

HUGH L. CAREY BATTERY PARK CITY AUTHORITY  
AUDIT COMMITTEE MEETING  
One World Financial Center – 24<sup>th</sup> Floor  
New York, NY 10281  
June 12, 2007

Committee Members  
Frank J. Branchini, Chairman  
Robert J. Mueller, Member  
Charles Urstadt, Member  
James F. Gill, Member

Authority Staff in Attendance: James Cavanaugh, President and Chief Executive Officer  
Robert M. Serpico, Senior Vice President, Finance and  
Treasurer/Chief Financial Officer  
Carl Jaffee, Senior Development Counsel and Corporate  
Secretary  
Lisa Miller, Vice President, Internal Audit and Compliance  
Debra Bogosian, Controller, Finance  
Elisha Rodriguez, Senior Accounting Manager, Finance  
Louis Garcia, Assistant Treasurer, Finance

The meeting of the Committee commenced at 10:40 a.m., immediately following the adjournment of the meeting of the Members of the Authority. Mr. Branchini, Mr. Urstadt, Mr. Mueller and Mr. Gill, comprising the entire committee, were in attendance, as was Ms. Rollins.

Authority Staff members in attendance included Mr. Cavanaugh, Mr. Serpico, Ms. Miller, Mr. Jaffee, Ms. Bogosian, Ms. Rodriguez and Mr. Garcia.

Mr. Branchini initially stated that he had requested this meeting in order to receive a report as to internal audit operations and plans as a follow-up to the recent statutorily-mandated Members audit training seminar conducted by Martin Ives entitled "Audit Committees, Audits and Internal Controls."

Ms. Miller then presented the internal and external audit plan for the Authority. In response to a question from Mr. Branchini, Ms. Miller reported that using an assessment of risk approach, the contracts chosen for audit are the highest value contracts from each department, in addition to operational or program audits.

Mr. Branchini observed that the internal audit role is basically that of ensuring that various corporate departments are carrying out designated policies and procedures, and the internal audit officer is not an operational arm of the corporation. Mr. Urstadt noted that the internal audit role is customarily carried out by spot checks of various operations.

Jamie Cote, the Engagement Senior Manager of KPMG LLP, the Authority's independent outside accountant, and then presented an overview of his firm's services, and schedule for semi-annual and year-end audits. Mr. Cote called particular attention to required auditing and accounting changes, under GASB 43 and 45 and SAS 112, the latter of which has "lowered the bar" in terms of requiring disclosure of operational deficiencies.

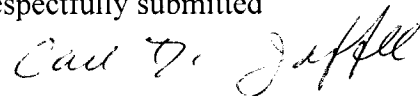
Ms. Miller presented an overview of the Authority's internal controls, as set forth in the agenda previously distributed to Committee members. In addition, she reviewed some of the essential elements of the current internal control network including the functions of the Internal Control Officer. Mr. Serpico presented an overview of the implementation of new major accounting systems, specifically the upgrade of the accounting software package and the implementation of the new procurement purchase order systems. He stressed that the systems were not yet fully implemented (although a list of open items has been developed and prioritized), and stated that this situation could be reflected in forthcoming audit reports, given the higher level of scrutiny and reporting requirements cited by Mr. Cote. Both Mr. Serpico and Ms. Miller recommended the development of a single, comprehensive corporate manual which would include all Authority policies and procedures.

Ms. Miller noted that an outside consultant would be retained to review the Authority's systems of internal controls. Upon a motion made by Mr. Urstadt, the committee adopted a resolution expressing its support of this project, but also requesting that an informational memorandum on the subject be circulated to all of the Members.

Mr. Branchini asked whether certain discussions of internal controls could be conducted in executive session, and Mr. Cavanaugh replied that staff would investigate whether such executive sessions would be in accordance with the Open Meetings Law.

There being no further business, the meeting thereupon adjourned at 11:30 a.m.

Respectfully submitted

A handwritten signature in cursive script, appearing to read "Carl D. Jaffee".

Carl D. Jaffee  
Corporate Secretary