

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
MEMBERS' MEETING
One World Financial Center – 24th Floor
New York, NY 10281
February 19, 2008

Members Present

James F. Gill, Chairman
Charles Urstadt, Vice Chairman
David B. Cornstein, Member
Frank J. Branchini, Member
Robert J. Mueller, Member
Evelyn Rollins, Member

Authority Staff in Attendance: Alexandra Altman, Executive Vice President and General Counsel
Daniel Baldwin, Senior Development Counsel
Annette Guarino, Deputy General Counsel
Antigona Hajdaraj, Special 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
Wilson Kimball, Senior Vice President, Operations
Susan Long, Vice President, Strategic Planning
Lisa Miller, Vice President, Internal Audit and Compliance
Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer
Antony Woo, Vice President, Construction

Others in Attendance: Vince McGowan, Assistant Director, Battery Park City Parks Conservancy Corporation
Matthew Fenton, Battery Park City Broadsheet
Jamie Cote, KPMG LLP
Stephen Faber, Public Financial Management
Stephen Langowski, KPMG LLP
Brendan Kennedy, KPMG LLP
Neil Williams, Mitchell & Titus

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

The first item on the agenda was approval of the minutes of the January 15, 2008 meeting.

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

APPROVAL OF MINUTES OF THE JANUARY 15, 2008 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 15, 2008 are hereby approved.

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The next item on the agenda, presented by Mr. Serpico, was the approval of the Investment Report for Fiscal Year 2006-2007 (“FY 2007”), the first in a series of statutorily-required compliance reports to be presented at the meeting. Mr. Serpico noted. He explained that, as required by Section 2925 (6) of the Public Authorities Law, the Authority annually prepares an investment report that describes its investment guidelines, investment policies and procedures, the results of the annual independent audit, the Authority’s investment income, as well as commissions or other charges paid to each investment banker, broker, agent, dealer and advisor. The Authority’s Investment Committee, he stated, is comprised of senior management who, in consultation with a professional investment and advisory management firm, helps to formulate the Authority’s investment strategy. David Cornstein currently represents the Members on this Committee, he noted.

Mr. Serpico then described some of the highlights of the Investment Report for FY 2007. The Authority’s investment returns exceeded the benchmarks established by the Investment Committee, he said. In addition, the Authority eliminated its commercial paper holdings of issuers with potentially significant exposure to the sub-prime market before the recent “debacle” in that market.

Mr. Gill expressed his gratitude to the Investment Committee and to Mr. Cornstein particularly for the performance of the Authority’s investments. Mr. Cornstein stated that Authority staff deserved credit for this, and Mr. Serpico stated in turn that Public Financial Management (“PFM”), the investment advisor to the Authority, led by Stephen Faber, had worked with staff to model a portfolio consistent with the investment objectives set forth by the Committee. PFM’s advice, he said, is the primary reason why the Authority avoided problems with mortgage-backed securities.

In response to an inquiry by Ms. Rollins, Mr. Faber explained that PFM became uncomfortable in the late spring with mortgage-backed commercial paper and urged its clients to liquidate its holdings of such assets asset-backed commercial paper at that time. 2007. Mr. Gill expressed his gratitude to PFM for its “wisdom and perspicacity.”

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

**APPROVAL OF INVESTMENT REPORT FOR THE FISCAL YEAR ENDED
OCTOBER 31, 2007**

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, 2007 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 Investment Report (including the Guidelines) with the State Division of the Budget, the State Department of Audit and Control, the State Comptroller, the Chairmen and ranking Minority Members of the State Senate Finance Committee and the 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); that the Secretary of the Authority be, and hereby is, directed to file said Investment Report (including the Guidelines relating thereto) with the minutes of this meeting; and that Investment Report information be posted to the Authority's website and the State Public Authorities Reporting System (PARIS); 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 Investment Report and policies and procedures contained therein are hereby ratified, confirmed and approved.

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The next item on the agenda, also presented by Mr. Serpico, was the approval of the Prompt Payment Report and Policy for FY 2007. Section 2880 (11) of the Public Authorities Law requires that each Public Authority annually prepare and approve a Prompt Payment report, Mr. Serpico explained. The report must set forth a listing of all types and categories entered into by the Authority in the relevant period, as well as an accounting of late payments incurred pursuant to the Prompt Payment policy. For FY 2007, the report noted only minor or miscellaneous late charges or interest charges paid to vendors or contractors providing products and/or services to the Authority, he concluded.

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

APPROVAL OF THE PROMPT PAYMENT REPORT AND POLICY FOR THE FISCAL YEAR ENDED OCTOBER 31, 2007

BE IT RESOLVED, that the Prompt Payment Report and Policy of the Authority for the fiscal year ended October 31, 2007 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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The next item on the agenda, presented by Ms. Kimball, was the approval of the Procurement Contracts Report for the FY 2007. Each year, she explained, the Authority reviews and if necessary, revises its procurement contracts, reports, and guidelines for procuring goods and services in accordance with the Public Authorities Law. The report includes all open contracts to which the Authority is a party she said, adding that this year, there are numerous but minor revisions to the policy, largely pertaining to technical conformity with state law.

Mr. Gill then expressed his gratitude to Lisa Miller for work in the area of compliance matters.

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

APPROVAL OF THE PROCUREMENT CONTRACTS REPORT AND GUIDELINES FOR THE FISCAL YEAR ENDED OCTOBER 31, 2007

BE IT RESOLVED, that the Procurement Contracts Report and Guidelines of the Authority for the fiscal year ended October 31, 2007 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 final item on the agenda, presented by Mr. Serpico, was the approval of the Authority's audited financial statements for FY 2007. He began by describing some of the financial highlights for such year, including the receipt of \$60 million from Milstein Properties, upon execution of ground leases for development of the last two residential sites in Battery Park City; the establishment of a segregated reserve account of approximately \$14 million for the payment of Other Post Employment Benefits ("OPEB") in accordance with revised Government Accounting Standard Board standards; an increase in operating revenues of approximately \$13.6 million over the those for the prior fiscal year, to a total of approximately \$206 million; the retention of approximately \$113 million in the Joint Purpose Fund; and a payment of \$36.7 million to the New York City Housing Trust Fund to satisfy the Authority's \$130 million commitment to the City. Additionally, the Authority holds approximately \$39.2 million in the Project Costs Fund to be used for certain park, street, and other infrastructure improvements and other capital expenditures, he explained.

Mr. Branchini noted that the audit committee met on February 4th and unanimously approved a motion to submit the audited financial statements to the Members

Mr. Langowski continued the presentation by explaining the four reports that will be issued by KPMG upon the Members' approval of the financial statements for FY 2007. The first

report is an opinion letter on the Authority's financial statements, he stated. Second, is the "required communications" letter, dealing primarily with GASB Statement 45 regarding OPEB, specifically noting that the Authority chose to use the most conservative method of amortization for its transitional liability. Third, is KPMG's report on internal control and compliance, as is required by the Government Auditing Standards, *Yellow Book*, he explained, specifically noting one significant deficiency in the area of IT controls over access, program change, development and operations, which the Authority has addressed. The fourth report, as required by Title 2, Section 201.3 of the New York Codes, Rules & Regulations, deals with the Authority's compliance with State investment guidelines. The Authority did comply in all respects with those guidelines over the course of the fiscal year, Mr. Langowski concluded.

In response to inquiry from Mr. Urstadt as the prospects for future revenues, Mr. Serpico explained that because seventy-five percent of the Authority's revenue stream is from PILOT, which are based on New York City taxes, an increase in revenue can be expected annually. Further, he added, the Authority will see an increase in revenues due to transaction payments from the sales of condominium units in the buildings being constructed on Sites 3, 16/17 and 23/24. While expenses are under control he said, the Authority's debt service expenditures will rise as a result of the current turmoil in the auction rate securities market.

Mr. Serpico then acknowledged the work of Elisha Rodriguez, the Authority's Senior Accounting Manager, with respect to the financial statements.

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

APPROVAL AND AUTHORIZATION OF FILING OF AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED OCTOBER 31, 2007

BE IT RESOLVED, that the financial statements of the Authority at October 31, 2007 and for the year then ended, substantially in the form presented to this meeting, be, and hereby are, approved; and be it further

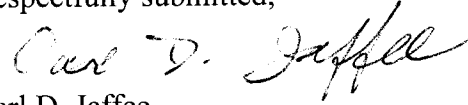
RESOLVED, that the Treasurer of the Authority be, and hereby is, authorized and directed to file the financial statements of the Authority at October 31, 2007 for the year then ended, substantially in the form presented at this meeting, with the Trustee of the Authority's outstanding bonds as required 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, the State Comptroller Regulations, and the Public Authorities Reporting Information System; and be it further

RESOLVED, 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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Following a recess during which a meeting of the Directors of the Battery Park City Parks Conservancy Corporation was held, the Members reconvened in executive session to discuss the proposed acquisition of securities. No formal votes or actions were taken during the session. Upon the conclusion of the executive session, the regular meeting resumed, and there being no further business, the meeting thereupon adjourned at 11:45 a.m.

Respectfully submitted,



Carl D. Jaffee
Corporate Secretary