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## **Port Authority Pays \$400,000 for Not Disclosing Bond Risks.**

- SEC investigation continues as Christie spared embarrassment
- Lawyers had internally opposed financing before 2011 bonds

The Port Authority of New York and New Jersey agreed to pay U.S. regulators \$400,000 for failing to disclose risks to investors in \$2.3 billion of bonds that helped finance New Jersey roadway projects. In doing so, the Port Authority became the first municipal issuer to admit wrongdoing in a Securities and Exchange Commission enforcement action.

The SEC said the investigation is continuing. The Port Authority failed to mention in bond-offering documents whether the agency “ventured outside its mandate” while the projects, including a renovation of the Pulaski Skyway, “potentially weren’t legal to pursue,” according to the SEC.

The SEC investigated whether the bi-state agency improperly financed renovations after New Jersey Governor Chris Christie pushed the authority to back a funding arrangement in 2011 that its lawyers initially opposed. The settlement spares Christie from potentially embarrassing revelations if the SEC were to sue the Port Authority.

“The Port Authority represented to the investors that it was authorized to issue bonds while not disclosing known risks that its actions were not legally permitted,” Andrew Calamari, director of the SEC’s New York regional office, said in a statement. “Municipal-bond issuers must ensure that their disclosures are complete and accurate.”

An SEC statement cited an internal Port Authority memo saying, “There is no clear path to legislative authority to undertake such projects.” Another memo identified “the risk of a successful challenge by the bondholders and investors” to the funding.

### **Roadway Projects**

In a separate statement on Tuesday, the Port Authority said no bondholders suffered a loss “as a result of this failure to disclose” because the agency “did not ultimately use bond proceeds to fund the roadway projects.”

The Port Authority hired a law firm to handle the SEC investigation and gave more than 20,000 documents to the federal agency, according to the statement. The law firm concluded that the roadway projects were within the statutory authority of the Port Authority, but “the risk that this conclusion might have been erroneous was not conveyed” to the board or bondholders.

Port Authority lawyers had questioned whether the agency could finance improvements to the Pulaski Skyway, which connects Newark to Jersey City. It leads to the Holland Tunnel, and the lawyers argued that the agency isn’t legally authorized to build access roads to the Hudson River crossing, records show.

In internal discussions over several months, lawyers said the agency was permitted to improve access roads only to the Lincoln Tunnel, several miles to the north. After months of debate among

officials from the agency, New Jersey's transportation department and its attorney general, authority commissioners in March 2011 approved the funding as a Lincoln Tunnel improvement.

Brian Murray, a spokesman for Christie, didn't immediately respond to an e-mail asking for comment.

In April 2014, Christie said publicly that "dozens and dozens of lawyers from both sides of the river reviewed that financing plan and approved it, as did the commissioners at Port Authority. So I relied upon the advice of lawyers from both sides of the river to come to that conclusion and I'm confident that if the SEC reviews it — that's what they're doing — they'll come to the same conclusion."

## **Bloomberg**

by David Voreacos and Elise Young

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