

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
MEMBERS' MEETING
One World Financial Center – 24th Floor
New York, NY 10281
June 11, 2008

Members Present

James F. Gill, Chairman
Charles Urstadt, Vice Chairman (by telephone)
David B. Cornstein, Member
Frank J. Branchini, Member (by telephone)
Evelyn Rollins, Member
Andy Shenoy, 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
Megan Churnetski, Assistant Corporate Secretary
Sidney Druckman, Director, Special Projects
Steven E. Harper, Vice President, Safety & Site Management
Antigona Hajdaraj, Special Assistant to the President
Robert Holden, Vice President, Human Resources & Administration
Carl D. Jaffee, Senior Development Counsel and Corporate Secretary
Susan Kaplan, Director of Sustainable Development
Wilson Kimball, Senior Vice President, Operations
Susan Long, Vice President, Strategic Planning
Peter McCourt, Assistant Director, Planning & Design
Lisa Miller, Vice President, Internal Audit and Compliance
Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer
Katie Slack, Accounting Manager, Finance
Roy Villafane, Director, Internal Audit

Others in Attendance: Tessa Huxley, Executive Director, Battery Park City Parks Conservancy Corporation
Brain Krapf, George Arzt Communications
Arun Kothari, American Education Realty
Vaishali Kothari, American Education Realty

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

Mr. Gill opened the meeting by acknowledging the recent death of Parks Conservancy employee, Maurice Smalls. Mr. Gill stated that Mr. Smalls, a master carpenter, had served Battery Park City for fifteen years, and said, "He served us extremely well. He was a very decent human being and extremely well-liked. We are very grateful to him for his fifteen years of service and our condolences go to the members of his family."

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The first item on the agenda was approval of the minutes of the May 6, 2008 meeting.

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

APPROVAL OF MINUTES OF THE MAY 6, 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 May 6, 2008 are hereby approved.

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The next item on the agenda, presented by Ms. Kimball, was a request to authorize a payment not to exceed \$270,000 to CDW Government, Inc. ("CDW-G") for additional computer hardware and software and system support in connection with the Information Technology ("IT") Strategic Plan.

As a New York State Authority, Ms. Kimball explained, the Authority is able to obtain products and services through vendors from a pre-approved list maintained by the New York State Office of General Services ("OGS"). To create its list of vendors, she continued, OGS vets the vendors, performing background checks and ensuring that the vendors meet specified qualifications. The advantages to the Authority of utilizing vendors from the list are that the procurement process is carried out by OGS and that favorable contract terms are negotiated by OGS for the voluminous purchases made by all New York State agencies and authorities, she commented.

Since 2003, Ms. Kimball continued, the Authority has purchased hardware and software from CDW-G through an OGS contract. During the course of this relationship, the annual expenditures through CDW-G for Management Information Systems ("MIS") requirements were made as the need arose. In planning for the future, and in an attempt to bring a new accountability and transparency to expenditures, she said, the Authority is now presenting to the Members a three-year budget for these purchases, determined in accordance with the new IT Strategic Plan.

Ms. Kimball continued by reporting that the IT Strategic plan for the next three years includes hardware and software upgrades and contemplates transitioning the Conservancy's operating system from an Apple to a Windows operating system. All of these efforts will require

the purchase of support services provided by CDW-G, she commented. Ms. Kimball then recommended that the Members authorize payment to CDW-G for these services in an amount not to exceed \$270,000

Mr. Shenoy then inquired as to how OGS's procurement processes worked and how vendors qualify to be placed on the lists of vendors maintained by OGS. Ms. Kimball stated that she was not familiar with OGS's procurement policies, but would obtain this information promptly. Mr. Urstadt suggested that in order to satisfy Mr. Shenoy's concerns, a vote on the requested resolution be postponed until the next Members' meeting.

Mr. Cavanaugh recommended that a vote on this matter not be deferred until the next Members' meeting because of the immediate need for hardware and software for the Parks Conservancy in connection with its pending move to its new headquarters in the building under construction on Site 3. Mr. Branchini observed that the Authority should continue with its IT strategic plan without deferring a vote, and Mr. Cornstein remarked that changing consultants in the middle of a technology system upgrade would not be wise in any event.

Upon a motion made by Mr. Branchini and seconded by Ms. Rollins, the following resolution was adopted by a vote of 6 to 1, with Mr. Urstadt voting in the negative, after re-stating his belief that a vote on any matter should be postponed if a Member's questions remained unanswered:

AUTHORIZATION OF PAYMENT FOR SERVICES FROM CDW GOVERNMENT, INC.

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 expend an amount not to exceed \$270,000 for information technology needs from CDW Government, Inc. pursuant to that firm's contract with the New York State Office of General Services; 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 resolution, 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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The next item on the agenda, presented by Ms. Kimball, was a request to authorize a payment not to exceed \$250,000 to IT Network Consultants for additional computer hardware, software, and system migration in accordance with the IT Strategic Plan.

IT Network Consultants, a New York State Certified M/WBE. has been working with the Authority through an OGS contract since September 11, 2001, Ms. Kimball explained. She

reiterated the rationale for bringing this matter before the Member, on the same basis as the previous agenda item concerning CDW Government, Inc.

IT Network Consultants will primarily work on hardware upgrades and in transitioning the Parks Conservancy's operating system from Apple to Windows, she explained. IT Network Consultants will also fill in for MIS staff members when they are out of the office, she said, and requested that the Members authorize a payment not to exceed \$250,000 to IT Network Consultants for additional computer hardware, software, and system migration in accordance with the IT Strategic Plan.

Mr. Shenoy inquired whether the Authority had considered utilizing another minority business firm and another way of soliciting proposals, to provide the same services. Ms. Kimball explained that this contract was effectuated through through OGS and that staff feels it desirable to for continuity purposes to retain the consultants who are already familiar with its systems.

Mr. Gill noted that the Authority has an outstanding record in hiring minority and women-owned firms, and in response to a question from Mr. Shenoy about greater reliance by the Authority on in-house IT staff, Mr. Cavanaugh stated that despite increased challenges, the Authority has significantly decreased its reliance on outside IT consultants over the last year.

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

AUTHORIZATION OF PAYMENT FOR SERVICES FROM IT NETWORK CONSULTANTS

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 expend an amount not to exceed \$250,000 for information technology needs from IT Network Consultants pursuant to that firm's contract with the New York State Office of General Services; 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 resolution, 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. Serpico presented the next two items on the agenda, both pertaining to bond financing. He reminded the Members that the Authority is one of many municipal debt security

issuers throughout the country that have seen a significant increase in interest rates on its Auction Rate Securities (“ARS”). Because there are insufficient investor orders at the regularly-scheduled auctions to support this product, he explained, interest rates paid by the issuers have risen significantly. The Authority’s rates have risen to a current level of approximately 5.4% to 6.3%.

In response to this problem, Mr. Serpico said, Management recommends assembling a financing team to thoroughly evaluate financing alternatives and recommend a plan to the Authority. The financing team will include bond counsel, a financial advisor, a real estate consultant, and securities underwriters, he said, and reminded the Members that they approved a contract with Hawkins, Delafield and Wood as the Authority’s bond counsel in June, 2007.

Mr. Serpico then requested authorization of a contract with CB Richard Ellis in the amount of \$475,000 for real estate consulting services. He explained that the real estate consultant will be responsible for creating a revenue projection for the next 30 years in support of anew bond issue. In accordance with the Authority’s Procurement Guidelines, he said, the contract was advertised in the New York State Contract Reporter. Three firms who were previously engaged by the Authority were encouraged to submit proposals and three proposals were received.

Mr. Serpico stated that although CB Richard Ellis’ proposal was not the lowest, its national recognition, experience and ability make it the most desirable firm for this assignment, as its nationally –known name in the financial world will bring a high level of credibility to the market place. Further, as the revenue study is a lengthy task, CB Richard Ellis’s previous experience working with the Authority will accelerate the process of bringing the Authority bonds to market which will result in a savings in the high ARS interest costs now being incurred.

In response to inquiry from Mr. Cornstein, Mr. Serpico explained that the real estate consultants will not have input into whether the bonds are fixed or variable in nature.

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

AUTHORIZATION OF CONTRACT WITH CB RICHARD ELLIS AS REAL ESTATE CONSULTANT

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 enter into an agreement (“the Agreement”) with CB Richard Ellis in the amount of \$475,000 for real estate consulting advisory in connection with the issuance of debt securities by the Authority; 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 Agreement on behalf of the Authority, subject to such changes as the officer or officers executing the Agreement 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 Agreement; 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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Mr. Serpico then requested authorization of contracts with Public Resource Advisory Group and A.C. Advisory, Inc. as Financial Advisors. He explained that the Financial Advisor must have the appropriate expertise for evaluating alternatives, providing financial advice and representing the Authority's interests with respect to a bond re-financing.

In accordance with the Authority's Procurement Guidelines, he said, the contract was advertised in the New York State Contract Reporter and the Bond Buyer. Five firms responded. The Authority formed a selection committee to review proposals and conduct interviews, he continued. The two firms deemed most qualified, Public Resources Advisory Group ("PRAG") and Public Financial Management ("PFM"), submitted competitive cost proposals. Mr. Serpico said, and the committee recommended the selection of PRAG, the lowest proposer, as the primary Financial Advisor for this assignment.

The selection committee was also impressed with A.C. Advisory, Inc.'s presentation and knowledge of the Authority's debt issues, Mr. Serpico continued. Although this firm does not have the resources to be the primary Financial Advisor, he stated, Management recommends that AC Advisory, Inc., an M/WBE, be added to the bond working group and compensated up to \$60,000 on an hourly basis. The firm would supplement the work of PRAG, said, reporting that The City of New York has used A.C. Advisory, Inc. together with PRAG in its own debt offerings, and City personnel has noted distinct benefits from having the two firms working together on certain aspects of bond financing.

Mr. Cornstein then suggested that because this is such a large undertaking, the Authority should consult with the Members during the bond financing through the Investment Committee. Mr. Cavanaugh then stated that the Investment Committee, on which Mr. Cornstein directly represents the Members, will be involved in the bond financing and Mr. Serpico added that staff will keep the Members advised of the financing alternatives being considered by the team working on this project.

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

AUTHORIZATION OF CONTRACTS WITH PUBLIC RESOURCE ADVISORY GROUP AND A.C. ADVISORY, INC. AS FINANCIAL ADVISORS

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 enter into contracts (“the Contracts”) in the amounts of \$225,000 (plus payment on an hourly basis for unanticipated work) and \$60,000, based on hourly rates, with Public Resource Advisory Group and A.C. Advisory, Inc, respectively, for financial advisory services in connection with the issuance of debt securities by the Authority; 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 Contracts on behalf of the Authority, subject to such changes as the officer or officers executing the Contracts 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 Contracts; 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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The last item on the agenda, presented by Mr. Jaffee, was a request to authorize an amendment to the legal retainer agreement with Philips Lytle LLP, increasing the amount payable thereunder to \$350,000. Mr. Jaffee began by reminding the Members that in May of 2006 the Authority entered into a contract for legal services with the firm of Phillips Lytle LLP with respect to the development of residential condominium buildings on Sites 23 and 24.

The Authority did not follow its normal RFP process in selecting a developer for these buildings, Mr. Jaffee stated. Rather, at the request of the Lower Manhattan Development Corporation (“LMDC”), the Authority conducted arms-length negotiations with Milstein Properties (“Milstein”) over the terms of development of the sites. Milstein had sought such negotiation rights in connection with its settlement with LMDC of the terms under which Milstein sold its interest in property on Liberty Street to LMDC for inclusion in the new Freedom Tower, Mr. Jaffee explained. Because of the likelihood that substantially more time than usual would be needed to finalize the terms of these development transactions, Milstein was required to pay the Authority’s legal fees in excess of \$25,000 for negotiating the ground leases.

The total amount billed by Phillips Lytle for its work with respect to the two sites is nearing \$250,000, the amount above which Members’ contract approval is required, Mr. Jaffee reported. Milstein has reimbursed the Authority more than \$156,000 for its legal fees, but the balance of the legal fees incurred by the Authority (in excess of \$25,000) relates to work

performed by the firm other than in lease negotiations, which fees are not reimbursable by Milstein.

Moreover, Mr. Jaffee continued, it is likely that further legal work will be required before construction is completed, particularly in structuring the condominium arrangement with the community center facility to be constructed both by Milstein and the Authority and situated in the two separate buildings. To the extent that this work involves further lease negotiations, Milstein will be required to reimburse the Authority for its legal expenses. However, he stated, the Authority's contractual relationship is with Phillips Lytle, and Members' approval is needed for additional payments to the law firm, whether or not the money is reimbursable by Milstein.

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

AUTHORIZATION OF AMENDMENT TO AGREEMENT WITH PHILIPS LYTLE LLP

BE IT RESOLVED, that the President of the Authority or his designee(s) be, each of them hereby is, authorized and empowered to execute an amendment (the "Amendment") to the agreement with Phillips Lytle LLP for legal services with respect to Sites 23 and 24, increasing the amount payable thereunder to \$350,000; 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 conclusive evidence 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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Upon a unanimous vote of the Members, the meeting then went into executive session for the purpose of discussing the disposition of real property. No votes or other official action were taken during the session, and there being no further business, the meeting thereupon adjourned at 11:14 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Carl D. Jaffee". The signature is written in a cursive style with a large, stylized initial "C".

Carl D. Jaffee
Corporate Secretary