $\frac{1}{2}$	66
	3/8	74 $\frac{1}{2}$	75	67 $\frac{1}{2}$	66
	3/15	74	74 $\frac{1}{2}$	67 $\frac{1}{2}$	66
	3/22	73 $\frac{1}{4}$	74	67	65 $\frac{1}{4}$
	3/29	72	73	64 $\frac{1}{2}$	63 $\frac{1}{4}$
	4/5	71 $\frac{1}{2}$	71 $\frac{1}{2}$	63 $\frac{1}{2}$	62 $\frac{1}{2}$
	4/11	72	72 $\frac{1}{2}$	62 $\frac{1}{2}$	61 $\frac{1}{2}$
	4/19	73	73 $\frac{1}{4}$	63	62 $\frac{1}{2}$
	4/26	71	71	62	61
	5/3	70	70	60 $\frac{1}{2}$	59 $\frac{1}{2}$
	5/10	69 $\frac{1}{2}$	69 $\frac{1}{2}$	58 $\frac{3}{4}$	58 $\frac{1}{2}$
	5/17	70	70	58 $\frac{3}{4}$	58 $\frac{1}{2}$
	5/24	67	68 $\frac{1}{2}$	58 $\frac{1}{2}$	58
	5/31	68	69	57 $\frac{1}{2}$	57
	6/7	68 $\frac{1}{2}$	70 $\frac{1}{2}$	56	55
	6/14	68	69	57 $\frac{1}{2}$	56 $\frac{1}{2}$
	6/21	68 $\frac{1}{2}$	67 $\frac{1}{2}$	56	55 $\frac{1}{2}$
	6/28	65	66	54	54
	7/5	65	65	51	51
	7/12	65 $\frac{1}{2}$	66 $\frac{1}{2}$	51	51
	7/19	66 $\frac{1}{2}$	68	53	52
	7/26	67 $\frac{1}{2}$	70	54	53 $\frac{1}{2}$
	8/2	66 $\frac{1}{2}$	69	53 $\frac{1}{2}$	53
	8/9	68	69	54 $\frac{1}{2}$	53
	8/16	69	69	54	52 $\frac{1}{2}$
	8/23	70	68	53	52

*Exhibit P-95*

	<b>Kansas Turnpike 3<math>\frac{3}{8}</math>% 10/1/94</b>	<b>Indiana Toll Road 3<math>\frac{1}{2}</math>% 1/1/94</b>	<b>Port Authority of N.Y. and N.J. 3<math>\frac{1}{2}</math>% 5/1/95</b>	<b>Port Authority of N.Y. and N.J. 3<math>\frac{3}{8}</math>% 5/1/94</b>
8/30	71	68	50	49 $\frac{1}{2}$
9/6	70 $\frac{1}{2}$	68	49	49
9/13	71	68	49	49
9/20	74	68	50	49
9/27	74 $\frac{1}{2}$	71	51	51
10/4	75	71	50	50
10/11	76	72	52 $\frac{1}{2}$	52
10/18	76 $\frac{1}{2}$	73 $\frac{1}{2}$	54	53 $\frac{1}{2}$
10/25	77	74	55	54
11/1	76	74	55	54
11/8	76	74 $\frac{1}{2}$	55	54
11/15	75 $\frac{1}{2}$	74 $\frac{3}{4}$	53 $\frac{1}{2}$	53
11/22	74	73 $\frac{1}{2}$	53	52 $\frac{1}{2}$
11/29	72	71 $\frac{1}{2}$	51	52
12/6	68	68	49	49
12/13	64	64	49	49
12/20	66	65	52	51
12/27	66 $\frac{1}{2}$	66	52	49
1975 1/3	67	65 $\frac{1}{2}$	52	49
1/10	68 $\frac{1}{2}$	67	50	49 $\frac{1}{2}$
1/17	69	67	53	52
1/24	70	68	52 $\frac{1}{2}$	51

**Excerpt from Exhibit P-202**

\* \* \*

**HUDSON TUBES FINANCING, CERTIFICATION REQUIRED  
BY AGREEMENT WITH BONDHOLDERS**

The Deputy Executive Director reported that funds would shortly be required for Hudson Tubes purposes and recommended the application of unexpended proceeds of Consolidated Bonds, Nineteenth Series, for such purposes.

He pointed out that the Hudson Tubes will be an additional facility and that, therefore, prior to initial application, the Authority is required by covenants with its bondholders to make a certification relating to the financial effect of such financing upon the Authority. The reason for such certification requirement is that the application would, for the first time, add the Hudson Tubes to the group of facilities to which covenants with Consolidated Bondholders would apply, which covenants are secured primarily by the General Reserve Fund at this time. The Director of Finance reviewed the financial projections and data involved with respect to the Hudson Tubes and concluded that certification is in order in view of the fact that the anticipated operating deficits and debt service in connection with the Hudson Tubes represent a percentage of anticipated Port Authority net revenues available for reserves which is safely within the limits necessary to avoid impairment of Port Authority credit, or the investment status of Consolidated Bonds, or the Authority's ability to fulfill its commitments; and in view of the protections afforded in the recently enacted World Trade Center-Hudson Tubes statutes against dilution or pledged revenues and reserves by any commuter rail deficits beyond those of the basic Hudson Tubes System.

*Excerpt from Exhibit P-202*

Whereupon, the following resolution was moved for adoption by Commissioner Cullman, the motion being seconded by Commissioner Clancy:

RESOLVED, that certification is hereby made that in the opinion of The Port of New York Authority application of all or any portion of unexpended proceeds of Consolidated Bonds, Nineteenth Series, Due 1991, First Installment or of Consolidated Notes, Series M, for purposes in connection with the Hudson Tubes, will not, during the period 1962 through 1991, in light of the estimated expenditures in connection with said Hudson Tubes, impair the sound credit standing of The Port of New York Authority, or the investment status of Consolidated Bonds, or the ability of The Port of New York Authority to fulfill its commitments, whether statutory or contractual or reasonably incidental thereto, including its undertakings to the holders of Consolidated Bonds.

With the following result:

AYES: Colt, Lowe, Cullman, Clancy, Jackson, McAlevy, Martino, Stillman, Pope.

NOES: None

Carried

Whereupon, at 5:50 P.M. the meeting was adjourned.

\* \* \*

**Exhibit P-203**

[LETTERHEAD OF]

THE PORT OF NEW YORK AUTHORITY

March 27, 1961

Hon. S. Sloan Colt, Chairman  
Hon. James C. Kellogg, III, Vice Chairman  
Hon. Howard S. Cullman, Honorary Chairman  
Hon. Donald V. Lowe  
Hon. N. Baxter Jackson  
Hon. John J. Clancy  
Hon. Joseph A. Martino  
Hon. Robert F. McAlevy, Jr.  
Hon. Bayard F. Pope  
Hon. W. Paul Stillman  
Hon. Alexander Halpern  
Hon. Charles W. Engelhard

My dear Commissioner:

Mr. Stephen Wiley, Governor Meyner's Counsel, asked us to prepare an informal memorandum discussing the merits or demerits of using the 1.3 times earnings test provided for in the basic resolution governing the issuance of Port Authority Consolidated Bonds, as an alternate formula by way of a statutory assurance to bondholders, in connection with the proposed issuance of bonds for the acquisition and rehabilitation of commuter rail projects.

Accordingly we prepared and forwarded the attached memorandum to Mr. Wiley.

I think you will find it of interest, not only in setting forth the reasons why such an earnings test is unworkable, but also in summarizing the "10% of General Reserves" formula that is included in the present New Jersey Assembly Bill No. 519.

222a

*Exhibit P-203*

You will be interested also in its discussion of the effect of subdivision (v) of Section 12 of Assembly 519 which in effect "unties" the statutory formula and leaves bondholders in the same exposed position that they face under the terms of the bill which has just passed the New York State Legislature (see the last paragraph on page 5).

Sincerely,

AUSTIN J. TOBIN  
Executive Director

*Exhibit P-203*

## ASSEMBLY, NO. 519

FORMULAE TO PERMIT PORT AUTHORITY  
COMMUTER RAILROAD ACTIVITIES

In recent legislative consideration of proposals to authorize Port Authority acquisition, operation and improvement of the Hudson & Manhattan railroad system, attention has been given to mechanisms which would preserve the Port Authority's credit and its usefulness to the States in spite of the inevitable deficit character of the Hudson & Manhattan operation and any other commuter railroad operation in the metropolitan area.

It has been recognized that the Port Authority, which cannot tax and which produces its facilities only with money freely loaned by investors, cannot undertake all of the commuter deficit railroad operations in the area, and that without assurance that it will not be called upon to do so, investors will not lend the vast sums necessary for continued port development activities which the two States may seek to achieve through the Port Authority, including commuter railroad facilities themselves.

A search has therefore turned to some formula of limitation not of the Port Authority's participation in commuter railroad activities but of limitation upon the application of revenues and reserves which have already been pledged to the holders of over six hundred million dollars of outstanding bonds.

The search has been for a formula which would protect the Port Authority's credit and yet leave it able, from time to time, to undertake such railroad commuter activities as are within its economic capability.

A mere statement of this objective shows that the answer does not lie in the 1.3 times earnings test for Port Authority Consolidated Bonds. First let us explain that test.



*Exhibit P-203*

Port Authority Consolidated Bonds are *open* issue bonds. That is to say there is no dollar limit upon the quantity of new bonds which the Port Authority may put out from time to time, bonds which then share all of the liens and pledges of outstanding Consolidated Bonds. These pledges include all of the Port Authority's present resources—both revenues and reserves—subject only to prior pledges in favor of older bond issues which can no longer be used for new financing.

Since a person investing in Consolidated Bonds faces such an "open end", he must have some assurance that the pledged revenues and reserves will not be diluted without limit. The bond contract therefore provides a measure for this purpose. While several alternates exist, only one has been available in practical effect. This measure is a comparison between the earnings of all Port Authority facilities and the maximum future annual debt service on all Port Authority bonds. The earnings are almost all established revenues with some small increments by way of estimate of the earnings of new facilities under construction. If the revenues equal or exceed 1.3 times the debt service figure, including debt service on the proposed new bonds, then the new bonds may be issued; otherwise they may not.

It is therefore obvious that the 1.3 earnings test sets a point of absolute stagnation for the Port Authority—the point of its uselessness to the two States. When the Port Authority can only just meet the earnings test without the debt service on any new bonds, then the Authority could not issue bonds or undertake any new projects, under its contract with the holders of its outstanding bonds.

The 1.3 Consolidated Bonds earnings test, therefore, is not a test which assures a healthy credit and an ability to handle commuter railroad deficits from existing reserves.

*Exhibit P-203*

For the States, a 1.3 coverage of Authority bonds would be the freezing point for their Authority's credit. Even as that point would be approached, its credit would slide rapidly toward stagnation level. While bonds may theoretically be sold without *legal* limitation, down to but not in violation of the 1.3 test, the interest rate which would have to be paid on any bonds which could be sold during such a slide toward a 1.3 coverage would increase sharply. The resulting increased debt service would, of course, push most of the proposed new facilities over the line of economic practicability. Since practically all prospective new Port Authority undertakings would, at best, be marginal, the increased debt service of any possible financing at or close to the 1.3 level would make these facilities economically impossible, even though a theoretical legal ability to issue the bonds remained.

The Port Authority's relatively favorable interest rates have been used in calculating the containable deficits of the Hudson & Manhattan Railroad, the development of Port Elizabeth, and any other new facilities or capital improvements. This program can be carried on only if the Authority can maintain the margins over the 1.3 breaking point which bondholders require to lend their money at interest rates at which future projects will continue to be economically practicable.

The whole objective of any statutory formula is to preserve the Port Authority's economic resources as against the size of commuter rail deficits in northern New Jersey and New York, i.e.—about \$30,000,000 at the present time. If this can be accomplished, the States can continue to enjoy the usefulness of the Port Authority in providing needed public improvements,—including commuter railroad facilities. Prospective investors, who are free to take or leave any Port Authority bonds offered, must assume,

*Exhibit P-203*

in their evaluation, that any resources which the Port Authority will be permitted by the new statute to apply to commuter railroad deficits will, in fact, be so applied. The enactment of a 1.3 test would be taken by prospective investors as reflecting a legislative purpose to drive the Port Authority's net earnings down to the 1.3 level. Nothing could more surely impair the Port Authority credit which must be preserved to carry out any railroad commuter program itself, let alone the remainder of the bi-State port program.

As a matter of fact, the revenues of existing facilities have all been pledged and are not available as such for railroad commuter facility deficits. There is no legal way in which they can be applied to either the operating expenses of such railway facilities or the debt service on any bonds issued in connection therewith. It is only as revenues of existing facilities exceed the requirements for their operation and maintenance and debt service that the revenues find their way into the General Reserve Fund. It is in this form, as reserves, that the General Reserve Fund statutes and the contracts with bondholders provide a means of absorbing commuter railroad facility deficits. So long as certain contractual requirements are complied with, the General Reserve Fund *can* be applied to such railroad deficits whereas earnings of existing facilities, as such, cannot.

For this reason, any search for a rail commuter formula has been in terms of a percentage of reserves which could be applied to meet the anticipated deficits.

The present Assembly bill, A 519 (page 8) contains a formula which meets the needs of the situation in subdivision (iv) of subsection (c) of amended Section 12. (The amendment is contained in Section 6 of the Assembly bill).

*Exhibit P-203*

The formula lays down a condition to the application of pledged revenues and reserves to the deficits of a commuter railroad which would be proposed to be undertaken by the Port Authority. It would require the Port Authority to estimate the deficits after debt service of the group of Port Authority commuter railroads which would consist of the H&M and any other such railroads which had previously been undertaken in compliance with the formula as well as the proposed new facility. Having thus measured the likely annual commuter railroad deficit which the General Reserve Fund would be called upon to meet annually, the bill provides that the new facility can be undertaken if this deficit is not greater than 10% of the amount in the General Reserve Fund, measured, of course, on the basis of the remaining facilities of the Port Authority.

Certainly Port Authority credit could not survive bondholder apprehension that *all* of the General Reserve Fund would be siphoned off into commuter railroad deficits. The 10% figure has reality in relation to the present debt burden of the Port Authority and the prospective deficits which the Port Authority could absorb from commuter railroad operation.

Projections of the size of the General Reserve Fund based over the next decade indicate that this formula, without impairing the Port Authority's credit, would permit the application of the General Reserve Fund to commuter railroad deficits to an amount on the order of \$10,000,000 per year.

It was suggested that at some time beyond the foreseeable future the General Reserve Fund might decline in amount because foreseeable Port Authority debt might be paid off without replacement by new debt incurred in the construction of new facilities. The pattern of past history suggests

*Exhibit P-203*

that this is not likely since the expanding needs of the Port District in both States have always required new and greater financial effort by the two States through the Port Authority to keep abreast of the problems of the area. However, in case the General Reserve Fund should, nevertheless, decline without any comparable contraction in Port Authority earnings, the bill contains a safeguard which would keep the limit of permissible commuter railroad deficits in line with the Port Authority's ability to sustain them. This is done by substituting an alternate figure for the figure of the General Reserve Fund test if the former should prove higher. This alternate figure is measured by the Port Authority's equity in its vehicular bridges and tunnels and other non-railroad facilities it owns and operates augmented by the monies in the General Reserve Fund. The alternate equity figure is 1% of the amount of Port Authority debt for these facilities retired from income or reserves plus 1% of the amount in the General Reserve Fund measured by the non-railroad facilities.

The equity figure, of course, increases each year as debt is paid off so that even if the General Reserve Fund might, contrary to expectations, decline for some reason, the size of the equity will be moving in the opposite direction thus stabilizing or increasing the figure which would measure the containable commuter railroad deficit under the formula.

It must be recalled that the proposal that a self-supporting Authority should undertake perpetual deficit operations is a sharp wrench from the entire philosophy of Authority financing. The entire Port Authority debt structure, including the 1.3 test in the Consolidated Bond resolution, is based upon the theory that new debt produces new facilities and new flow of earnings into the General Reserve Fund.

*Exhibit P-203*

Commuter railroad facilities cannot fit this pattern. They will, of course, produce new debt but they will cause a drain on the General Reserve Fund for the payment of their operating deficits and their debt service expenditures. That is why they cannot be undertaken if to do so would materially impair the investment status of the existing bonds and the Port Authority's sound credit standing.

To adapt the traditional Authority concept of self-supporting facilities to this new approach requires the most delicate wooing of private investment capital. Any blunt attempt to ignore the psychology of investors will defeat not only the existing Port program and any future Port program, but even the hope of commuter railroad operation by the Port Authority.

That is why the addition of subdivision (v) of subsection (c) of Section 12 A. 519 is such a grievous mistake. That subdivision provides that regardless of the "formula", future Commissioners of the Port Authority could go forward with any other and additional deficit commuter rail facility or facilities that they may think would not impair the Authority's credit. This, in effect, unties the "formula" and leaves the prospective investor just as badly off as he would be without any formula at all. He and his fellow investors are asked to put up some \$300,000,000 of capital in reliance on a 30 year "open end" revenue bond on the speculation that five, ten, or fifteen years from now the then Commissioners of the Port Authority will resist public and political pressure to go even deeper into commuter rail deficits. As the Vice-Chairman of the Port Authority said before the Senate Commission on January 27, 1961, speaking for all the Commissioners of the Port Authority:

"I say to you as a New Jersey Commissioner, and with all the sincerity that I can command, that there

*Exhibit P-203*

is nothing arbitrary or doctrinaire about this conclusion. It simply represents the realities of investment financing and the Port Authority's credit. My business is investment financing and I say to you Gentlemen that I could not sell a single Port Authority bond without such an assurance. If my responsibilities were on the other side of the table, I would not buy a Port Authority bond that did not contain such an assurance."

The Port Authority is trying to keep open the channels of investment capital which will permit the public, without taxation, to have the facilities which the two States determine are necessary for their people's needs. In order to realize the legislative program, the legislators must try to put themselves in the place of potential investors. The legislators must evaluate what will attract and what will drive away the capital needed to realize their program. They must recognize that the bonds which must be sold for the Port Authority's program are competing with tax supported bonds which the states and municipalities in this area and other areas are themselves putting out for other needed public programs. The purchaser of the tax supported bond has none of the problems which have been explored in this memorandum in the case of an agency proposing to undertake perpetual deficit operations. The revenue bond investor cannot call on the taxing power of the state. If the hopes and plans of the authority whose bonds he buys are not realized, he will lose not only his interest but his capital. Normally, when an investor stands to lose capital because of unrealized economic projections, he also stands to make a capital gain if the projections are in fact realized. The revenue bond stands in a no man's land where the capital is risked without any offsetting

*Exhibit P-203*

opportunity for capital gain and without the certainty which tax support gives.

Under these circumstances, neither the states nor the Port Authority can commandeer the capital to do the Port Authority's job. The only formulas that will work are those which allay the apprehensions of investors. Subdivision (iv) contains a test which should serve that purpose and permit a great contribution by the Port Authority in the commuter railroad field. The 1.3 test and the continued inclusion of subdivision (v) would have the opposite effect.



**Exhibit S-1**

THE WALL STREET JOURNAL

THURSDAY, AUGUST 15, 1974

WORLD TRADE CENTER  
IS FAR BEHIND PLANS  
FOR FILLING OFFICES

\* \* \*

Construction Delays and Glut  
Of Rental Space Blamed;  
Will It Be Full by 1976?

---

By RICH JAROSLOVSKY

*Staff Reporter of The Wall Street Journal*

NEW YORK—When plans for the controversial World Trade Center, this city's largest office complex, were unveiled in the 1960s, spokesmen confidently predicted that the buildings would be fully occupied by the summer of 1974. But that date has come and is about to pass—and spokesmen now say it will be at least 1976 before all space has been rented.

Of the nine million square feet in the complex, about four million earmarked for various governmental offices have already been leased. But of the remaining five million, earmarked for commercial firms engaged in international commerce and for foreign governments, only about three million have been leased. In other words, about 22% of the entire complex—40% of the commercial space—is still unleased.

The center, with its twin 110-story towers rising from the east bank of the Hudson River, has been stung by the current office-space surplus, says Guy F. Tozzoli, director of the World Trade department of the Port Authority of

*Exhibit S-1*

New York and New Jersey, which owns the building. While not as hard hit as many other lower Manhattan office buildings—several of which, never occupied, have stood vacant for years—the center is still currently about a year and a half behind its rental schedule.

*Almost Filled—Once*

Mr. Tozzoli blames several factors besides the space glut for the delay. For one, he notes that labor problems held up construction work, and for another, “Well, no one can have a project this size and meet all the targets.” Nonetheless, he says of the office space surplus, “I don’t think you could say it hasn’t affected us.”

As far back as 1968, two years before the first tenants moved into the complex, almost half its space was already rented. And, says Mr. Tozzoli, “at one time, I had signed memoranda of intent that filled the Trade Center, or very close to it.” But since then, he says, the troubled economy has forced some firms that intended to move into the building out of business, while others found more attractive rates elsewhere.

Ironically, the World Trade Center is behind schedule despite what private brokers and developers consider a marked advantage. Because the Port Authority is a governmental agency, it pays the city only a small fraction of what it would owe in taxes if it were privately owned. Thus, brokers say, it can afford to charge lower rates to its tenants, drawing them away from private buildings. One prominent broker-developer says, “It’s damned unfair competition.”

\* \* \*

**Exhibit S-2**

THE NEW YORK TIMES

NOVEMBER 10, 1974

PORT AUTHORITY HAS FALLEN ON HARD TIMES

By FRANK J. PRIAL

The giant Port Authority of New York and New Jersey, long one of the wealthiest, most powerful and most active public agencies in the world, has entered a period of difficulty unparalleled in its more than 50 years experience.

Even some of its highest officials, commissioners who shape its policies, agree that the Port Authority is at something of a low point in its long career. "The Port Authority," said one New Jersey Commissioner, "is dead in the water."

Interviews conducted by The New York Times over the last several weeks with Port Authority commissioners, officials, and past employees, as well as officials of New York and New Jersey and specialists in public authorities, indicate that the deterioration of the huge agency may be more serious than anyone had previously imagined.

The principal problem facing the agency, authority officials say, is its inability to sell bonds or borrow money at favorable terms. A bond holders' suit has scared off potential lenders and underwriters. It may be months or longer before the issue is resolved.

But beyond that, some of the impressive facilities of the Port Authority, an agency with a reputation for building moneymakers, have stopped making money or—in some cases—never started.

It is assumed, for instance, that the vast World Trade Center is not yet a moneymaker. But real-estate informants estimate that the project may be losing \$10-million to \$25-

*Exhibit S-2*

million a year. In addition, it has incurred enormous cost overruns—perhaps \$100 million so far. “I guess you could say it’s a white elephant,” said one Port Authority official.

Even more surprising is the fact that the Holland Tunnel, the facility that poured money into the Port Authority’s coffers for many years, now apparently is barely breaking even.

The Port Authority Bus Terminal, at 41st Street and Eighth Avenue in Manhattan, also is experiencing difficulties. The terminal is crowded with buses, but many of the bus companies are out of money and are resisting having to pay for a long-planned expansion of the terminal northward to 42d Street.

The Port Authority reportedly is considering doing away with commuter discounts on its bridges and tunnels, and channeling the extra income into the bus terminal expansion.

The crisis is also one of leadership. William J. Ronan, chairman of the Port Authority, apparently is not the leader some of his fellow commissioners had expected him to be.

“For all practical purposes,” said one senior member of the authority, “Ronan is finished as head of the Port Authority.”

Port Authority officials stressed that Dr. Ronan’s shaky position was not related to the disclosure that he had received a gift of \$550,000 from former Gov. Nelson A. Rockefeller.

Other Port Authority facilities in or near financial trouble include:

¶Newark Airport. Now known as Newark International Airport, this new operation with its huge satellite terminals is a loser, although it was a money-maker as recently as a

*Exhibit S-2*

few years ago. Plans to finish a third satellite terminal have been postponed and traffic in the existing terminal is minimal. "It's like a ghost town out there," said one Port Authority man, glumly.

¶PATH—Port Authority Trans-Hudson. The agency's 14-mile commuter railroad is expected to run up a \$30-million deficit this year. Plans to extend the line from Penn Station in Newark to Newark Airport and on to Plainfield in Union County are in abeyance. Privately, some Port Authority officials predict the extension will never be built.

¶PATH Transportation Center. The Port Authority's Jersey City office building, train station and bus terminal is losing money, too. "We never needed it," one commissioner said. "It has enormous losses but we haven't figured out how to handle the bookkeeping yet." The project, according to one former Port Authority executive, originally was undertaken to placate John V. Kenny, the former Hudson County Democratic leader, who wanted a Port Authority project in his area.

¶The West Side Passenger Ship Terminal financed by the City of New York but constructed by and scheduled to be operated by the Port Authority. The ship terminal is about to open at a time when passenger-ship travel has all but disappeared from New York harbor. User charges from the steamship lines are supposed to cover rental payments and operating and maintenance costs. The terminal is scheduled to be formally dedicated later this month.

¶The Newark Truck Terminal. This large terminal near Newark Airport has been a financial loss to the agency for several decades.

¶The George Washington Bridge Bus Terminal. Built 11 years ago, this station has never been a success and is still under-utilized.

*Exhibit S-2*

¶The Bayonne Bridge and the Outerbridge Crossing. Along with the Goethals Bridge, these lines between Staten Island and New Jersey also have been money-losers for decades. Authority officers said, however, that the Goethals Bridge, which connects Brooklyn, Queens and Long Island with the New Jersey Turnpike via the Verrazano Narrows Bridge and the Staten Island Expressway, makes money.

¶The World Trade Center. "It is a vast white elephant," one commissioner said. "It's supposed to cost \$600-million when they made the deal. Then there were a long series of strikes. They decided to add a commodity exchange. Then they took over the broadcasting antennas from the Empire State Building. What's more, there has been tremendous inflation. The cost is over \$900-million now and the end is nowhere in sight."

Added to the World Trade Center's problems is the fact that the largest tenant, the State of New York, is withholding rent payments of \$115,000 a month, with the total bill now around \$4-million. The state contends it is being overcharged and the matter is now being negotiated.

## AUDIT UNDER WAY

Just how much each of these facilities is losing, or making, is being determined in an audit by the New York State Controller, Arthur J. Levitt. The Port Authority does not itemize figures for each of its installations in its annual financial report.

An audit done by Mr. Levitt in 1969 showed that the George Washington Bridge, the Lincoln Tunnel and the three airports—Kennedy, Newark and La Guardia—taken together, were more than profitable enough to carry all the other Port Authority operations and still contribute to enormous profits.

*Exhibit S-2*

According to Port Authority officials, the Lincoln Tunnel and the George Washington Bridge still are profitable, as are Kennedy and La Guardia airports. "There is no doubt, though," said one Port Authority man, that "the fuel crisis has hurt us on the ground and in the air."

Of Dr. Ronan, one commissioner said:

"Rockefeller shoved Ronan down our throats. Now he's running Rockefeller's campaign for Vice President, he is still involved with Rockefeller's Committee for Critical Choices, and he's picking up consulting jobs.

"Meanwhile, he won't let the Port Authority staff make any decisions. As a result, nothing is getting done. Bill Ronan is a brilliant man, but he's an idea man, not an administrator. You can't run this agency part-time."

There is a movement among the commissioners to confine the chairman to presiding at meetings and letting the executive director run the authority.

"If Kuhbach can't do it, we'll get someone else," another commissioner said, "but at least we should give him a chance." A. Gerdes Kuhbach has been executive director of the Port Authority since last year.

How did the Port Authority get into its present condition? "Well, for one thing, the management got bad," said a commissioner with several years of experience on the authority.

"Austin Tobin was the Port Authority," he said. "He put it together. He conceived the projects and he made the bonds acceptable—and he caused the whole thing to become moribund because of his quarreling with former Gov. William T. Cahill of New Jersey."

**"MEDDLING IS CHARGED"**

This commissioner, who like several others would speak only off the record, is convinced that Mr. Tobin's abrupt

*Exhibit S-2*

resignation as executive director of the Port Authority in 1972 was provoked by what they call Mr. Cahill's "meddling" in the Port Authority's affairs.

Mr. Cahill, a Republican who preceded Brendan T. Byrne, was elected on a promise to involve the Port Authority more deeply in mass transportation. And, in fact, he extracted from the agency various agreements that it would take on mass-transportation projects. Aside from various studies, however, there is little physical evidence of any of those agreements four years after most of them were made.

The crux of Governor Cahill's fight with the Port Authority was an agreement signed in 1962 whereby the Port Authority would revitalize what is now PATH in exchange for a promise from both New York and New Jersey that it would never again be required to take on a deficit passenger rail operation.

Governor Cahill and other critics of the Port Authority, such as Theodore W. Kheel, the labor lawyer, have long argued that the agency sits on vast financial reserves that should be released to help solve the area's transportation problems.

The Port Authority contends that its operation of PATH and the bus terminals and its underwriting of the purchase of almost 1,000 rail commuter cars for New York State do, in fact, constitute an involvement in mass transportation.

The argument is now in the courts. Both states rescinded the 1962 agreement with the Port Authority **only to find** that it was actually a covenant between the agency and its bond holders—a covenant the Port Authority **claims is in-** violate until all the bonds issued under it have been **retired**, sometime in the next century.

After the repeal of the covenant by the states, the bond holders, represented by the United States Trust Company,



*Exhibit S-2*

sued. The former chairman of the United States Trust Company is Hoyt Ammidon, a former vice chairman of the Port Authority, and one of the prominent attorneys for the bond holders is Robert B. Meyner, who was Governor of New Jersey when the preliminary negotiations on the take-over of PATH and the construction of the World Trade Center were underway.

In an interview recently, Mr. Meyner noted that all the early negotiations had been handled by his Transportation Commissioner, Dwight Palmer, and that he had left office when the deal including the covenants was finally signed.

The Port Authority's present situation stems from the fact that it cannot borrow money at favorable terms until the lawsuit is resolved. And, as former Governor Meyner said, "This suit could go right to the Supreme Court. There are public authorities all over the nation watching this case."

Some commissioners reluctantly agree. "The lawyers have got their meters running," said one. "This could go on for a long, long time."

"In the meantime," he continued, "we can't raise any money. Morgan Guaranty turned us down on a loan, and as for selling bonds, Merrill Lynch said they couldn't sell a trading stamp for us right now."

## IT WOULD SELL

Not everyone agrees with this. A specialist in public-authority bonds who declined to be named said he would have no trouble selling a Port Authority issue. "It might cost them more than they would like," he said, "but it would sell."

Dr. Ann Marie Walsh of the Twentieth Century Fund, a long-time student of public authorities, echoed that opin-

*Exhibit S-2*

ion. "They could float more bonds," she said, " but they've had things their own way for so long, they don't want to pay a higher rate."

Dr. Walsh, who is writing a book on authorities, insists that she is "no fan" of the Port Authority, but she credits it with being highly efficient and very competent. "Right now," she said, "they are being blamed for a lot of things not of their own doing."

She added that the various investigations of the port agency about to begin or being called for were unlikely to turn up any startling revelations. She said she believed that Mr. Kheel's claims that the authority has huge sums of money that could be used elsewhere were "exaggerated a bit."

"Technically," Dr. Walsh said, "they have to maintain reserves to protect their bond holders. There is an advantage for them in building up higher reserves than might be necessary—this keeps their funds tied up. But the truth of how much money they have available is probably somewhere between Mr. Kheel's contentions and those of the Port Authority."

Among the various investigations of the Port Authority now going on is a routine audit by Mr. Levitt's office. Part of that audit first disclosed the fact that the state was not paying rent for the 56 floors it occupies in the World Trade Center, pending an agreement on what the rent should be. Yesterday, Mr. Levitt said he would over the next three weeks issue reports on "the general profitability of the Port Authority, the profitability of each of its facilities, and the efficiency of several aspects of the port's purchasing and concession activities."

The Port Authority, according to one commissioner, netted about \$4-million last year and is expected to net about

*Exhibit S-2*

\$20-million in 1974. Mr. Levitt's auditors generally agree with these figures. Privately, however, they believe that the authority's accounting procedures are designed to minimize profits by tying up as much money as is legally possible in reserves covered by covenants with bond holders.

"It's all perfectly legal and supercautious fiscal practice," one state auditor said, "but they could show a much more impressive bottom line if they chose to do so."

The \$4-million and \$20-million figures, in any event do not represent sufficient income for the authority to build at the rate it had done so in the past.

Governor Byrne's announcement last week that he wanted an outside audit of the Port Authority prompted Mr. Levitt to disclose that his audit was already under way. In the data Mr. Levitt sent to Mr. Byrne he seemed to disagree with the contention that the agency is experiencing financial problems.

"The fact that much of the authority's borrowings are shortterm," Mr. Levit said, "indicates that earnings from its facilities are so great as to allow the authority to undertake substantial construction commitments by means of short-term borrowings, which are repaid out of current revenues."

Actually the Port Authority has curtailed almost all its construction commitments, including the proposed expansion of the 41st Street bus terminal. That plan, now postponed, called for doubling the size of the terminal by extending it north to 42d Street.

**Exhibit S-3**

NEW YORK—NEW JERSEY PORTS

6%

2008

40th Series

1975:		
<u>Date</u>	<u>Bid</u>	<u>Asked</u>
Jan. 3	68½	71½
Sat. 4	68½	71½
Sun. 5	—	—
Mon. 6	—	—
Tues. 7	Not Available	
Weds. 8	70	73
Thurs. 9	70½	73½
Fri. 10	71½	74½
Sat. 11	Not Available	
Sun. 12	—	—
Mon. 13	—	—
Tues. 14	74	78
Weds. 15	74½	78½
Thurs. 16	77	81
Fri. 17	77	81
Sat. 18	77	81
Sun. 19	—	—
Mon. 20	—	—
Tues. 21	77	81
Weds. 22	78	82
Thurs. 23	78½	82½

SOURCE: NEW YORK TIMES

244a

*Exhibit S-3*

MASSACHUSETTS PORTS

6% 2011

1975:		
<u>Date</u>	<u>Bid</u>	<u>Asked</u>
Jan. 3	78	81
Sat. 4	78	81
Sun. 5	—	—
Mon. 6	—	—
Tues. 7	Not Available	
Weds. 8	79	81
Thurs. 9	79½	81½
Fri. 10	79½	81½
Sat. 11	Not Available	
Sun. 12	—	—
Mon. 13	—	—
Tues. 14	80	—
Weds. 15	81	85
Thurs. 16	81	85
Fri. 17	82	86
Sat. 18	82	86
Sun. 19	—	—
Mon. 20	—	—
Tues. 21	83	87
Weds. 22	83	87
Thurs. 23	83½	87½

SOURCE: NEW YORK TIMES

**Exhibit S-4**

[LETTERS TO THE EDITOR]  
THE NEW YORK TIMES,  
May 1, 1974

**JERSEY AND THE P.A.: THE BROKEN VOW**

To the Editor:

This letter is prompted by the sickening spectacle pictured in the May 1 Times of a group of public officials smirking happily over the signing of a New Jersey bill to repeal the 1962 covenant with respect to Port Authority expenditures in the mass-transit field. Public credit depends in a large measure on the good faith of government at all levels. That responsible officials can gleefully dishonor a state's commitment can only be destructive of public credit. The 1962 covenant was embodied in concurrent legislation adopted by the two states and reads: "The two states covenant and agree with each other and with the holders of any affected bonds" . . . that no pledged revenues shall be applied . . . "for any railroad purposes whatsoever other than permitted purposes . . ."

The verb "covenant" means to promise by a covenant. The noun "covenant" means a "formal, solemn, and binding agreement." Accordingly, in 1962 each of the two states *promised by a formal, solemn and binding agreement* that the Port Authority's activities in the railroad field would be limited as indicated.

If the State of New Jersey can cavalierly renege on this promise, how can an investor feel assured that it will always honor the promise to pay printed on the face of its bonds? Were I responsible for rating its credit, no state which dishonored a promise of this sort would retain an Aaa rating on its general credit. And the sad fact is that in terms of

*Exhibit S-4*

a contribution to mass transit the action taken really will accomplish nothing. There is no great excess flow of current funds which can be made available, and instead of making large borrowing capacity available for mass transit it will impair the borrowing power of the Port Authority for any purpose.

The Port Authority was not created for the purpose of solving mass-transit problems, in spite of recent attempts to rewrite history. The Port Authority has been expected to operate as a public business agency with no source of funds other than revenues from its services. A broad view of urban and energy problems suggests that government should act to discourage auto traffic into major cities in favor of the greater use of mass transit. This would probably involve a sizable shift of funds from charges imposed on automobile traffic to the support of mass transit; to do this is an exercise of the state police power, and it should be done in this instance by the two states themselves, and applied to all automobile traffic entering Manhattan.

The action of the states in repealing the 1962 Port Authority covenant is actually a cop-out from their own responsibilities. Only Governor Wilson seems to realize the significance and importance of honoring his state's commitment.

JOHN F. THOMPSON  
New York, May 1, 1974

*The writer has spent forty years in the municipal bond field.*

**Exhibit S-5**

[LETTERS TO THE EDITOR]  
THE NEW YORK TIMES  
MAY 14, 1974

MASS TRANSIT AND P.A. FISCAL PRUDENCE

To the Editor:

John F. Thompson's May 7 letter dealing with the Port Authority requires the following comments on behalf of the Port Authority.

To the extent that Mr. Thompson implicitly criticizes the Port Authority commissioners, the record should be clear that:

1. The Port Authority's excellent credit rating has been based principally on the prudent and responsible management and fiscal policies of the commissioners and their career staff, and the resulting ability to maintain debt service coverage and reserves adequate to meet its obligations and programs. Thus, in 1973, our net revenues met bonded debt service requirements 2.12 times.

2. At the same time, the Port Authority, an agency of the States of New York and New Jersey, operates under legislation adopted by the two states to establish policies and programs for the Port Authority.

3. When the State of New Jersey on May 1 approved an act to repeal the 1962 statutory covenant, I stated it would be welcome to have both states, New Jersey and New York, in agreement on this matter. It could serve to expedite both legal and physical progress.

I also stressed that the lifting of the statutory covenant *per se* does not mean that bondholders' security would be eroded. The two states have not determined and the com-



*Exhibit S-5*

missioners have not acted to impose deficit burdens on the Port Authority in the rail or other fields which could impair revenue coverage or reserve requirements established in our indentures. Additionally, the board of commissioners is committed to preserve the credit of the Port Authority, which is vital to the present and any future undertakings of the agency. Governor Byrne, on signing the New Jersey bill, expressly stated his own determination to avoid impairing the Port Authority's credit.

4. When it was announced that the U. S. Trust Company had sued the State of New Jersey to declare the repealer invalid, I stated on behalf of the Port Authority that we expected and welcomed an expeditious legal test of the validity of the repealer.

None of us has claimed that the Port Authority was created solely for solving mass-transit problems, but the board and the two states are determined to make significant contributions to the improvement of mass transit facilities. I can assure Mr. Thompson and his colleagues in the municipal bond field that the board of commissioners will continue to act with fiscal prudence and responsibility in carrying forward all the projects and programs of the Port Authority.

WILLIAM J. RONAN  
Chairman, Port Authority  
of New York and New Jersey  
New York, May 9, 1974

**Exhibit S-15**

May 1st, 1974

DRAFT

**THE MUNICIPAL BOND CLUB OF NEW YORK**

Members of the Municipal Bond Club of New York have expressed to the Club's Board of Directors their great concern regarding recent events affecting the Port Authority of New York and New Jersey. On April 30th, Governor Byrne of New Jersey signed legislation removing a statutory covenant granted to bondholders in 1962, limiting the Authority's activities in mass transportation projects. At the signing ceremony were Authority officials including Dr. William J. Ronan, the new Chairman, Mr. Kellogg, the former Chairman, State Officials, and Mr. Paul O'Dwyer, New York City Council President.

The Municipal Bond Club members have relied on the Authority's representations regarding the 1962 covenant for the past 12 years. The unprecedented removal of the covenant will adversely affect the bondholders investment. The measure is a breach of bondholders' contract. The value of Port Authority Bonds has already declined in the marketplace and selling bondholders have already suffered losses. It is the opinion of the Municipal Bond Club Directors, that the Authority will be unable to publicly finance its projects in the future until litigation introduced by the United States Trust Company, on behalf of the bondholders, is resolved.

This action by the State of New Jersey is a severe blow to the Port Authority's record of financial integrity for over 50 years. The municipal bond industry is shocked by the moral bankruptcy of the government leaders in both New Jersey and New York and now the Port Authority's new Chairman, Dr. Ronan. We cannot understand how New Jersey can lend its moral pledge to a new sports com-

*Exhibit S-15*

plex on the one hand, and on the other hand attempt to remove a significant contract with the Port Authority bondholders. Similarly, the lack of good faith apparent in the New York State legislature is shocking when one considers the many billions of dollars of moral obligation financing undertaken by our industry for the state in recent years.

The Municipal Bond Club would anticipate that the municipal bond credit rating services will address themselves to this inappropriate legislative action by the states at the appropriate time. The result may be the lowering of credit ratings in each state which will, in the long run, increase the cost of state government and directly increase taxes imposed upon the citizens of each state. The lack of confidence in the minds of investors, and members of the municipal bond industry, may well preclude the future financing of urgently needed public projects.

The Municipal Bond Club members are confident that another way to finance needed mass transportation facilities in New Jersey and New York exists without jeopardizing the investment of present bondholders. It is indeed distressing that thousands of investors in Port Authority bonds purchased through our member firms as security dealers have been ignored. They have lost principal value through the political maneuvering of the elected officials in New Jersey and New York.

251a

**Exhibit S-16**

LETTERHEAD OF

W. H. MORTON & CO.

May 29, 1974

Mr. Orville H. Schell, Jr., President  
Association of the Bar of the City of New York  
42 West 44th Street  
New York, New York

Dear Sir:

I have read in the Daily News and in the Daily Bond Buyer of your telegram to Governor Wilson urging that he sign legislation repealing the State's 1962 Covenant with bondholders of the Port Authority. I am shocked that an organization of attorneys would advocate that the State dishonor its commitment.

For your information I enclose copies of a statement by the Securities Industry Association Public Finance Council and a letter to the Governor from the Board of Governors of the Municipal Forum of New York regarding this matter. I hope that when you and your committee have acquainted yourselves with the facts concerning this matter you will withdraw your gratuitous telegram to the Governor.

Very truly yours,

JOHN F. THOMPSON  
Vice President

JFT/me  
enclosures

**Exhibit S-29****MOODY'S INVESTORS SERVICE, INC.****MUNICIPAL CREDIT REPORT**

New Issue Report Supplementary  
to Report Dated 10-20-71

February 4, 1972

**THE PORT OF NEW YORK AUTHORITY**

Bond offering: \$150,000,000 Consolidated Bonds expected  
February 9, 1972

	<u>Ratings</u>	<u>Numeric</u>	<u>Letter</u>
Air Terminal, Marine Terminal, Gen. & Rfdng.		PRIME 03 (-)	Aa & A (M.T.)
Consolidated Bonds		Good (-)07 (-)	A

Description:

- Type enterprise : bi-state agency operating facilities in  
1,500 square mile Port District in  
New York and in New Jersey
- Facilities : 2 toll tunnels, 4 toll bridges, 3 com-  
mercial airports, 1 general aviation  
airport, 2 heliports, 6 marine ter-  
minals, 2 truck terminals, 1 bus  
station, Hudson Tubes railroad;  
World Trade Center

## 253a

*Exhibit S-29*

- Expansion : includes expansion of Kennedy International and Newark Airports, Port Newark and Elizabeth Marine Terminals, new terminals for PATH, expanding bus station, World Trade Center construction
- Trade Center cost : remains at \$700,000,000 (up \$50.0 million from early 1971)
- Future projects : planning consolidated passenger ship terminal; authorized by both states to undertake mass transit rail links to both Kennedy International and Newark Airports

Operations (Years ended December 31; \$ in 000):

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>% Change</u>	
				<u>1970</u>	<u>1971</u>
Gross rev. & income	\$ 256,436	\$ 271,385	\$ 300,279	5.8	10.6
Operating expenses	134,297	144,988	175,333	8.0	20.9
Net revenues	122,139	126,397	124,946	3.5	-1.2
Total bond service	51,870	53,667	52,454	3.5	-2.3
Invested in facilities	2,098,196	2,398,502	2,760,810	14.3	15.1
Bond & bank loan debt	1,377,645	1,470,691	1,711,748	6.7	15.1

Historical Key Ratios:

	<u>1969</u>	<u>1970</u>	<u>1971</u>
Net take-down (%)	47.6	46.6	41.6
Interest coverage	4.79	4.80	4.24
Avg. annual bond sv. coverage	1.64	1.52	1.31
Interest safety margin (%)	37.7	36.9	31.8

Future Coverage: 1.18 times by 1971 net on estimated future peak debt service of \$105.6 million on outstanding and new bonds

*Exhibit S-29***Summary:**

The financial strength and technical accomplishments of this Agency continue highly impressive, but it now clearly cannot avoid certain difficulties whose importance is reflected in the reevaluation reflected in the rating changes shown above. Internally, the Authority faces the same cost pressures evident elsewhere, is directly affected by the problems of increasingly complex vehicular congestion both on the ground and in the air, and additionally is prosecuting a large and expensive office building construction program which involves the specialized risks inhering to the real estate development field. Externally it is being pushed (irresistably in our judgment) into large-scale mass transit programs, while concerns about the environment impose as yet undefined problems for airport expansion and even routine operation of the river crossings. New top management is deemed not likely to find these problems either more or less amenable to solution than would the retiring director.

**\$150,000,000 Consolidated Bonds, Thirty-ninth Series:**

**Time:** bonds to be negotiated for sale on **WEDNESDAY,  
FEBRUARY 9, 1972**

**Bonds dated:** February 1, 1972

**Bonds due:** February 1, 2007

**Purpose:** capital expenditures for Authority's airports, docks, wharves, bus terminals, and parking, storing, or training facilities relating to any of these, balance of proceeds if any, not in excess of 10% of proceeds, will be used for capital expenditures in connection with any other facility of the Authority.

*Exhibit S-29*

Security: payable on a parity with all other Consolidated Bonds by a pledge of net revenues of all existing Authority facilities (not including cars acquired under the State's commuter car program) and any additional facilities financed from Consolidated Bonds; the General Reserve Fund; and the Consolidated Bond Reserve Fund.

Last sale: 10-27-71, \$100,000,000 Consolidated Bonds, Thirty-eighth Series, due 2006, at 98.02 NIC 5.4474% (20-Bond Index 5.11%) to group including Salomon Brothers; Merrill Lynch, Pierce, Fenner & Smith; White Weld; W. H. Morton; Weeden; Bear, Stearns.

Mandatory retirement, due August 1 (\$ in 000):

1982-85	\$ 750	1994-95	\$ 6,000
1986-87	1,500	1996-97	7,500
1988-89	1,750	1998	8,000
1990-91	3,000	1999-02	9,000
1992-93	3,500	2003-06	10,500
		2-1-2007	10,500

**Debt Service Coverage (\$ in 000)**

	<u>Last 3 Fis- cal Yr. Avg.</u>	<u>Fis. Yr. End- ed 12-31-71</u>
Net revenues	\$124,369	\$124,946
Estimated maximum future requirements: <sup>a</sup>		
Interest :	\$ 70,727 (1972)	1.76x
Amortz. & Int. :	105,621 (1986)	1.18

a. Requirements exclude State-guaranteed commuter car bonds, and amortization payments on the Bank Loans.



## 256a

*Exhibit S-29*

Cost of Facility or Authority Investment in Facility,  
as of 12-31-71 (\$ in 000)

<u>Facility</u>	<u>Investment</u>
John F. Kennedy Intl. Airport	\$622,500
World Trade Center	545,700
Newark Airport	236,000
George Washington Bridge	213,000
Lincoln Tunnel	196,000
Hudson Tubes Facility (PATH)	167,800
LaGuardia Airport	152,500
Port Newark	131,600
Elizabeth-Port Auth. Marine Term.	125,000
Brooklyn-Port Auth. Marine Term.	95,700
Holland Tunnel	68,800
Port Authority Bus Terminal	59,500
Port Authority Building	23,500
Goethals Bridge	22,600
Bayonne Bridge	18,300
Hoboken-Port Auth. Piers	18,100
Outerbridge Crossing	17,300
Erie Basin-Port Auth. Piers	12,800
Teterboro Airport	11,400
New York Truck Terminal	9,900
Newark Truck Terminal	8,200
Columbia St. Marine Term.	4,200
West 30th Street Heliport	500
Downtown Manhattan Heliport	220

BONDED DEBT: At the end of 1971, the Authority has \$1,446,748,000 bonds outstanding, comprising \$16,703,000 of 4 series of General and Refunding Bonds, \$28,601,000 of 3 series of Air Terminal Bonds, \$3,389,000 of 2 series of Marine Terminal Bonds, and \$1,398,055,000 of 37 series of Consolidated Bonds. On 12-31-70, the Authority placed in trust with the Trustee amounts available from its Special Reserve Fund, Air Terminal Reserve Fund, and Marine Terminal Reserve Fund sufficient to secure fully, uncondi-

*Exhibit S-29*

tionally, and absolutely the Authority's obligation to provide for redemption and interest until redemption of the General and Refunding, Air Terminal, and Marine Terminal Bonds. With establishment and during maintenance of these trusts, all Consolidated Bonds are secured on a parity by net revenues of all Authority existing facilities and any additional facilities financed wholly or partly through Consolidated Bonds; net revenues are not subject to the prior liens to which net revenues from certain facilities had been subject in favor of General and Refunding, Air Terminal, and Marine Terminal Bonds.

**BANK LOANS:** at 12-31-71, the Authority also had outstanding \$265,000,000 in bank loans, consisting of \$105,000,000 balance of a 1968 loan of \$210,000,000 due 1973-75, \$60,000,000 total of a 1970 loan due annually 1975-77, and \$100,000,000 of a July 1971 loan due annually 1975-77. Under terms of the loan agreements and as a result of establishment and maintenance in trust of the Special Reserve Fund, Air Terminal Reserve Fund, and Marine Terminal Reserve Fund, annual installment payments on bank loans beginning in 1971 are to be made exclusively from net revenues available in the Consolidated Bond Reserve Fund. Loan payment and interest on loans is subject to payment of debt service on the General and Refunding, Air Terminal, Marine Terminal, and Consolidated Bonds, and to payment into the General Reserve Fund of the amount needed to maintain this Fund at its requirement of 10% par value of the bonds.

**DEBT STRUCTURE and COVERAGE:** The current offering of Consolidated Bonds is the largest issue of this type by the Authority and is part of a \$200,000,000 authorization of 1-13-72. With inclusion of debt service on the bonds now being offered, estimated overall debt service now ranges

*Exhibit S-29*

from above \$101.0 million annually 1972-87, with a peak of \$105.6 million in 1986, and declines thereafter through 2007. Present net revenues exceed estimated peak debt service on the outstanding and new bonds (see page 2), but it is to be noted that the coverage of estimated peak debt service by current net revenues is less than that previously (at the time of the October 1971 bond offering, net revenues for 1970 covered estimated peak debt service 1.31 times).

**RECENT DEVELOPMENTS:** On December 13, 1971, it was reported that Mr. Austin J. Tobin, Executive Director of the Authority since 1942, announced his retirement from that post effective March 31, 1972. The Authority Commissioners have appointed Mr. Matthias E. Lukens, Deputy Executive Director since 1961, as Acting Executive Director. In late January 1972, Governor Cahill vetoed minutes of the Authority's Commissioners creating the title of Executive Director Emeritus for Mr. Tobin.

There continues to remain one vacancy on the 12-member Commission, following the resignation of one of the New Jersey commissioners in July 1971 following his conviction, along with other public officials including the Mayor of Jersey City, on extortion counts.

**AREA DEVELOPMENTS:** Effective January 5, 1972, toll rates on the Triborough Bridge and Tunnel Authority's bridges and tunnels were raised substantially, including the doubling of toll rates for most facilities. The higher toll rates were effected in connection with meeting increased costs of rapid transit facilities and service in New York City, under which subway and bus fares also were raised from 30¢ to 35¢. The Triborough's toll facilities act as traffic links on routes which serve as feeders to many of the Port Authority's facilities. Triborough Bridge and Tunnel Authority is now operated by New York State's Metropoli-

*Exhibit S-29*

tan Transportation Authority (MTA). The Chairman and Chief Executive Officer of MTA is Dr. William J. Ronan; Dr. Ronan is also one of the New York Commissioners of the Port Authority.

OPERATIONS: For 1971, operating data showed moderate increase in traffic on the Authority's toll bridges and tunnels, a small gain in passenger traffic at the 3 commercial airports, small decline in plane movements at these airports, and decline in waterborne tonnage at certain of the marine terminals due most likely to the East Coast dock strike in the fall of 1971. The decline in plane movements and the slight rise on airport passengers may be due to the increased number and frequency of service of the larger jets being used by the air carriers.

## 260a

*Exhibit S-29*

	Fiscal Years Ended December 31			% Change	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>
Bridge and tunnel traffic (one-way trips):					
Holland Tunnel . . . .	19,869,600	20,111,000	20,445,000	1.2	1.7
Lincoln Tunnel . . . .	30,977,100	31,507,000	32,193,000	1.7	2.2
Geo. Washington Br.	69,283,000	71,142,300	74,097,000	2.7	4.1
Bayonne Bridge . . .	3,669,500	3,743,600	3,818,000	2.0	2.0
Goethals Bridge . . . .	15,738,000	17,898,600	19,699,300	13.7	10.1
Outerbridge Csg. . .	4,079,800	3,878,600	4,109,500	- 4.9	5.9
Total traffic . . .	143,617,200	148,281,000	154,361,800	3.2	4.1
% commercial . . . . .	14.2	13.7	n.a.		
Plane movements at airports: <sup>a</sup>					
Kennedy Inter. . . . .	480,557	365,848	340,800	-10.5	- 6.9
La Guardia Airport . .	305,227	297,652	318,000	- 2.5	6.7
Newark Airport . . . .	234,125	204,595	188,000	-12.6	- 8.3
Total movements	1,019,909	868,095	846,800	-14.9	- 2.5
Passenger traffic at arpts: <sup>a</sup>					
Kennedy Inter. . . . .	19,507,694	19,096,705	19,200,000	- 2.1	0.5
La Guardia Airport . .	11,736,383	11,845,141	12,725,000	0.9	7.4
Newark Airport . . . .	7,130,537	6,460,489	6,100,000	- 9.4	- 5.6
Total passengers	38,374,614	37,402,335	38,025,000	- 2.5	1.7
Bus departures <sup>b</sup> . . . . .	1,235,000	1,230,000	1,230,000	- 0.4	0.0
PATH passengers . . . . .	37,751,200	38,954,000	n.a.	3.1	
Waterborne tonnage, long tons:					
Port Newark . . . . .	4,011,000	4,296,000	3,857,000	7.1	-10.2
Bklyn Marine Term.	1,846,000	1,770,000	1,526,000	- 4.1	-13.8
Eliz. Marine Term.	4,328,000	6,408,000	6,448,000	48.0	0.6

a. Excludes plane movements at Teterboro Airport; movements and passenger traffic are rounded, as reported; passenger traffic at Kennedy International is sum of domestic and international traffic.

b. Bus departures at Port Authority Bus Terminal.

## 261a

*Exhibit S-29*

Financial operations for 1971 show a small decline in net revenues as operating expenses rose at a greater rate than the rise in gross revenues. Net revenues, however, continued to provide a good level of coverage on current debt service requirements. The expansion program of the Authority is reflected in the growth of the amount invested in facilities, as well as the rise in debt. Financial operations and financed position data follow (\$ in 000).

	Fiscal Years Ended December 31			% Change	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1972</u>
Financial Operations :					
Gross operating revenues	\$ 242,797	\$ 255,318	\$ 279,935	5.2	9.6
Gross revenue & income	256,436	271,385	300,279	5.8	10.6
Operating expenses	134,297	144,988	175,333	8.0	20.9
Operating ratio (%)	55.3	56.8	62.6		
Net revenues	\$ 122,139	\$ 126,397	\$ 124,946	3.5	- 1.2
Interest on funded debt	25,507	26,346	29,441	3.3	11.7
Int. & mandatory redemp. pyts.	51,870	53,667	52,454	3.5	- 2.3
Times covered	2.35	2.36	2.38		
Safety margin (%)	27.4	26.8	24.1		
Financial Position Data:					
Invested in facilities	\$2,098,196	\$2,398,502	\$2,760,810	14.3	15.1
General Reserve	120,264	127,069	144,675	5.6	13.8
Ge. & Ref. Special Reserve	9,165	19,268	18,658	110.2	- 3.2
Air Terminal Reserve	19,739	33,069	32,312	67.5	- 2.3
Marine Terminal Reserve	2,219	3,954	3,773	78.2	- 4.6
Consolidated Bond Reserve	—	2,681	253	-	-95.
Total reserve	151,837	186,041	199,671	22.5	7.3
Total bond & note debt	1,202,645	1,270,691	1,446,748	5.6	13.6
Bank loans	175,000	200,000	265,000	14.3	32.5
Total debt	1,377,645	1,470,691	1,711,748	6.7	15.2

*Exhibit S-29*

OTHER DEVELOPMENTS: Our October 20, 1971, report commented on various actions or litigations pending with respect to certain of the Authority's facilities or for certain statutory provisions.

In November 1969, a lawsuit instituted in New Jersey Superior Court, Chancery Division, Bergen County, against the Authority, Pan American World Airways, and the State's bureau of Aeronautics by South Hackensack Township, its Board of Education, and 2 Township residents sought declaratory judgment that the 1967 agreement between the Authority and Pan American for Pan American's operation of Teterboro Airport as a public airport constitutes an unlawful transfer of a public facility to private use and airport operation is illegal because it is not licensed by the Bureau. On 11-5-70, defendants' motions for summary judgment were granted, and a judgment dismissing the amended complaint was entered. On 11-29-71, the Appellate Division of the Superior Court affirmed the judgment of the Chancery Division, and the time for further appeals from the Division's decision has now expired.

**Exhibit S-31**

MOODY'S INVESTORS SERVICE, INC.  
MUNICIPAL CREDIT REPORT

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY  
Rating: Consolidated Bonds: A

June 14, 1973  
RC

Sale: \$100,000,000 Consolidated Bonds, Fortieth Series, for bids on 6-20-73

Dated: 6-1-73    Due: 6-1-2008    Call: beginning in 1983

L.O.: Hawkins, Delafield & Wood, New York City

Type enterprise:    bi-state agency operating 2 toll tunnels, 4 toll bridges, 3 commercial airports, 1 general aviation airport, 2 heliports, 6 marine terminals, 2 truck terminals, 1 bus station, PATH passenger rail facility, World Trade Center in 1,500 square mile Port District

Pledged revenues:    Consolidated Bonds payable on parity from net revenues of all existing facilities of Authority and any additional facilities financed from Consolidated Bonds, the Authority's General Reserve Fund, and the Consolidated Bond Reserve Fund

Coverage after sale: net revenues for 1972 cover estimated peak interest and amortization on outstanding and new Consolidated Bonds by 1.25 times.



## 264a

*Exhibit S-31*

Operations (years ended 12-31; \$ in 000):

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>% Change</u>	
				<u>1971</u>	<u>1972</u>
Gross revenues	\$ 271,385	\$ 300,279	\$ 339,618	10.6	13.1
Operating expenses	144,988	175,333	199,161	20.9	13.6
Net revenues	126,397	124,946	140,475	-1.2	12.4
Total debt service	53,667	52,454	63,358	-2.3	20.8
Invested in facilities	2,398,502	2,760,810	3,047,507	15.1	10.4
Bond & bank loan debt	1,470,691	1,711,748	1,796,810	15.1	5.0
		<u>1970</u>	<u>1971</u>	<u>1972</u>	
Historical Key Ratios:					
Operating ratio (%)		56.8	62.6	62.3	
Net take-down (%)		46.6	41.6	41.3	
Interest coverage		4.80	4.24	3.61	
Avg. annual debt sv. coverage		1.52	1.31	1.23	
Interest safety margin (%)		36.9	31.8	29.9	

Summary: The Authority's financial strength and technical accomplishments continue highly impressive. The Authority has expanded capacity of all its facilities, and further expansion of its marine terminal and air terminals is underway. In addition, the Authority is completing a large and expansive office building construction (World Trade Center), a program which involves the specialized risks inhering to the real estate development field. Its facilities, as is the case with comparable facilities elsewhere, are sensitive to economic, labor, and environmental conditions that can favorably or unfavorably affect their usage, but the earnings derived from these facilities remain at good levels.

Legislation in both states has been enacted in which the Authority will contribute in the capital cost of passenger

*Exhibit S-31*

rail projects to link Kennedy International Airport with Manhattan, link Newark International Airport with Newark and extend the PATH system into Union County in New Jersey, and provide a direct rail connection to Manhattan for Erie-Lackawanna rail users in New Jersey. In addition, this new legislation amends 1962 statutes which served as the basis for a statutory covenant limiting the Authority's ability to participate in deficit passenger railroad projects. These deficit limitations will not apply to the holders of bonds hereafter issued by the Authority, including these bonds. It is noted that none of the proceeds of these bonds are for any of these passenger rail projects, and the Authority indicates that these rail projects financed from their portion of the capital funds are anticipated to be self-supporting.

Bonded Debt: At the end of 1972, the Authority had \$1,566,810,000 bonds outstanding, comprising \$15,852,000 of 4 series of General and Refunding Bonds, \$24,641,000 of 3 series of Air Terminal Bonds, \$2,983,000 of 2 series of Marine Terminal Bonds, and \$1,523,334,000 of 38 series of Consolidated Bonds. On 12-31-70, the Authority placed in trust with the Trustee amounts available from its Special Reserve Fund, Air Terminal Reserve Fund, and Marine Terminal Reserve Fund sufficient moneys to secure fully, unconditionally, and absolutely the Authority's obligation to provide for redemption and interest until redemption of the General and Refunding, Air Terminal, and Marine Terminal Bonds. With establishment and during maintenance of these trusts, all Consolidated Bonds are secured on a parity by net revenues of all Authority existing facilities and any additional facilities financed wholly or partly through Consolidated Bonds (excluding cars financed under N.Y. State Commuter car program) net revenues are not

*Exhibit S-31*

subject to the prior liens to which net revenues from certain facilities had been subject in favor of General and Refunding Air Terminal, and Marine Terminal Bonds.

As of 5-23-73, there were \$1,618,584,000 of Consolidated Bonds outstanding, but including \$100,000,000 of Series Z Consolidated Notes of 3.60% interest due 12-17-73.

Bank loans: At 12-31-72, the Authority also had outstanding \$230,000,000 in bank loans, consisting of \$70,000,000 balance of a 1968 loan of \$210,000,000 due 1974-75, \$60,000,000 total of a 1970 loan due annually 1975-77, and \$100,000,000 of a July 1971 loan due annually 1975-77. Under terms of the loan agreements and as a result of establishment and maintenance in trust of the Special Reserve Fund, Air Terminal Reserve Fund, and Marine Terminal Reserve Fund, annual installment payments on bank loans beginning in 1971 are to be made exclusively from net revenues available in the Consolidated Bond Reserve Fund. Loan payment and interest on loans is subject to payment of debt service on the General and Refunding, Air Terminal, Marine Terminal, and Consolidated Bonds, and to payment into the General Reserve Fund of the amount needed to maintain this Fund at its requirement of 10% par value of the bonds.

Structure: These Consolidated Bonds are due in 2008 with mandatory retirement beginning annually in 1983. Estimated overall interest and amortization on the Consolidated Bonds is at a high of over \$110 million in certain years in the 1973-86 period, with debt service declining under \$100 million in 1993, as shown for selected years (\$ in 000):

*Exhibit S-31*

<u>Year</u>	<u>Amortization</u>	<u>Interest</u>	<u>Total</u>
1973	\$32,112	\$74,377	\$105,489
1974	34,119	75,916	110,035
1975	35,886	74,782	110,668
1976	35,236	73,633	108,869
1977	36,475	72,474	108,949
1980	41,671	68,432	110,103
1986	54,223	58,255	112,478
1992	55,550	44,661	100,211
1998	57,500	27,043	84,543
2008	7,000	175	7,175

Coverage (\$ in 000):

	<u>Last 3 Fiscal Yr. Avg.</u>	<u>Fs. Yr. Ended 12-31-72</u>
Net revenues	\$130,600	\$140,457
Est. peak interest:		
\$75,916 in 1974	1.72x	1.85x
Est. peak prin. and int.:		
\$112,478 in 1986	1.16	1.25

Statutory covenant against dilution of pledged revenues: A paragraph which appeared in the official statement for the Thirty-ninth Series of Consolidated Bonds which sold in February 1972, and which bonds are due in 2007, indicated that in connection with legislation which authorized the Authority to assume responsibility for the Hudson Tubes system (PATH), the Authority advised the Legislatures of both states that its credit would be impaired by such an undertaking of an anticipated perpetual deficit facility unless the states would enter into an enforceable contract with the Authority bondholders which would grant assurances against dilution of already pledged revenues and reserves by any additional passenger rail deficits

*Exhibit S-31*

beyond those of the Hudson Tubes system. The legislation as finally adopted included these covenants. The contract prohibits the application of any revenues or reserves pledged to the bonds (which includes all existing revenues, other than rentals under the New York State commuter railroad car program, and all existing reserves) for any additional passenger railroad purpose beyond the basic Hudson Tubes, as defined, without the consent of the holders of the affected bonds unless the Authority shall have first certified the eligibility of the additional railroad, whether an extension of the Hudson Tubes or a new railroad facility. To be eligible, the Authority must determine that either the proposed additional passenger railroad facility is self-supporting or, if not, that at the end of the preceding calendar year the General Reserve Fund contained the full statutory amount and that for the ensuing 10 years the estimated average annual deficits from the proposed additional passenger railroad facility and any existing railroad facility (including the Hudson Tubes) would not in the aggregate exceed an amount equal to 1/10 of the amount in the General Reserve Fund at the prior year-end.

The statutory covenant against dilution of pledged revenues and reserves by additional passenger railroad facilities remains in effect with respect to affected bonds and remains binding on the Authority, although it does not apply to the bonds of the present Fortieth Series offering. The legislation which authorized the Authority to assume responsibility for the Hudson Tubes was amended effective 5-10-73 by New York and New Jersey. The New Jersey amendment, when introduced in the N.J. Assembly, was accompanied by a statement that the bill was intended to preclude the application of the covenant to holders of bonds

*Exhibit S-31*

newly issued after its effective date, while maintaining in status quo the rights of the holders of bonds issued after 3-27-62 (effective date of the covenant legislation) but prior to the effective date of the amendment.

Prior to the effective date of this amendatory legislation, 16 banks, in connection with the issuance of the Series Z notes, each consented pursuant to 1962 legislation to the application for any railroad purpose authorized by the states of any revenues and reserves which have been or shall be pledged as security for the notes, in-so-far as the application would otherwise not have been permitted by reason of the limitation imposed by the statutory covenant. In accordance with the policies of both Governors and the Authority, the consent by the purchasers of Series Z notes resulted in precluding the addition of the notes to the total amount of outstanding obligations to which the statutory amendment attaches. The need for a similar consent by the purchasers of bonds of this Fortieth Series is obviated by the amendatory legislation which precludes application of the covenant to all obligations issued after 5-1-73.

It is presently intended that passenger railroad facilities authorized by that legislation be effectuated on a self-supporting basis, including substantial amounts of governmental financial aid. The total estimated cost of these rail facilities is estimated at \$650,000,000 of which about \$250,000,000—\$300,000,000 would be financed by the Authority, with the balance to be funded from Federal and state capital grants. The Authority indicated that PATH would be the operator of the extension from Penn Station in Newark to Newark International Airport and to Plainfield in Union County, that the Long Island Railroad would operate the Penn Station-Kennedy International Airport rail link, and that the Erie-Lackawanna Railroad would operate the direct connection from Erie-Lackawanna lines in New Jersey into Penn Station in New York. The

*Exhibit S-31*

Authority has indicated that while the total facilities financed by the \$300,000,000 capital funds are not anticipated to be self-supporting, the portion of the projects financed by the \$250,000,000-\$300,000,000 Authority moneys is anticipated to be self-supporting.

The statutes which authorize rail access to Kennedy International and Newark International contains a legislative finding that these mass transportation facilities can properly be regarded as constituting a part of each air terminal, the development of which should be the responsibility of those charged with the duties of air terminal development. Bond Counsel for the Authority is of the opinion that unless the rail access projects were to meet the requirements of a permitted purpose within the meaning of the 1962 legislation, any financing of all or part of it provided by the Authority under its existing bond resolutions would constitute a violation of the statutory covenant.

Authority: The Port Authority of New York and New Jersey (its name was changed effective 7-1-72 by legislation in both states from the former Port of New York Authority) is a municipal corporate instrumentality of New York and New Jersey, created in 1921, by compact between the two states, with the consent of Congress, and provides facilities in the Port District of about 1,500 square miles which centers about New York Harbor. The Authority consists of 12 commissioners, 6 from each state, appointed by the Governor with the advice and consent of the Senate for 6-year terms. The Authority staff is now headed by Mr. Matthias E. Lukens, Acting Executive Director, appointed to this position following the retirement on 3-31-72 of Mr. Austin J. Tobin, who had been Authority Executive Director since 1942.

Existing facilities: Authority operates: (1) all inter-state vehicular tunnels and bridges in Port District consisting of Holland Tunnel, Lincoln Tunnel, George Washington

*Exhibit S-31*

Bridge, Goethals Bridge, Bayonne Bridge, Outerbridge Crossing; (2) air terminal facilities consisting of John F. Kennedy International Airport, LaGuardia Airport, Newark International Airport for commercial service, and Teterboro Airport for general aviation, and heliports in downtown and midtown Manhattan; (3) marine terminal consisting of Columbia Street Marine Terminal, Port Newark, Brooklyn Port Authority Marine Terminal, Hoboken-Port Authority Marine Terminal, Erie Basin-Port Authority Marine Terminal, and Elizabeth-Port Authority Marine Terminal; (4) inland terminals consisting of the Port Authority Building, Port Authority Bus Terminal, New York Union Motor Truck Terminal, Newark Union Motor Truck Terminal, and George Washington Bus Station; (5) the Hudson Tubes railroad facility operated by the wholly-owned subsidiary PATH corporation, and (6) the World Trade Center.

Expansion: Expansion of Authority facilities include: (1) at Kennedy International expenditures by Authority and airlines to expand the International Arrival Building and Wing Building and development of a maintenance facility under which Authority expenditures in 1973 will be about \$23,400,000; (2) at Newark International, a \$220,000,000 redevelopment program under which a new runway was placed in operation in 1970 and construction of 3 new terminals are proceeding; (3) at Port Newark, development of the south side of the Port along a new channel which adjoins the Elizabeth Marine Terminal in which 8 berths have been built and 2 additional berths are to be completed in 1973, and in September 1972, Authority authorized agreement with Penn Central to lease about 95 acres of undeveloped land adjoining Port Newark for a 40-year term, on which the Authority plans to build distribution buildings and pave open area at an estimated \$19,000,000 cost; (4) at Elizabeth-Port Authority Marine



*Exhibit S-31*

Terminal, lease agreements with the Jersey Central covering 246 acres of adjoining undeveloped land executed under 1971 and 1972 lease agreements to provide additional distribution space for future containerized cargo terminals with an estimated Authority investment of \$38,600,000; (5) an expansion program of the Port Authority Bus Terminal, for which \$7,600,000 has been expended for land acquisition; (6) a new Journal Square transportation center in Jersey City, and a 1972 memorandum of intent between Authority and Penn Central for Authority to rehabilitate Penn Station in Newark for an estimated \$12,300,000; and (7) the World Trade Center.

World Trade Center in lower Manhattan comprises twin 110-story tower buildings each 1,350 feet high surrounded by lowrise plaza buildings. At the end of 1972, more than 300 firms and organizations involved in international trade were housed in the Center. Occupancy of the North Tower began in December 1970 and the South Tower in April 1972. Despite a construction strike in the last half of 1972, tenants moved into the Northeast Plaza Building. Taking into consideration unanticipated increases in construction costs, it is presently estimated that the total cost of the World Trade Center will be about \$800,000,000, an amount \$100,000,000 greater than that indicated prior to the February 1972 bond offering, and \$150,000,000 greater than that indicated prior to 1970 and 1971 bond offerings, and also greater than total cost estimated of \$600,000,000 earlier in 1970, of \$575,000,000 of a 1967 estimate, and of \$525,000,000 of a 1965 estimate. Cost increases have been due to delays caused by construction, escalation, increased construction costs, and final modifications and additions to the low-rise buildings.

Additional facilities: In August 1971, the Authority and New York City executed a lease agreement for construction, financing, and leasing of a Consolidated Passenger

*Exhibit S-31*

Ship Terminal on the west side of Manhattan. The agreement provides that the Authority will build the terminal, lease it from the City for 20 years and finance related parking facilities at a \$2,000,000 cost with the City to finance the balance of about \$35,900,000. Part of the permanent facility and certain existing piers were repairs to provide interim facilities until completion of the new Terminal in the spring of 1974. Charges for passenger vessel use of the terminal are governed by tariffs calculated to make the project self-supporting over the lease term, which are published by the Authority and filed with the FMC.

On 2-8-73, the Authority Commissioners authorized construction and operation of a container cargo development project in the Red Hook section of Brooklyn on about 30 acres owned by the Authority and about 72 acres to be leased by the Authority from New York City. The Authority would lease the 72 acres for a term beginning with delivery of the first parcel and continuing for 50 years after delivery of all parcels. City would pay entire estimated construction cost of \$29,000,000, and Authority pay to City a basic rental of about \$2,152,000 annually over a 50-year period. If revenues also exceed base rent plus provision for Authority expenses, 50% of the excess is payable to the City.

The mass transportation rail project authorized by the states in the 1971-73 period will provide for: (1) PATH rail link connecting Newark International Airport and Penn Station in Newark; (2) extend PATH into Union County to Plainfield via Newark International Airport; (3) direct rail service to Penn Station in Manhattan for Erie-Lackawanna riders including equipment yard in Seacaucus and a new Hackensack River Bridge. These projects are expected to be completed by the end of 1977, as well as the rail link from Manhattan to Kennedy International.

## 274a

*Exhibit S-31*

	Fiscal Years Ended Dec. 31			% Change	
	1970	1971	1972	1971	1972
<b>Operations:</b>					
Total bridges & tunnels:					
Traffic (000) .....	148,281	154,362	159,476	4.1	3.3
Toll revenues (000) \$	\$ 75,891	\$ 78,492	\$ 80,620	3.4	2.7
<b>Commercial airports:</b>					
Plane movements .....	868,095	846,800	860,000	- 2.5	1.5
Total passengers (000) .....	37,402	38,025	41,713	1.7	9.7
PATH passengers (000) .....	38,954	38,877	40,282	- 0.2	3.6
<b>All marine terminals:</b>					
Ship arrivals .....	N.R.	3,428	3,979	—	16.1
General cargo, long tons (000) .....	12,309	11,339	12,183	- 7.9	7.4
<b>Financial Operations</b>					
(\$ in 000):					
Gross operating revenue	\$ 255,318	\$ 279,935	\$ 319,835	9.6	14.2
Gross revenue & income	271,385	300,279	339,618	10.6	13.1
Oper. & maint. expense	144,988	175,333	199,161	20.9	13.6
Net revenues .....	126,397	124,946	140,457	- 1.2	12.4
Interest on funded debt	26,346	29,441	38,856	11.7	32.0
Int. & mandatory redemp. pyts. ....	53,667	52,454	63,358	- 2.3	20.8
Times covered .....	2.36	2.38	2.22	—	—
Safety margin (%)	26.8	24.1	22.7	—	—
<b>Balance sheet (\$ in 000):</b>					
Invested in facilities ...	\$2,398,502	\$2,760,810	\$3,047,507	15.1	10.4
General Reserve .....	127,069	144,675	156,681	13.8	6.3
Gen. & ref. Spec. Reserve .....	19,268	18,658	17,551	- 3.2	- 5.9
Air Terminal reserve ..	33,069	32,212	27,489	- 2.3	-24.7
Marine Terminal reserve .....	3,954	3,773	3,280	- 4.6	-23.1
Consolidated Bond reserve .....	2,681	253	7,101	-95.7	—
Total reserves .....	186,041	199,671	212,102	7.3	6.2
Total bond & note debt	1,270,691	1,446,748	1,566,810	13.8	6.3
Bank loans .....	200,000	265,000	230,000	32.5	-23.2
Total debt .....	1,470,691	1,711,748	1,796,810	15.1	5.0
<b>Largest components of investment in facilities, 12-31-72:</b>					
World Trade Center .....			\$659,500,000		
Kennedy International .....			653,200,000		
Newark International .....			276,200,000		
George Washington Bridge .....			213,000,000		
Hudson Tubes (PATH) .....			199,400,000		
Lincoln Tunnel .....			198,000,000		

*Exhibit S-31*

Recent Developments: The PATH system was struck and non-operating for about a 2-month period from 4-1-73 to 6-3-73. On 6-14-73, PATH announced an increase in the basic fare from 30¢ to 50¢ effective 7-29-73.

Other Developments: Various actions or litigation are pending with respect to certain of the Authority's facilities or for certain statutory provisions.

On 7-20-70, the New York State Attorney General instituted a lawsuit on behalf of the State of New York Supreme Court, Nassau County, against the Authority and 58 foreign and domestic airlines using La Guardia and Kennedy International Airports. The action seeks to require, and directs the Authority to require, air carriers operating jets to equip their aircraft with noise suppressors to reduce aircraft noise outside the boundaries of the airports to specified levels. Research, development, and testing of methods to reduce aircraft noise is being conducted by aircraft manufacturers and the Federal Government.

On 7-30-70, the Attorney General also instituted a lawsuit on behalf of the State in New York Supreme Court, New York County, alleging that the Authority has caused or permitted fuel oil to be discharged into Jamaica Bay through the storm and sanitary sewer system at Kennedy International and, by extending a runway into the Bay, has interfered with normal tidal flows to disrupt the Bay's ecology, and seeking to enjoin the alleged discharge and the alleged disruption of the ecology.

In December 1961, owners of properties instituted an action in Supreme Court, Queens County, against the Authority and 38 airlines operating out of Kennedy International, alleging that airport noise diminished the value of their properties. As against the Authority, plaintiffs seek to recover alleged damages of 20% of the market value of their properties, and for a period prior to the action, alleged

*Exhibit S-31*

damages of 20% of rental value of properties. With respect to the Authority, allegations that flights constitute trespass, nuisance, and governmental taking of private property have been held by the State trial and appellate courts to be barred for the period prior to December 1960.

In May, 1967, President of the N.Y. District Council of the ILA began a suit against the United States, Authority, and New York City in a U.S. District Court seeking to prevent effectuation of the World Trade Center, the plaintiff contending that demolition of piers in construction of the Center violated "rights" of ILA members to be employed on waterfront property. On 3-28-72, the District Court dismissed the action against all parties, the U.S. Court of Appeals for the Second Circuit affirmed the District Court judgment on 10-30-72, and plaintiffs' petition for a writ of certiorari to review the decision was denied by the U.S. Supreme Court on 4-16-73.

Still technically pending is litigation instituted in September 1964 by plaintiffs and intervenors who sought to prevent effectuation of the Center and alleged, among other things, that the legislation authorizing the Center is unconstitutional. Their complaint as to these issues was incorporated into a 1965 litigation where these constitutional challenges were rejected. Intervenors appealed to the Appellate Division of the Court from the New York State Supreme Court's dismissal of portions of their complaint demanding an injunction against the taking of their property on the site of the Center. Title to the properties vested finally in the Authority by order of the Supreme Court, New York County, which was affirmed in a July 1966 Court of Appeals decision.

On 3-4-71 and 3-9-71; identical class actions were begun in the U.S. District Court for the Southern District of New York and the U.S. District Court for the District of New

*Exhibit S-31*

Jersey against the Authority, each of its Commissioners, and its Executive Director challenging the validity of the 1962 covenant against dilution of pledged revenues and reserves by additional passenger railroad deficits. The plaintiffs further sought an order requiring the Authority to formulate and submit to the Court, or to a special master to be appointed by the Court, a plan for development of mass transportation facilities in the Port District as requested by both Governors.

On 4-23-71, the Authority, its Commissioners and Executive Director, and Governor of New York jointly moved to dismiss the New York Action on the grounds that the plaintiffs failed to state a cause of action on which relief can be granted and that the Federal Court lacked jurisdiction. On 5-28-71, parties in the New York action stipulated to dismiss the action as to Governor Rockefeller and to permit the State's Attorney General to intervene in support of the constitutionality of the 1962 covenant. The U.S. District Court for the Southern District granted defendants' motion to dismiss the complaint on 7-28-71, the U.S. Court of Appeals for the Second Circuit affirmed this judgment on 3-24-72, rehearing was denied on 5-30-72, and plaintiff's petition for writ of certiorari to review the Court of Appeals decision was denied by the U.S. Supreme Court on 11-6-72. The action instituted in the U.S. District Court for the District of New Jersey was administratively terminated pending final dismissal of the New York action, and no further proceedings have been initiated.

Complaints containing substantially identical allegations and asking relief similar to that sought in the complaints in the Federal actions were filed in the Superior Court of New Jersey, Law Division, Bergen County, in May 1972, and in New York Supreme Court, New York County, in

*Exhibit S-31*

January 1973. In the New Jersey action, the plaintiff is described as a New Jersey resident, and defendants named were the Authority, its Commissioners, and Governor of New Jersey. On motion made by New Jersey's Attorney General, the complaint was dismissed as to Governor Cahill. The New York action has been instituted in the form of a class action against the Authority as sole defendant by one named plaintiff who was also a plaintiff in the New York action filed in the Federal court in 1971. Both state court actions are still pending.

**Excerpt from Exhibit S-36**

Dated: November 16, 1970 BLYTH & Co., INC.  
 Preliminary Circular—Subject to change  
 New Issue—To be negotiated

Moody's Rating—A

Standard & Poor's Rating—

\$50,000,000

THE PORT OF NEW YORK AUTHORITY

CONSOLIDATED BONDS

THIRTY-SIXTH SERIES—(FIRST INSTALLMENT)

Dated: November 1, 1970

Due: November 1, 2005, as shown below

The Thirty-Sixth Series Bonds becoming due on November 1, 1981 and on any date thereafter are redeemable prior to maturity, both at the option of The Authority and according to a fixed schedule for mandatory periodic retirement, on November 1, 1980 and on any interest payment date thereafter, in whole or in part, at the following redemption prices specified below, plus accrued interest.

<u>Redemption Dates</u> (Both Dates Inclusive)	<u>Redemption Prices</u>	
	<u>Optional Redemption</u>	<u>Mandatory Redemption</u>
November 1, 1980 to November 1, 1982;	104%	103%
Thereafter to November 1, 1985;	103%	102%
Thereafter to November 1, 1988;	102%	101%
Thereafter to November 1, 1991;	101%	100%
Thereafter to maturity	100%	100%

Principal and semi-annual interest (May 1 and November 1) payable at the principal office

Coupon Bonds, in the denomination of \$5,000; or as fully registered Bonds, in the denomination of \$5,000 or multiples thereof.

---



*Excerpt from Exhibit S-36*

General Counsel and Bond Counsel are of the opinion that, under the Constitution of the United States of America now in force, interest on The Port of New York Authority Consolidated Bonds, Thirty-sixth Series, First Installment, presently being offered for sale, is exempt from all income taxes now or hereafter imposed by the United States unless such taxes should be consented to by the States of New York and New Jersey and that such interest is, under the existing Acts of Congress, exempt from present Federal income taxes, provided, however, that no opinion is expressed herein with respect to the exemption from taxation of interest on any Bond or Bonds of said Thirty-sixth Series, First Installment, for any period during which such Bond or Bonds are held by a substantial user (or a related person) of airport, dock, wharf, mass commuting facilities, parking facilities, or storage or training facilities directly related to any of the foregoing, provided by the Authority from the proceeds of the Bonds, within the meaning of Section 103 (c) (7) of the Internal Revenue Code. General Counsel and Bond Counsel are also of the opinion that the said bonds and the interest thereon are exempt, under the existing Compact and supplementary legislation, from any and all taxation (except estate, inheritance and gift taxes) now or hereafter imposed thereon by or under authority of the State of New York or the State of New Jersey or by any political subdivision thereof.

AMOUNT, RATE, MATURITY, PRICE

\$50,000,000 .....% Term Bonds  
 due November 1, 2005 .....%  
 (Plus Accrued Interest)

The Thirty-Sixth Series Bonds are being offered for the purpose of financing capital expenditures in connection with the Authority's airports, docks, wharves, mass com-

*Excerpt from Exhibit S-36*

muting facilities, parking facilities and storage or training facilities, and for refunding all or any part of outstanding Consolidated Notes, Series W and Series X, substantially all of which have been issued for the aforesaid purpose. No part of the proceeds of the First Installment of Consolidated Bonds Thirty-Sixth Series shall be used for the Port of New York Authority World Trade Center.

The Bonds shall be direct and general obligations of the Authority, for which the full faith and credit of the Authority are pledged, secured equally and ratably with all other Consolidated Bonds heretofore or hereafter issued by a pledge of (a) the net revenues of the Authority from the Hoboken-Port Authority Marine Terminal, the Brooklyn-Port Authority Marine Terminal, the Erie Basin-Port Authority Marine Terminal, the Elizabeth-Port Authority Marine Terminal, The Port Authority-West 30th Street Heliport, the Port Authority-Downtown Manhattan Heliport, the Hudson Tubes (also known as Port Authority Trans-Hudson or "PATH"), the World Trade Center (after construction) and any additional facilities which may hereafter be financed or refinanced in whole or in part through the medium of Consolidated Bonds, (b) the net revenues of the Authority from all other of its existing facilities (not including cars acquired under New York State's Commuter Car Program,) subject to (but only to) pledges heretofore made and liens heretofore created in favor of outstanding General and Refunding Bonds, Air Terminal Bonds and Marine Terminal Bonds, (c) the General Reserve Fund of the Authority (authorized by Chapter 5 of Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, as amended) equally with other obligations of the Authority secured by that Fund, and (d) the Consolidated Bond Reserve Fund established in connection with Consolidated Bonds.

The Thirty-Sixth Series Bonds are offered when, as and if issued, and subject to the approval of Sidney Goldstein,

*Excerpt from Exhibit S-36*

General Counsel of the Authority and by Hawkins, Delafield & Wood, Bond Counsel for the Authority. Delivery of the Bonds is anticipated on or about

## DESCRIPTION OF THE PORT AUTHORITY

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey, created in 1921 by Compact between the two States, with the consent of the Congress of the United States. In the Compact the two States recited their confident belief that a better coordination of the terminal, transportation and other facilities of commerce in the Port of New York would result in great economies benefiting the nation as well as the States and that the future development of such facilities would require the cordial cooperation of the States in the encouragement of the investment of capital and in the formulation and execution of necessary plans. They recited that such result could best be accomplished through the cooperation of the two States by and through a joint or common agency, and to that end, after pledging, each to the other, faithful cooperation in the future planning and development of the Port of New York, they created the Port of New York District and The Port of New York Authority.

In general, the purpose of the States in establishing the Authority was to provide transportation, terminal and other facilities of commerce within the Port of New York District and for such purposes they have from time to time authorized specific facilities and have given the Authority power to borrow money upon its bonds or other obligations and to make charges for the use of such facilities. The Port District comprises an area of about 1,500 square miles in both States, centering about New York Harbor. The Port District includes the Cities of New York and Yonkers in New York State, Newark and Jersey City in New Jersey and over 200 other municipalities, including all or part of seventeen counties, in the two States.

*Excerpt from Exhibit S-36***PURPOSE**

Capital expenditures in connection with the Authority's airports, docks, wharves, mass commuting facilities, parking facilities and storage or training facilities directly related to any of the foregoing and for refunding all or any part of outstanding (a) Consolidated Notes, Series W, issued for the aforesaid purposes, and (b) Consolidated Notes, Series X, substantially all of which have been issued for the aforesaid purposes, with the balance of the proceeds of such Series X Notes, if any, to be used for purposes of capital expenditures in connection with the Authority's tunnels and bridges. No part of the proceeds of the First Installment of Consolidated Bonds, Thirty-sixth Series, shall be used for the World Trade Center nor for any Authority facilities except those specified above or for which said outstanding Consolidated Notes have been issued.

**SECURITY**

Consolidated Bonds are direct and general obligations of the Authority and the full faith and credit of the Authority are pledged to the payment of debt service thereon.

Consolidated Bonds may be issued from time to time in such series and installments (in addition to the present offering) as the Authority may determine, but only for purposes for which the Authority is authorized by law to issue bonds secured by a pledge of its General Reserve Fund. So long as any bonds of the present offering are outstanding, Consolidated Bonds may be issued for purposes in connection with additional facilities (in addition to those for which it has already issued bonds secured by a pledge of the General Reserve Fund) only if the Authority has first certified its opinion that such issuance will not, among other things, materially impair its ability to fulfill its undertakings to the holders of Consolidated Bonds.

The Authority may not issue any Consolidated Bonds (except bonds issued to refund other Consolidated Bonds or

*Excerpt from Exhibit S-36*

bonds of prior issues now outstanding) except under one or another of three conditions, each of which requires that a certain future calendar year's debt service is met one and three-tenths (1.3) times by certain revenues.

All Consolidated Bonds, including any which may hereafter be issued, are equally and ratably secured by a pledge of the net revenues of the following facilities in the manner and to the extent provided in the Consolidated Bond Resolution: (a) the Hoboken-Port Authority Marine Terminal, the Elizabeth-Port Authority Marine Terminal, the Port Authority-West 30th Street Heliport, the Port Authority-Downtown Manhattan Heliport, the Hudson Tubes, and the World Trade Center (after construction), (b) the Port Authority's existing six bridges and tunnels, two union motor truck terminals, bus terminal, Columbia Street Marine Terminal, and Inland Terminal No. 1, subject to the pledge heretofore made of such revenues in favor of General and Refunding Bonds, (c) the Port Authority's other existing four air terminals, subject to the pledge heretofore made of such revenues in favor of Air Terminal Bonds, (d) Port Newark, subject to the pledge heretofore made of such revenues in favor of Marine Terminal Bonds, and (e) any additional facility which may be hereafter financed in whole or in part through the medium of Consolidated Bonds. So long as any bonds of a prior issue remain outstanding which have a first lien on the net revenues of any existing facility, such revenues must be applied as provided in the resolution establishing such prior issue. The application of net revenues prescribed in each such resolution is for payment of the debt service upon all bonds of such prior issue, with all remaining balances payable into a special reserve fund established by such resolution for bonds of such prior issue except such amounts as may be necessary to maintain the General Reserve Fund in its statutory amount. To the extent legally available and necessary for such purpose, amounts in such

*Excerpt from Exhibit S-36*

special reserve funds, and in the Consolidated Bond Reserve Fund described below, are to be applied to the payment of debt service on the bank loan referred to hereinafter. The bank loan contemplates that upon providing in trust for the payment in full of principal and interest to the respective sinking fund redemption dates of the Authority's General and Refunding Bonds, Air Terminal Bonds and Marine Terminal Bonds, the net revenues from the above mentioned facilities will be applied to debt service on the Consolidated Bonds and Notes and all remaining balances, except such amounts as may be necessary to maintain the General Reserve Fund in the prescribed amount, will be paid into the Consolidated Bond Reserve Fund. It is presently expected that such payments in trust will be made by year end 1970. Under the terms of the loan, no Authority bonds would have to be paid or redeemed in advance of their scheduled redemption.

All Consolidated Bonds are further secured by a pledge of the moneys in the Consolidated Bond Reserve Fund established by the Consolidated Bond Resolution, in the manner and to the extent set forth therein, and by a pledge of the General Reserve Fund on an equal footing with other obligations of the Authority, in the manner and to the extent provided therein.

**THE CONSOLIDATED BOND RESERVE FUND**

A special fund is created by the Consolidated Bond Resolution as additional security for all Consolidated Bonds. Into this fund is to be paid the balance of all net revenues upon which at the time Consolidated Bonds have a first lien, except such amounts as may be required to maintain the General Reserve Fund at its statutory amount.

The moneys in the Consolidated Bond Reserve Fund may be accumulated or applied only to the purposes stated in the Consolidated Bond Resolution, which include the payment of debt service and retirement of Consolidated Bonds

*Excerpt from Exhibit S-36*

(with certain limitations) and other purposes. The other purposes, so long as any bonds of the present offering are outstanding, must be related to bonds secured by a pledge of the General Reserve Fund or facilities financed by such bonds, but not necessarily related to Consolidated Bonds, or facilities the net revenues of which are pledged in support of Consolidated Bonds. Moneys in the Consolidated Bond Reserve Fund may be applied to the payment of debt service on the bank loan described hereinafter.

## THE GENERAL RESERVE FUND

The General Reserve Fund was established pursuant to Chapter 5 of the Laws of New Jersey of 1931 and Chapter 48 of the Laws of New York of 1931, which have been amended and supplemented.

Under the statutes authorizing the pledge of the General Reserve Fund, in all cases where the Authority has raised or may raise moneys to finance or refinance any of its present facilities, or any additional terminal or transportation facilities by the issue and sale of bonds legal for investment as limited and defined in the applicable statutes, the surplus revenues, as defined therein, from such facilities are required to be pooled by the Authority and applied to the establishment and maintenance of a General Reserve Fund in an amount equal to 10% of the par value of all such outstanding bonds legal for investment, as so defined. The Bonds of the present offering will be, and all of the outstanding bonds and notes of the Authority, other than the State Guaranteed Commuter Car Bonds and the bank loans described hereinafter, are, bonds legal for investment within the statutory definitions; also all of the Authority's existing facilities (not including cars acquired under the aforesaid New York State Commuter Car Program) have been financed in whole or in part by bonds legal for investment within the meaning of the General Reserve Fund statutes.

*Excerpt from Exhibit S-36*

The statutes permit the General Reserve Fund to be pledged in whole or in part by the Authority or applied by it to the repayment with interest of any moneys raised upon any such bonds legal for investment, and permit the Authority to apply such moneys in the General Reserve Fund to the fulfillment of any other undertaking assumed to or for the benefit of the holders of any such bonds.

The Authority's power to use and invest the moneys in the General Reserve Fund at any time is curtailed within narrower limits under existing agreements that the maximum which the statutes permit (without impairing, however, any pledge heretofore made in favor of holders of General and Refunding, Air Terminal and Marine Terminal Bonds). Application of the General Reserve Fund is by such agreement restricted to purposes in connection with bonds secured by a pledge of the General Reserve Fund, and except to the extent that the combined balances in the General Reserve Fund and certain other debt reserve funds of the Authority (including the Special Reserve Fund, Air Terminal Reserve Fund, and Marine Terminal Reserve Fund established in connection with General and Refunding, Air Terminal and Marine Terminal Bonds, respectively, as well as the Consolidated Bond Reserve Fund) may at the time exceed the next two years' debt service on all bonds then outstanding which are secured by a pledge of the General Reserve Fund, the Authority covenants (subject to prior pledges) that General Reserve Fund moneys may not be used for any purpose if at the time there are any other moneys of the Authority available for that purpose and may not be used for the prepayment of debt service before due, and must be held in the form of cash or in obligations of (or guaranteed by) the United States.

At the present time the General Reserve Fund is pledged in support of all outstanding bonds and notes of the Authority other than State Guaranteed Commuter Car



*Excerpt from Exhibit S-36*

Bonds and the bank loan described hereinafter. In addition, it has been pledged in support of all Consolidated Bonds now or hereafter issued.

In connection with the pledge of the General Reserve Fund made in support of outstanding bonds and notes and the bonds of the present offering, the Authority has reserved the right to pledge the General Reserve Fund as security for any bonds, notes or other evidences of indebtedness whatsoever hereafter issued by the Authority as security for which it may at the time be authorized by law to pledge the General Reserve Fund and to use the moneys in the General Reserve Fund to fulfill any of its undertakings in connection with bonds, notes or other evidences of indebtedness secured by a pledge of such Fund, except that the Fund may not so long as any of the Bonds of the present offering are outstanding be pledged in support of bonds, other than Consolidated Bonds, to be issued in connection with an additional facility (in connection with which the Authority has not previously issued bonds secured by such pledge), unless the Authority has first certified its opinion that such pledge will not, among other things, materially impair its ability to fulfill its undertakings to the holders of Consolidated Bonds.

All bonds, notes or other evidence of indebtedness now secured by a pledge of the General Reserve Fund are secured on an equal footing and the Consolidated Bond Resolution provides that no greater rights in or to the General Reserve Fund may hereafter be granted to the holders of any such other obligations that are now granted to the holders of the bonds issued pursuant to such resolution.

The surplus revenues of all facilities of the Authority now in operation (not including cars acquired under the aforesaid New York State Commuter Railroad Car Program) are payable into the General Reserve Fund to the extent required by the statutes.

*Excerpt from Exhibit S-36*

The statutory amount of the General Reserve Fund, to the establishment and maintenance of which the Authority is required to apply the surplus revenues of its facilities financed and refinanced by bonds legal for investment, as defined in the statutes, is 10% of the par value of such bonds currently outstanding. As of the close of each calendar year the Authority has determined such amount and paid any surplus revenues available therefor into the Fund to the extent required to maintain it at its then statutory amount. The balance of such Fund on December 31, 1969 was \$120,206,000.

*Sources of Payments Into the Fund*

The surplus revenues of all facilities of the Authority now in operation (not including cars acquired under the aforesaid New York State Commuter Railroad Car Program) are payable into the General Reserve Fund to the extent required by the statutes. The four classes of present facilities from which the Authority may derive surplus revenues payable into the General Reserve Fund are:

- A. Those upon the net revenues of which Consolidated Bonds constitute a first lien and charge at the present time, which are
  - Hoboken-Port Authority Marine Terminal
  - Brooklyn-Port Authority Marine Terminal
  - Erie Basin-Port Authority Marine Terminal
  - Port Authority-West 30th Street Heliport
  - Port Authority-Downtown Manhattan Heliport
  - Elizabeth-Port Authority Marine Terminal
  - Hudson Tubes
  - World Trade Center (after construction)
- B. Those upon the net revenues of which the aforesaid Air Terminal Bonds constitute a first lien and charge at the present time, which are
  - La Guardia Airport

*Excerpt from Exhibit S-36*

Newark Airport  
John F. Kennedy International Airport  
Teterboro Airport

- C. That upon the net revenues of which the aforesaid Marine Terminal Bonds constitute a first lien and charge at the present time, which is  
Port Newark
- D. Those upon the net revenues of which the aforesaid General and Refunding Bonds constitute a first lien and charge at the present time, which are the  
Holland Tunnel  
Lincoln Tunnel  
George Washington Bridge  
Bayonne Bridge  
Goethals Bridge  
Outerbridge Crossing  
Port Authority Inland Terminal No. 1 (Port Authority Bldg.)  
Columbia Street Marine Terminal  
New York Union Motor Truck Terminal  
Newark Union Motor Truck Terminal  
Port Authority Bus Terminal

THE BANK LOAN

In December 1968, the Authority obtained a loan from banks and trust companies located in New York and New Jersey in the amount aggregating \$210,000,000, with interest at  $4\frac{1}{4}\%$  per annum, to mature in 1975, for application to the capital cost of facilities of the Authority financed or refinanced in whole or in part by Consolidated Bonds. The loan, including interest, is payable from net revenues legally available therefor in the Special Reserve Fund, Air Terminal Reserve Fund, Marine Terminal Reserve Fund and Consolidated Bond Reserve Fund as provided in the Authority's bond resolutions establishing such funds. Under

*Excerpt from Exhibit S-36*

the terms of the loan, annual amortization installments of up to \$35,000,000 are to be paid to the extent net revenues are legally available therefor. Payment of the loan and interest thereon is subject in all respects to the payment of debt service on the Authority's General and Refunding Bonds, Air Terminal Bonds, Marine Terminal Bonds and Consolidated Bonds and Consolidated Notes, as required by the applicable provisions of the Authority's bond resolutions, and to the payment into the General Reserve Fund of the amount necessary so as to maintain such Fund at the amount specified in the General Reserve Fund statutes. Neither the loan nor the interest thereon is secured by or payable from the General Reserve Fund.

## RATE POWERS AND COVENANTS

As a result of legislation contained in Chapter 47 of the Laws of New York of 1931 and Chapter 4 of the Laws of New Jersey of 1931; in Chapter 802 of the Laws of New York of 1947 and Chapter 43 of the Laws of New Jersey of 1947; and in Chapter 209 of the Laws of New York of 1962 and Chapter 8 of the Laws of New Jersey of 1962 (which authorized the World Trade Center-Hudson Tubes Project), the two States covenanted with each other and with the holders of any bonds of the Authority secured by its General Reserve Fund (including Consolidated Bonds), that the two States will not diminish or impair the power of the Authority to establish, levy, and collect tolls, rents, fares, fees, or other charges, in connection with any facility owned or operated by the Port Authority the revenues of which shall have been pledged in whole or in part as security for such bonds. All present Port Authority facilities (not including cars acquired under the aforesaid New York State Commuter Railroad Car Program) and the charges therefor are covered by these statutory covenants, so long as such bonds or other obligations remain outstanding.