UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10278 / January 10, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-17763

In the Matter of **THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY,** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), against the Port Authority of New York and New Jersey ("Port Authority" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement that the Commission has determined to accept. Respondent admits the facts set forth in Sections III. A, B., C., and D. below, acknowledges that its conduct violated the federal securities laws, admits the Commission's jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer of Settlement, the Commission finds[1] that:

Summary

1. These proceedings arise out of disclosure failures by the Port Authority. The Port Authority—one of the largest municipal issuers in the country and leading transportation agencies in the nation—builds, operates, and maintains certain critical transportation and other facilities within the states of New York and New Jersey. The Port Authority relies on access to the municipal securities market for financing to fulfill its mission.

2. In response to requests by the State of New Jersey for funding of certain roadway projects ("Roadway Projects"), the Port Authority approved $1.8 billion in non-revenue generating projects, and initially allocated bond proceeds towards funding such projects, without disclosing known material risks surrounding the potential lack of legal authority to fund those projects. In financial terms, at an estimated final cost of $1.8 billion, the Roadway Projects have been one of the most significant Port Authority capital projects during the last five years.

3. Port Authority lawyers explicitly identified "the risk of a successful challenge by the bondholders and investors" in connection with the funding of the Roadway Projects. On multiple occasions, Port Authority lawyers cautioned that "projects that fall outside the scope of the Port Authority's mandate would be *ultra vires*, and cannot, therefore, be undertaken by the Port Authority as a Port Authority project or funded by the Port Authority, in partnership with another governmental agency…." Yet, the Port Authority omitted disclosures in its relevant Official Statements concerning any risks surrounding the Port Authority's legal authority to fund the Roadway Projects that were "necessary in order to make [certain statements in the Official Statements], in light of the circumstances under which they were made, not misleading.[2] 15 U.S.C. § 77q. Further, the Port Authority's lax governance then-in-place allowed the Roadway Projects to be approved without any disclosure to the Port Authority's Board of Commissioners concerning any legal risks surrounding the projects.

4. As a result of the conduct described herein, the Port Authority violated Sections 17(a)(2) and (3) of the Securities Act in connection with the offer and sale of over $2.3 billion of its bonds between January 2012 and June 2014.

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

[2] An Official Statement, also referred to as an OS, is a document prepared by or on behalf of an issuer of municipal securities in connection with a primary offering. The OS, which is essentially the municipal equivalent of a corporate prospectus, discloses information on the offering of such securities.

A. Respondent

5. The Port Authority of New York and New Jersey, headquartered in New York, New York, is a municipal corporate instrumentality and political subdivision of the states of New York and New Jersey. The Port Authority was created by an interstate compact made by and between the two states on April 30, 1921 and thereafter consented to by the Congress of the United States. The two states established the Port Authority to provide transportation, terminal, and other facilities of commerce within the Port District, which includes the cities of New York and Yonkers in the State of New York, and Newark, Jersey City, Bayonne, Hoboken, and Elizabeth in the State of New Jersey, as well as over 200 other municipalities in the two states.

B. Background on the Port Authority

6. As a steward of virtually all major transportation facilities in the Port District, the Port Authority holds responsibility for creating and maintaining significant portions of New York and New Jersey's transportation infrastructure. The Port Authority builds, operates, and maintains certain critical transportation and other facilities within the Port District. The Port Authority's facilities include, among others, two tunnels and four bridges between the states of New York and New Jersey as well as five airports, a bus terminal, and the World Trade Center complex.

7. In carrying out its objectives, the Port Authority relies on multiple sources of funds, including significant revenues generated from tolls and fares; however, the Port Authority also relies on the capital markets for the issuance of bonds and other financing obligations.[3] The Port Authority's bonds and other financing obligations are direct and general obligations of the Port Authority, pledging its full faith and credit for the payment of principal and interest thereon.

8. With several issues of bonds outstanding that differed as to form, security, terms, and conditions, in the 1950's the Port Authority adopted a Consolidated Bond Resolution authorizing and establishing the issuance of Consolidated Bonds, but "only for purposes for which at the time of the issuance the Authority is authorized by law to issue bonds," for refunding[4] outstanding Port Authority bonds, and to serve as a unified medium for financing purposes.

C. The Roadway Projects

9. Funding for the Roadway Projects—which include the Route 1&9 Pulaski Skyway, Route 139 (Hoboken and Conrail Viaducts), Route 7 Hackensack River (Wittpenn) Bridge, and

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[3] In each of the last five years, the Port Authority's typical budget has consisted of a total of roughly $7 to $8 billion, including operating expenses that range from $2.5 to $3.5 billion, capital investments of approximately $3.5 to $4.4 billion, and debt service of between $700 million and $1.3 billion each year. Debt service refers to the money necessary to pay interest on outstanding bonds and other financing obligations. The Port Authority currently has approximately $20 billion in total debt outstanding.

[4] Refunding is essentially a procedure whereby an issuer refinances outstanding bonds by issuing new bonds.

Route 1&9T (New Road) projects, all state roadways in New Jersey—came in part from "certain of the funds previously allocated to the [Access to the Region's Core] project ("ARC")."

Access to the Region's Core Project

10. In December 2007, the Port Authority approved its ten-year capital plan that included $3 billion for the ARC project. The ARC project consisted of, among other things, the construction of two new passenger rail tunnels under the Hudson River.

11. Pursuant to covenants included in the Consolidated Bond Resolution, the Port Authority is required to certify its opinion on certain financial matters before financing any additional facility[5] for the first time by Consolidated Bonds. On June 30, 2008, the Port Authority certified the ARC project as an additional facility of the Port Authority and authorized the issuance of Consolidated Bonds for purposes of capital expenditures in connection with the ARC project.

12. As is typical, and given the bi-state structure of the Port Authority, its employees often met with state officials in New York and New Jersey on a range of matters.

13. On May 21, 2010, a meeting invitation was sent concerning "ARC and the Transportation Trust Fund,"[6] to be held on May 24, 2010 in Trenton, New Jersey. Invited participants included, among others, a senior Port Authority executive who is no longer employed by the Port Authority ("PA Executive"), the then Commissioner of the New Jersey Department of Transportation ("NJDOT"), and other New Jersey officials including from the Department of the Treasury.

14. Several months later, on August 4, 2010, an individual within the Office of the Commissioner for NJDOT sent PA Executive a spreadsheet that outlined "NJDOT Infrastructure Projects in the Port District." Among the New Jersey projects listed in the spreadsheet, the most expensive project included the Pulaski Skyway, a four-lane bridge-causeway in northeastern New Jersey, at an estimated total cost of $1.3 billion. The spreadsheet identified various Port Authority facilities ostensibly served by the Pulaski Skyway, including "Port Newark, Port Elizabeth, Liberty International Airport, and the Auto Marine Terminal Bayonne."

15. Within a few days of the August 4, 2010 communication to the PA Executive, a meeting invitation was sent concerning "ARC/TTF," to be held on August 12, 2010 in Trenton,

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[5] Additional facility refers to any facility not listed in the Consolidated Bond Resolution. As part of the Port Authority's additional facility certification process, the agency essentially gives its opinion as to certain matters relating to the financial impact on the Port Authority when taking into account the costs associated with effectuating any project relating to an additional facility.

[6] New Jersey legislation in 1984 created the Transportation Trust Fund or TTF, with the goal of providing a funding source for transportation system improvements in New Jersey. The TTF was to be financed from state appropriations (backed by a portion of motor fuel tax revenues, contributions from highway toll road authorities, and fee increases imposed on heavy trucks) as well as the TTF's own authority to issue bonds.

New Jersey. Invited participants included, among others, PA Executive, the Commissioner of NJDOT, and other New Jersey officials.

16. One day later, on August 13, 2010, PA Executive and another Port Authority employee communicated concerning a "promise for information re: arc" and the "ability to move money" from the ARC project to other projects.

17. At that point in time, $3 billion had been earmarked for use on ARC, which was designed to increase passenger service capacity between New Jersey and New York and ease congestion on the Port Authority's bi-state transportation network.

18. As reported by the Port Authority in its Official Statements,[7] in October 2010, "on the basis of a decision by the Governor of the State of New Jersey to terminate the ARC project, all Port Authority activities in connection with the development of the ARC project were terminated."

"Confidential and emergent" Request

19. A few days after final termination of ARC, on Monday, November 1, 2010, Port Authority lawyers received a request concerning a "confidential and emergent memo that [they] need[ed] to write TOMORROW on use of Port Authority capital dollars." A lead Port Authority lawyer who is no longer employed by the Port Authority ("PA Senior Lawyer") wrote that "we found out around 6 pm tonight and it needs to be completed tomorrow. … The memo has to be in Trenton on Wednesday [November 3] morning …."

20. On November 3, 2010 at 9:13 a.m., PA Executive emailed PA Senior Lawyer asking, "can u call me? Re [P]ulaski …." PA Executive's calendar on this same day reflected a "TTF Meeting in Trenton" lasting from 9:30 a.m. to 11:00 a.m. PA Senior Lawyer responded at 10:10 a.m., "Remember: Pulaski is not a PA facility, is not explicitly/statutorily tied to a PA facility and generates no revenue (bond covenants) to the PA."[8]

21. On November 5, 2010, PA Executive received communications from a New Jersey official attaching a proposed plan in respect to the "NJ Capital Transportation Program Legislative Reauthorization." The plan included, as part of the "NJ Capital Transportation Program," placeholders for roughly $1.9 billion in Port Authority funding as part of a five-year financial plan for New Jersey's Capital Transportation Program.

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[7] The Port Authority reported the termination of the ARC project in its Official Statements starting in January 2011 and continuing through at least mid-2015.

[8] Port Authority funds generally are to be spent only on Port Authority facilities or in connection with Port Authority facilities, as authorized by the agency's enabling legislation and subject to bondholder covenants. As described in internal legal memoranda: "[e]very expenditure of Port Authority funds—indeed, all of the Port Authority's activities—must reflect the bi-State enabling legislation that created the agency and that defines and limits the scope of its jurisdiction and activities."

22. Two weeks later, on November 19, 2010, PA Executive, PA Senior Lawyer, and others within the Port Authority, met with representatives from NJDOT. According to the PA Senior Lawyer, a handout was prepared for and distributed at the meeting that included bullet points stating among other things:

> *All Port Authority projects and funding for such projects must be in connection with facilities located within the Port District…*
>
> *The Port Authority has not been able to fund projects, which are not part of, nor bear any connection to, an existing facility and thus are not authorized by existing bi-state legislation…*
>
> *The contract between the Port Authority and the holders of its Consolidated Bonds requires the Port Authority to maintain its financial operations in accordance with the terms of the bond covenants so long as the bonds are outstanding… and*
>
> *…the Port Authority has agreed with the holders of its Consolidated Bonds that it will not make any applications of capital funds for purposes of an additional facility not previously named in the Consolidated Bond Resolution or 'certified' as an additional facility by the Port Authority.*

23. Following the November 19, 2010 meeting and through January 2011, Port Authority lawyers did not prepare any new written analysis concerning the Port Authority's participation in any New Jersey roadway or other transportation project.

Five-Year Transportation Capital Plan

24. On January 6, 2011, the Governor of the State of New Jersey announced a five-year transportation capital plan.

25. The plan included $1.8 billion in projects that the Governor asked the Port Authority to undertake in conjunction with NJDOT. As part of the announcement, the release stated that the plan included "critically important transportation projects in the Port District that link the Holland Tunnel[9] and the Port" including the Pulaski Skyway, Wittpenn Bridge, Route 139, and Portway New Road.

26. After the January 6 announcement, no written request concerning the Roadway Projects reached the Port Authority's Law Department relating to the statutory authority or ability of the Port Authority to undertake the Roadway Projects until February 7, 2011.

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[9] Port Authority lawyers opined at the time that the agency's enabling legislation did not permit it to spend funds on approach roads to the Holland Tunnel. In at least one memorandum, Port Authority lawyers reasoned that "the Port Authority has no authority in such unification statutes to construct, own, maintain or operate any of the approaches to the Holland Tunnel."

27. On February 7, 2011, the Commissioner of NJDOT sent a letter to a senior staff member in the Governor of New Jersey's office. The letter, which was later forwarded to PA Executive and Port Authority lawyers, stated, among other things, "I write to draw your attention to a pressing issue concerning the Port Authority's funding of transportation projects in New Jersey's FY 12 – 16 Capital Program. On the day that the Governor announced [the five-year transportation capital plan, January 6, 2011] PA Executive [] indicated that the NJDOT's continued administration of these projects could be an issue for the Port Authority relative to the Port Authority's ability to provide funding." The letter went on to state that there was "precedent" for the Port Authority to fund projects undertaken by NJDOT including where NJDOT "holds sole responsibility and oversight" of such projects.

28. Port Authority lawyers prepared a draft response letter dated February 9, 2011, stating, among other things, that "the cited 'precedent' provides *absolutely no support* for the proposition [suggested by NJDOT] that the Port Authority may fund projects administered by NJDOT." Further, the draft letter stated that, "[a]s indicated to …representatives of NJDOT when we met on November 19, 2010, use of Port Authority funds are limited by the bi-state compact, legislation and the bond covenants with Port Authority bondholders."

29. Over a month passed before, in mid-March, a meeting was requested concerning the Port Authority's participation in the Roadway Projects.

30. On Friday March 18, 2011, PA Executive and two Port Authority lawyers attended a meeting in Trenton, New Jersey with individuals from the Governor of New Jersey's office. The meeting concerned funding of the Roadway Projects; at the meeting, Port Authority lawyers indicated that the Port Authority's ability to fund projects and the manner of funding are subject to, among other things, bondholder covenants. Following the meeting, PA Senior Lawyer, who was not in attendance but received information on the meeting from one of the attendees, requested that the two Port Authority lawyers "start writing the legal analysis/opinion which was requested … and which addresses the two questions they want answered."

"There is no clear path to legislative authority to undertake such projects"

31. After the March 18 meeting in Trenton, one of the Port Authority lawyers who attended the meeting prepared a draft legal memorandum, dated March 22, 2011. The memorandum stated in part that, "legislative authorization for Port Authority participation in the Projects is lacking. … [H]aving taken a closer look at the projects in question [referred to as "Pulaski Skyway, Route 139, Wittpenn Bridge and New Road"], there is no clear path to legislative authority to undertake such projects."

32. On March 23, 2011, PA Executive pushed to add the Roadway Projects to the following week's March 29, 2011 board agenda, because, from at least one perspective, a World Trade Center-related item was added late to that meeting's agenda.[10]

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[10] PA Executive forwarded certain materials to two New Jersey officials relating to a World Trade Center item, added as a last-minute starter item for the March 29 board meeting, at 8:42 a.m. on March 23, 2011, with a note saying "This is moving very quickly here.

33. One day later, on March 24, 2011, multiple emails were exchanged concerning statutory authority for the Roadway Projects. In one email, a very senior member of the Port Authority's Law Department emailed several others within the Port Authority's Law Department asking, "Do we have the statutory authority to do the identified projects? We need to answer the question now …?" One recipient of the email responded, "Well, have you seen [the March 22] draft memorandum?" The very senior member of the Law Department responded, "NO."

34. In related communications on March 24, 2011 concerning a "first cut at a draft [Roadway Projects] resolution" for the Port Authority Board of Commissioners, and in response to a directive that the draft "authorization should be narrowed to specific projects that are necessary for the efficient operation of identified facilities," PA Senior Lawyer noted "[t]hat will be difficult if not impossible since the Holland Tunnel statute does not have the same language as the [Lincoln Tunnel statute] or the [George Washington Bridge statute] [both of which permitted the Port Authority to work on approach roadways]." PA Senior Lawyer continued, "So if we go with the four specific projects, what facilities other then [*sic*] [Holland Tunnel] are we relating them to?"

35. Also on March 24, 2011, the Governor of New Jersey announced a proposed FY 12 transportation capital program. "Under the proposed program, state support from the Transportation Trust Fund and the Port Authority of New York & New Jersey (PANYNJ) would amount to $1.6 billion, of which $978 million would be directed to NJDOT and $622 million to NJ TRANSIT."

"The greater the risk of a successful challenge by the bondholders and investors"

36. On March 25, 2011, one of the Port Authority lawyers who attended the meeting in Trenton emailed the other Port Authority lawyer who attended the Trenton meeting a revised memorandum stating, among other things, "New Road, Pulaski Skyway and New Road [*sic*] are all roadways which approach and feed into the Lincoln Tunnel. Therefore, pursuant to the Lincoln Tunnel legislation, the Port Authority can undertake the Projects."

37. The Port Authority lawyer who received the revised memorandum responded, "not sure [] I fully understand the current proposal."

38. On March 28, 2011, the two Port Authority lawyers who attended the meeting in Trenton exchanged a further revised memorandum stating: "[w]e have [] taken a further look to see what facility, if any, we can tie the Projects to, other than those most closely related [*i.e.*, the Holland Tunnel] which do not give the necessary authority. We have determined that we can link the Projects to the existing authority under the Lincoln Tunnel legislation. The bi-state legislation expressly authorizes the Port Authority to undertake the design, planning and construction of projects that concern the roadways that approach the Lincoln Tunnel." Although the immediately

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Please call me to talk through this issue." Another Port Authority employee characterized the addition of the Roadway Projects to the same board meeting agenda as "typical of the way they operate in terms of trying to find something to 'trade' for the Board approving the [World Trade Center item]."

prior draft stated that "all roadways [] approach and feed into the Lincoln Tunnel," the March 28 further revised memorandum stated "[i]t can be argued that … all roadways [] approach and feed into the Lincoln Tunnel." That memorandum continued:

> *The Port Authority engineering department will perform a traffic study to bolster this statutory conclusion, which will indicate that the Projects will facilitate access to the Lincoln Tunnel and alleviate overcrowding at the Holland Tunnel that is beyond its useful life and capacity. The study will conclude that these Projects are consistent with the Lincoln Tunnel legislation and constitute approaches and connections to the Lincoln Tunnel, which the Port Authority deem necessary and desirable.*

The March 28 memorandum also cited certain risks relating to the Roadway Projects:

> *… it is important to note that this statutory construction is not without doubt and may raise questions in the minds of some. The analysis veers away from the traditional model used by the Port Authority in determining whether it can undertake a project pursuant to existing Port Authority bi-state legislation. The looser the statutory construction means the greater the risk of a successful challenge by the bondholders and investors.*

39. On March 29, 2011, the Port Authority's Board of Commissioners met and approved the Roadway Projects as well as a World Trade Center-related item. No disclosure to the Board of Commissioners occurred in respect to the potential legal issues surrounding the Roadway Projects, nor was any disclosure made to the Board of Commissioners concerning the cited legal justification—that the Roadway Projects were linked to the Lincoln Tunnel—supporting the Port Authority's participation in the projects.[11]

D. <u>Bond Offerings</u>

40. The Port Authority made no external disclosures concerning risks relating to statutory authority with respect to the Roadway Projects.[12] The relevant Official Statements, issued in January 2012, December 2012, November 2013, and June 2014, all contained statements concerning the Port Authority's legal authority with respect to bonds, including that the Port

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[11] The Roadway Projects were approved under a "consent calendar" process then in effect. Under that process, the Board of Commissioners approved items on the consent calendar without discussion unless one or more Commissioners wished to discuss the matter. No Commissioners raised questions or wished to discuss the Roadway Projects.

[12] Port Authority lawyers continued to cite the risks associated with the Roadway Projects in internal memoranda after the Board of Commissioners approved the projects. For instance, a Port Authority lawyer noted in June 2011, when negotiations were underway with NJDOT concerning administration of the Roadway Projects, "[i]f NJDOT is lead agency and controls process, PA will be at risk of a bondholders lawsuit which will not only be costly but may halt the projects."

Authority issued bonds "only for purposes for which the Port Authority is authorized by law to issue bonds."

41. In total, the Port Authority issued four series of tax-exempt Consolidated Bonds and one series of taxable Consolidated Bonds from which roughly $116,476,060 in bond proceeds were preliminarily allocated to the Roadway Projects. Those series issued between January 2012 and June 2014, included the 171st, 175th, 176th, 179th and 183rd Consolidated Bonds Series, with an aggregate principal amount of over $2.3 billion.[13]

IV.

Violations

42. The antifraud prohibitions of Sections 17(a)(2) and (3) of the Securities Act apply to the offer or sale of municipal securities. Section 17(a)(2) of the Securities Act makes it unlawful "in the offer or sale of any securities … to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading." Section 17(a)(3) of the Securities Act makes it unlawful "to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser." No finding of scienter is required to establish a violation of Sections 17(a)(2) and 17(a)(3); negligence is sufficient. *Aaron v. SEC*, 446 U.S. 680, 696-97 (1980). Negligence is a failure by an actor to conform conduct to the standard of "a reasonable [person] under like circumstances." *See* Restatement (Second) of Torts §§ 282 and 283. The Commission has held that the "knew or should have known" standard is appropriate to establish negligence. *See KPMG, LLP v. SEC*, 289 F.3d 109, 120 (D.C. Cir. 2002) (denying petition for review of Commission decision). A misrepresentation or omission is material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision. *See Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988).

43. The Port Authority knew, or should have known, that known but undisclosed risks surrounding the Roadway Projects were material to potential investors in making investment decisions. The Port Authority was negligent for failing to disclose such risks which disclosure was "necessary in order to make [certain statements in the Official Statements], in light of the

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13 Promptly after learning of the SEC's investigation, the Port Authority stopped allocating bond proceeds toward the Roadway Projects and, after that time, all funding of the Roadway Projects came from sources other than bond proceeds. According to the Port Authority, although bond proceeds were initially allocated for the Roadway Projects, the final and official allocation in its accounting records included no bond proceeds for the Roadway Projects. Further, according to the Port Authority, its Board of Commissioners obtained a legal opinion from outside legal counsel, dated November 9, 2015, opining that the Port Authority has a reasonable basis for concluding that funding the Roadway Projects is within its statutory authority. The legal opinion did not, however, address the risks surrounding the Roadway Projects identified by Port Authority lawyers, or the Port Authority's obligation to disclose those risks to investors.

circumstances under which they were made, not misleading." As a result of the conduct described herein, the Port Authority violated Sections 17(a)(2) and (3) of the Securities Act.

V.

The Port Authority's Remedial Efforts

44. In determining to accept Respondent's Offer of Settlement, the Commission considered the Port Authority's cooperation and prompt remedial acts. The Port Authority has taken a series of remedial actions including, among other things:

a. enhancing various procedures surrounding approval of capital projects (for instance, the Port Authority's Board of Commissioners eliminated the "consent calendar" process under which the Roadway Projects were approved);

b. retaining and using outside bond counsel for all bond offerings (at the time of the events at issue in this matter, the Port Authority had no outside bond counsel);

c. and hiring a new permanent general counsel.

Undertakings

Respondent has undertaken to:

45. Retain an independent consultant (the "Independent Consultant"), not unacceptable to the Commission staff, to conduct a review of Respondent's policies and procedures as they relate to disclosures concerning legal and governance risks in connection with municipal securities offerings. The Independent Consultant shall not have provided consulting, legal, auditing or other professional services to, or had any affiliation with, Respondent during the two years prior to the institution of these proceedings. Respondent shall cooperate fully with the Independent Consultant and the Independent Consultant's compensation and expenses shall be borne by Respondent.

46. Require the Independent Consultant to enter into an agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Enforcement Division, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement. The agreement will also provide that, within 180 days of the institution of these proceedings, the Independent Consultant shall submit a written report of its findings to Respondent and Commission staff, which shall include the Independent

Consultant's recommendations for changes in or improvements to Respondent's policies and procedures.

47. Adopt all recommendations contained in the Independent Consultant's report within 90 days of the date of that report, provided, however, that within 30 days of the report, Respondent shall advise in writing the Independent Consultant and the Commission staff of any recommendations that Respondent considers to be unduly burdensome, impractical or inappropriate. With respect to any such recommendation, Respondent need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedures or system designed to achieve the same objective or purpose. As to any recommendation on which Respondent and the Independent Consultant do not agree, Respondent and the Independent Consultant shall attempt in good faith to reach an agreement within 60 days after the date of the Report. Within 15 days after the conclusion of the discussion and evaluation by Respondent and the Independent Consultant, Respondent shall require that the Independent Consultant inform Respondent and the Commission staff in writing of the Independent Consultant's final determination concerning any recommendation that Respondent considers to be unduly burdensome, impractical, or inappropriate. Within 10 days of this written communication from the Independent Consultant, Respondent may seek approval from the Commission staff to not adopt recommendations that the Respondent can demonstrate to be unduly burdensome, impractical, or inappropriate. Should the Commission staff agree that any proposed recommendations are unduly burdensome, impractical, or inappropriate, Respondent shall not be required to abide by, adopt, or implement those recommendations.

48. Within 180 days of the entry of this Order, establish written policies and procedures and periodic trainings relating to bond offering disclosures and adopt a policy requiring that the Port Authority's Law Department certify in writing to the Port Authority's Board of Commissioners that any proposed expenditure of the Port Authority's funds presented to the Board for approval is legally authorized and, with respect to any expenditure of Port Authority funds exceeding Fifty Million Dollars provide the Board with a legal opinion that such expenditure is legally authorized.

49. Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to Celeste Chase, Assistant Regional Director, and Osman Nawaz, Senior Counsel, 200 Vesey Street, Suite 400, New York, NY 10281, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than 60 days from the date of the completion of the undertakings.

50. Cooperate with any subsequent investigation by the Division of Enforcement.

51. For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar

days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

VI.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer of Settlement.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent ceases and desists from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act.

B. Within 10 days of the entry of this Order, the Port Authority shall pay a civil money penalty in the amount of $400,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying the Port Authority of New York and New Jersey as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sanjay Wadhwa, Senior Associate Director, Division of Enforcement, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any

award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

D. Respondent shall comply with the undertakings enumerated in Section V. paragraphs 45 to 49 above.

By the Commission.

Brent J. Fields
Secretary