

HUGH L. CAREY BATTERY PARK CITY AUTHORITY

MEMBERS' MEETING

One World Financial Center – 24th Floor

New York, NY 10281

February 20, 2007

Members Present

James F. Gill, Chairman

Charles Urstadt, Vice Chairman (via telephone)

David B. Cornstein, Member

Frank J. Branchini, Member (via telephone)

Evelyn Rollins, Member

Authority Staff in Attendance: James Cavanaugh, President and Chief Executive Officer

Alexandra Altman, Executive Vice President and General Counsel

Daniel Baldwin, Senior Development Counsel

Debra Bogosian, Controller, Finance

Sidney Druckman, Director, Special Projects

Michael Fragin, Vice President, Strategic Planning

Annette Guarino, Deputy General Counsel

Antigona Hajdaraj, Executive Assistant to the President

Steven E. Harper, Vice President, Safety & Site Management

Robert Holden, Vice President, Human Resources & Administration

Carl Jaffee, Senior Development Counsel and Corporate Secretary

Susan Kaplan, Assistant Director, Construction

Peter McCourt, Assistant Director, Planning & Design

Leticia Remauro, Vice President, Community Relations, Affirmative Action and Press

Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer

Antony Woo, Vice President, Construction

Lisa Miller, Vice President, Internal Audit and Compliance

Roy Villafane, Director, Internal Audit

Others in Attendance:

Tessa Huxley, Executive Director, Battery Park City Parks Conservancy Corporation

Vince McGowan, Battery Park City Parks Conservancy

Brian Krapf, George Arzt Communications Corporation

Steven Langowski, KPMG

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 10:15 a.m.

The first item on the agenda was approval of the minutes of the January 11, 2007 meeting.

Upon a motion made by Mr. Cornstein and seconded by Mr. Urstadt, the following resolution was unanimously adopted:

APPROVAL OF MINUTES OF THE JANUARY 11, 2007 MEETING

BE IT RESOLVED, that the minutes of the meeting of the Members of the Hugh L. Carey Battery Park City Authority held on January 11, 2007 are hereby approved.

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Mr. Gill and Mr. Serpico then reported on the first meeting of the Audit Committee, held on February 15, 2007. They stated that Mr. Langowski of KPMG had made a presentation on behalf of his firm, describing required communications from the outside auditor, its system of quality controls and new and emerging accounting pronouncements, and that Ms. Miller had reported on internal audits conducted by her and her staff. Also discussed at the committee meeting were the current selection process for an outside auditor and accounting and compliance obligations related to the Parks Conservancy.

With respect to the last item, Mr. Serpico stated that a master list of all compliance obligations legally applicable to the Authority is being compiled, and that an analysis will be made as to which also apply to the Conservancy. Mr. Urstadt requested that Ms. Altman, as General Counsel, provide a written opinion as to the protections under the Public Officers Law afforded the Members acting in their capacities as Directors of the Conservancy and the coverage applicable to them as such Directors under the Authority's directors and officers liability insurance policy.

The next item on the agenda, presented by Mr. Serpico, was a request for approval of the Audited Financial Statements for Fiscal Year 2006. Mr. Serpico discussed the highlights of the statements relating to the Authority's revenues and outstanding indebtedness, including payments to New York City of \$107.2 million from revenues for fiscal year 2004-2005 and a payment to be made later this year of \$111.4 from revenues for fiscal year 2005-2006. He also cited the Authority's low cost of capital and its continued AAA bond rating.

Mr. Langowsky summarized for the Members the report he had earlier made to the Audit Committee and the four reports his firm had prepared, including an unqualified financial statement. He further stated that the Authority's investments were in compliance with applicable guidelines and that no reportable items had emerged as to the Authority's internal controls over financial reporting. Mr. Langowsky also noted the recent change in accounting standards relevant to post-employment health care expenses which require, starting with the Authority's fiscal year ending October 31, 2007, appropriate funding or the establishment of liabilities for such expenses.

With respect to the health care expense issue, Mr. Urstadt inquired as to the amount in question for the Authority. Mr. Serpico stated that the amount had not yet been quantified, but that the Authority has only 25 retirees entitled to post-employment benefits, and that it was not expected that this matter would present a fiscal problem.

Upon a motion made by Ms. Rollins and seconded by Mr. Urstadt, the following resolution was unanimously approved:

APPROVAL OF AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED OCTOBER 31, 2006

BE IT RESOLVED, that the financial statements of the Authority at October 31, 2006 and for the year then ended, substantially in the form presented to this meeting, be, and hereby are, approved; and be it further

RESOLVED, that the Treasurer of the Authority be, and hereby is, authorized and directed to file the financial statements of the Authority at October 31, 2006 for the year then ended, substantially in the form presented at this meeting, with the Trustee of the Authority's outstanding bonds as required by 2003 General Bond Resolution; the Chairman and ranking Minority Member of the New York State Senate Finance Committee, the Chairman and ranking Minority Member of the New York State Assembly Ways and Means Committee, the Comptroller of the State of New York and State Division of Budget as required by Section 2800 of the Public Authorities Law, Public Authorities Accountability Act of 2005, and State Comptroller Regulations; and that the Secretary of the Authority be, and hereby is, directed to file said financial statements with the Minutes of this meeting.

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The next item on the agenda, also presented by Mr. Serpico was a request for approval of the Investment Report for Fiscal Year 2006 and Investment Guidelines. Mr. Serpico noted that the Public Authorities Law requires annual filing of the report, which sets forth the procedures and guidelines the Authority follows with respect to its investments, with several State offices. The report for this fiscal year is supplemented by a "Review of Investment Performance" to provide the Members with a comprehensive and detailed report of the Authority's investment portfolio, investment strategy and earnings performance for the fiscal year and a market commentary.

The Members were reminded that in September 2005, they authorized a contract with Public Financial Management ("PFM") to serve as investment advisor to the Investment Committee, replacing Municipal Asset Management. Mr. Faber of PFM addressed the Members, outlining the long-term, short-term and intermediate-term investment strategies adopted by the Investment committee, with all investments in fixed income securities, as mandated by law. He noted that the Authority's returns exceeded standard benchmarks in all three areas.

Mr. Cornstein questioned whether investments whose returns are subject to federal arbitrage limits are warranted, if they are more risky than other investments would be. Mr. Faber

sated that most of the Authority's investments are not of the type subject to such limits, and Mr. Serpico stated that the overall investment strategy is designed to maximize the amounts the Authority may legally retain. In any event, he said, all of the investments are considered very secure.

Upon a motion made by Mr. Cornstein and seconded by Mr. Urstadt, the following resolution was unanimously approved:

APPROVAL OF THE INVESTMENT REPORT FOR THE FISCAL YEAR ENDED OCTOBER 31, 2006 AND INVESTMENT GUIDELINES

BE IT RESOLVED, that the Investment Report of the Hugh L. Carey Battery Park City Authority (the Authority) for the fiscal year ended October 31, 2006 in the form presented to this meeting, be, and hereby is approved; and be it further

RESOLVED, that the Authority Investment Guidelines in the form presented to this meeting be, and hereby are, approved; and be it further

RESOLVED, that the Treasurer of the Authority be, and hereby is, directed to file said Investment Report (including the Guidelines) with the: (1) NYS Division of the Budget; (2) NYS Department of Audit and Control; the Chairman and ranking Minority Members of the (3) New York State Senate Finance Committee; and (4) New York State Assembly Ways and Means Committee, as required by Section 2925 of the Public Authorities Law, Public Authorities Accountability Act of 2005 and the New York State Comptroller's Regulation 2 NYCRR (Part 203); and that the Secretary of the Authority be, and hereby is, directed to file said Investment Report (including the Guidelines) with the minutes of this meeting; and be it further

RESOLVED, that any and all actions taken by any officer of the Authority in connection with the negotiation or preparation of such policies and procedures are hereby ratified, confirmed and approved.

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Mr. Branchini excused himself from the meeting at that point.

The next item on the agenda was the approval of the Prompt Payment Report and Policy for Fiscal Year ended October 31, 2006. Mr. Serpico reported that this is another standard report required to be filed with state offices in accordance with the Public Authorities Law. For the twelve month period ending October 30, 2006, he said, there were no material late charges or interest charges paid to vendors or contractors providing products and/or services to the Hugh L. Carey Battery Park City Authority.

Upon a motion made by Mr. Urstadt and seconded by Ms. Rollins, the following resolution was unanimously approved:

APPROVAL OF THE PROMPT PAYMENT REPORT AND POLICY FOR THE FISCAL YEAR ENDED OCTOBER 31, 2006

BE IT RESOLVED, that the Prompt Payment Report and Policy of the Authority for the fiscal year ended October 31, 2006 in the form presented to this meeting, be, and hereby is approved; and be it further

RESOLVED, that the Treasurer of the Authority be, and hereby is, directed to file said Prompt Payment Report and Policy with the New York State Division of the Budget and copies thereof to the New York State Department of Audit and Control, the Chairman and ranking Minority Member of the New York State Senate Finance Committee and the Chairman and ranking Minority Member of the New York State Assembly Ways and Means Committee as required by Section 2880 of the Public Authorities Law; and that the Secretary of the Authority be, and hereby is, directed to file said Prompt Payment Report and Policy with the Minutes of this meeting; and be it further

RESOLVED, that the Hugh L. Carey Battery Park City Authority Prompt Payment Policies in the form presented to this meeting be, and hereby are, approved; and be it further

RESOLVED, that any and all actions taken by any officer of the Authority in connection with the preparation of such policies and procedures is hereby ratified, confirmed and approved; and be it further

RESOLVED, that the Secretary of the Authority be, and hereby is, directed to file the Battery Park City Authority Prompt Payment Report and Policy with the minutes of this meeting.

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Mr. Serpico then proceeded to the final report he was presenting, requesting approval of the Procurement Contracts Report for Fiscal Year Ended October 31, 2006. Since 1984, he said, Section 2879 (6) of the Public Authorities Law ("PAL") has required that each public authority annually prepare and that its Members approve a procurement report and procurement guidelines which contain certain information specified in the law. In order to comply with the annual review provision, the Authority has indicated the duration of each contract listed in the report.

Ms. Kimball then pointed out two changes which had been made to the Procurement Guidelines. First, the signing authority of the Senior Vice President, Operations had been increased by the Members from \$5,000 to \$25,000. Second, references in a section dealing with contacts by contractors and consultants seeking a procurement contract during the "restricted period" had been changed from Executive Order 127, which had been repealed, to State Finance Law Section 139.

Upon a motion made by Mr. Cornstein and seconded by Ms. Rollins, the following resolution was unanimously approved:

**APPROVAL OF THE PROCUREMENT CONTRACTS REPORT AND GUIDELINES
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2006**

BE IT RESOLVED, that the Procurement Contracts Report and Guidelines of the Authority for the fiscal year ended October 31, 2006 in the form presented to this meeting, be, and hereby is approved; and be it further

RESOLVED, that the Treasurer of the Authority be, and hereby is, directed to file said Procurement Contracts Report and Guidelines with the New York State Division of the Budget and copies thereof to the New York State Department of Audit and Control, the Chairman and ranking Minority Member of the New York State Senate Finance Committee and the Chairman and ranking Minority Member of the New York State Assembly Ways and Means Committee, as required by Section 2879 of the Public Authorities Law; and that the Secretary of the Authority be, and hereby is, directed to file said Procurement Contracts Report and Guidelines with the Minutes of this meeting; and be it further

RESOLVED, that the Hugh L. Carey Battery Park City Authority Procurement Guidelines in the form presented to this meeting be, and hereby are, approved; and be it further

RESOLVED, that any and all actions taken by any officer of the Authority in connection with the preparation of such policies and procedures is hereby ratified, confirmed and approved; and be it further

RESOLVED, that the Secretary of the Authority be, and hereby is, directed to file the Battery Park City Authority Procurement Contracts and Guidelines with the minutes of this meeting.

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The next item on the agenda was the authorization of an amendment to a contract with Rogers Marvel Architects for street work and perimeter security consulting. Mr. McCourt reported that in March of 2002, the Authority entered into a contract with the firm of Rogers Marvel Architects and its subconsultant team to develop a streetscape plan to improve pedestrian and vehicular safety and to develop strategies for physical security in Battery Park City. The first portion of the work has been constructed, including the elimination of the south leg of the Vesey Street turn-around, the construction of a “sally port” for truck screening and the re-programming of the North End Avenue Islands.

However, Mr. McCourt said, other work involving the south side of Vesey Street and garden walls along West Street were not part of the original scope of work under the Rogers Marvel contract. The cost of this work would be \$918,000.

Upon a motion made by Mr. Cornstein and seconded by Mr. Urstadt, the following resolution was unanimously approved:

AUTHORIZATION TO AMEND CONTRACT WITH ROGERS MARVEL ARCHITECTS, PLLC

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the President of the Authority or his designee(s) be, and each of them hereby is, authorized to execute an amendment to the contract with Rogers Marvel Architects, PLLC (the "Amendment") by increasing the fee payable thereunder by the amount of \$918,000; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to amend the Amendment on behalf of the Authority, subject to such changes as the officer or officers executing the Amendment shall, with the advice of counsel, approve as necessary and appropriate and in the best interests of the Authority, such approval to be exclusively evidenced by the execution and delivery of the Amendment; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents, and then take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transactions contemplated in the foregoing resolutions, and any such execution of documents and any other further actions heretofore taken are hereby ratified and any actions hereafter taken are confirmed and approved.

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Mr. McCourt then discussed a request to authorize an amendment to a contract with Hanrahan & Meyers for architectural work relating to a community center to be constructed on Sites on Sites 23 and 24. He noted that the developer of those sites is to build the core and shell of the center and the Authority will be responsible for the fit-out. Additional funds are now being requested for completion of the design work. Discussions involving the Community Board have dealt with changes in the scope of work. Many elements such as a pool, a theatre, and classroom space have been added since talks initiated, Mr. McCourt said, requiring additional time and resources from Hanrahan.

Mr. Gill questioned whether the community is speaking through "one voice" in order to avoid further changes in the scope of work. Ms. Remauro responded that the Community Board and elected officials have worked efficiently on this project, and that many design changes have been made in order to avoid the impact of increased construction costs. In response to a question from Mr. Cornstein, she also noted that certain design changes were necessitated after a developer of the Sites was chosen, in order to co-ordinate design of both the residential buildings and the community center which will be located beneath them.

Upon a motion made by Ms. Rollins and seconded by Mr. Urstadt, the following resolution was unanimously approved:

AUTHORIZATION TO ENTER INTO A CONTRACT WITH HANRAHAN & MEYERS ARCHITECTS

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute an amendment to a contract with Hanrahan & Meyers Architects (the "Amendment") in an amount not to exceed \$1, 052,356 for design and related services pertaining to a Community Center – to be constructed on Site 23/24; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute and deliver the Amendment on behalf of the Authority, subject to such changes as the officer or officers executing the Amendment shall, with the advice of counsel, approve as necessary and appropriate and in the best interests of the Authority, such approval to be exclusively evidenced by the execution and delivery of the Contract, and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents, and then take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transactions contemplated in the foregoing resolutions, and any such execution of documents and any other further actions heretofore taken are hereby ratified and any actions hereafter taken are confirmed and approved.

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Ms. Guarino then addressed the next item on the agenda, authorization of an amendment to the legal retainer agreement with Wasserman Grubin & Rogers for commercial litigation work. Mr. Gill stated that his law firm, Bryan Cave LLP, represents an entity opposing the Authority in an arbitration proceeding in which Wasserman Grubin represents the Authority, and that accordingly, he would recuse himself from any involvement in this agenda item. Under the Public Authorities Law and the Authority bylaws, the three other Members participating in the meeting were insufficient in number to take any action on this item, and it was therefore determined to defer action on the requested authorization until the next meeting of the Members.

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The final item on the agenda, presented by Ms. Guarino, was a request for authorization of an amendment to the legal retainer agreement with Buchanan Ingersoll, PC ("BIPC"). The firm was retained by the Authority in May 2004 to assist it in a dispute with Brookfield Financial Properties and its subtenant, Merrill Lynch, regarding the method of computation of sums due to BPCA pursuant to the "percentage rent" clauses of the severance leases for World Financial Center Towers A, B and D. Ms. Guarino stated that the arbitration panel had recently rendered a unanimous decision in favor of the Authority which may result in an additional \$20 to \$25 million in revenue over the next five to seven years.

Ms. Guarino also stated that the post- hearing briefing and ten extra days of arbitration had a significant impact on the budget for this matter. It is also possible that an appeal will be filed by Brookfield and Merrill Lynch with the New York Supreme Court to overturn the recent award favorable to the Authority. Accordingly, to compensate BIPC for its continued work on this project through the completion of the arbitration proceeding, the post -hearing period and the confirmation of the award in New York Supreme Court, an amendment to its retainer agreement is required, increasing the amount payable thereunder by \$400,000.

Upon a motion made by Ms. Rollins and seconded by Mr. Cornstein, the following resolution was unanimously approved:

AUTHORIZATION TO AMEND CONTRACT WITH BUCHANAN INGERSOLL, PC

BE IT RESOLVED, that in accordance with the materials presented to this meeting, the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute an amendment (the "Amendment") to the Authority's contract with Buchanan Ingersoll, PC for legal services, increasing the amount payable thereunder to the amount of \$1,500,000; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute and deliver the Amendment on behalf of the Authority subject to such changes as the officer or officers executing the Amendment shall, with the advice of counsel, approve as necessary and appropriate and in the best interest of the Authority, such approval to be conclusively evidenced by the execution and delivery of the Amendment; and be it further

RESOLVED, that the President of the Authority or his designee(s) be, and each of them hereby is, authorized and empowered to execute all such other and further documents and to take all such other and further actions as may be necessary, desirable or appropriate, in connection with the transactions contemplated in the foregoing resolutions, and any such execution of documents and any other and further actions heretofore taken are hereby ratified and any actions hereafter taken are confirmed and approved.

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There being no further business, the meeting thereupon adjourned at 12:15 p.m.

Respectfully submitted,

Carl D. Jaffee
Corporate Secretary