

UNITED NATIONS DEVELOPMENT CORPORATION

Minutes of a Meeting of the Board of Directors

Held at the Millennium Hilton New York One UN Plaza Hotel

New York, New York

On September 13, 2018 at 2:00 p.m.

The following directors, constituting a quorum, were present:

George Klein, Chairman

Robert Abrams

Jan Burman

Christine Falvo

Jessica Healy

Amabel James

David Mack

Samuel Natapoff

Joseph Rutigliano

Andy Shenoy

Joel Silverman

Marissa Lago (represented by Jennifer Gravel)

Maria Torres-Springer (represented by Lydon Sleeper)

The following persons were also present: Robert Cole, Kenneth Coopersmith, Loida Diaz de Jesus, Jorge Ortiz (UNDC); former UNDC President Jeffrey Feldman; Sander Lehrer (McLaughlin & Stern); Ross Silver and Jonathan Mechanic (Fried Frank), Charles Laven (Forsyth Street Advisors); Warren Ruppel (Marks Paneth); Sarah Friedman (Mayor's Office for International Affairs); and Jonah Havranek (Total Webcasting).

The Chairman presided and Loida Diaz de Jesus acted as secretary for the meeting. The Chairman called the meeting to order at 2:00 p.m.

Minutes of Meeting of March 22, 2018

The Chairman requested Board approval of the minutes of the Board meeting held on March 22, 2018, in the form previously distributed. On motion made and seconded, the minutes of the Board meeting held on March 22, 2018 were approved as previously distributed.

Governance and Compensation Committee Report

Mr. Cole reviewed the Governance & Compensation Committee Report dated September 6, 2018 as provided to the Board. Mr. Cole reported that the Committee reviewed the Corporation's proposed Mission Statement and Performance Goals ("Mission Statement") for 2019, and the Corporation's current compensation and benefits program, at its meeting on September 5.

Mr. Cole reported that the Board is required to review the Corporation's Mission Statement annually to determine whether it continues to appropriately state the Corporation's mission, and to ensure that the performance goals relate to the mission. Mr. Cole reported that the Committee believed that the Mission Statement in its current form continued to appropriately describe the Corporation's mission and performance goals.

After discussion, and on motion made and seconded, the Board approved the Corporation's Mission Statement in its current form.

The Chairman reported that the Committee, after reviewing the Corporation's compensation and benefits program with management at its September 5 meeting, agreed that the program was in-line with the compensation and benefits programs of other public authorities in the New York City region. No Board action was required on this matter.

Members of the Board referred to the Corporation's Measurement Report for 2017 that was approved at the March 22, 2018 Board meeting, including the Corporation's 2017

Performance Goals and the evaluation of the Corporation's performance in meeting those Goals. Following discussion, the Board approved changes (see Attachment) in the Corporation's Performance Goal #6 for 2018 and in the wording expected to be included in the future evaluation in 2019 of the Corporation's performance in meeting that 2018 Goal.

Audit Committee Report

Mr. Cole referred to the Audit Committee Report dated September 6, 2018, as provided to the Board. Mr. Cole reported that the Audit Committee met on September 5 with representatives from Marks Paneth LLP to review the Corporation's proposed 2017 Form 990 – Return of Organization Exempt from Income Tax. As in the past, the Form 990 was prepared by Marks Paneth with participation by the Corporation's management. A copy of the 2017 Form 990 was provided to the Board for its review prior to the Board meeting and Mr. Ruppel of Marks Paneth attended the Board meeting to discuss the Form 990.

After discussion, and on motion made and seconded, the Board approved the Corporation's 2017 Form 990 and the filing of the Form 990 with the Internal Revenue Service.

Mr. Cole referred to the Marks Paneth Pre-Audit Presentation for 2018 that was reviewed with the Audit Committee on September 5. He advised that the Audit Committee, consistent with the authority and duties set forth in the Audit Committee Charter, had approved the engagement of Marks Paneth for the 2018 audit at a fee of \$49,000, representing an increase of 2.6% from the prior year.

Management Report

Mr. Cole referred to the Management Report dated September 6, 2018. He stated that the Board's consideration and approval of the 2019 operating budget, 2020-2022 projected operating budgets and statement of 2019-2022 projected capital costs would be requested later during the meeting.

Results of Operations for the Six Months Ended June 30, 2018

Mr. Cole reviewed the Corporation's results of operations for the six months ended June 30, 2018, as provided in the Management Report. He reported that Net Revenues in excess of Debt Service and Base Rent to New York City were \$7.4 million for the six months ended June 30, 2018, an increase of 22.4% over the 2017 period. Mr. Cole advised that the Management Report included a detailed description of the factors which contributed to the increase in Net Revenues for the 2018 period.

2019 Budgets and 2020-2022 Projected Budgets

Mr. Cole reviewed the Corporation's Budget and Financial Plans for 2019-2022 and the 2019 Budget of Revenues and Expenses (Attachments B and C, respectively, to the Management Report). He reported that the proposed budgets included in Attachment B would, after Board approval, be considered final, would be submitted to New York State, and would be available on the Corporation's website.

Mr. Cole reported that management forecasted Net Revenues (in excess of Debt Service and Base Rent to New York City) for 2019 of \$13.7 million, which included an increase compared to 2018 of \$522,000 in net revenues from office space operations, reflecting rent increases beginning April 2018 under the UN leases at One and Two UN Plaza. Mr. Cole, in response to a question regarding the projected increase of \$302,000 in administrative office expenses for 2019 over 2018, stated that the increase was mainly attributable to the possible hiring of one or more additional staff in 2019 and possible increases in professional fees for 2019. He advised that projected Net Revenues for 2020, 2021 and 2022 were \$13.4 million, \$12.9 million and \$11.9 million, respectively, reflecting the consistent revenues from fixed rental payments under long-term office leases at One, Two and Three UN Plaza.

Mr. Cole reviewed the proposed Capital Budget for 2019 of \$4.0 million and the projected Capital Budgets for 2020, 2021 and 2022 (Attachment D to the Management Report), reporting that

the Corporation would focus on base building upgrades and energy efficiency projects for those years. As described in the Management Report, he noted that some capital projects would be implemented over several years (as identified in the Capital Budgets), and that some projects were funded in part from capital budgets approved by the Board for prior years.

Mr. Cole requested Board approval of the Corporation's proposed budgets. Mr. Silverman suggested that the Corporation consider adjusting the contingency amount included in capital budgets from the current ten percent to twenty percent of projected capital costs, reflecting anticipated escalations in construction costs and market uncertainties. Management concurred and agreed to increase the contingency amount to twenty percent in future capital budgets. Members of the Board asked about the Corporation's procedures for oversight of work on the Corporation's capital projects and Mr. Cole responded. After discussion and on motion made and seconded, the Board approved the Corporation's Budget and Financial Plans for 2019-2022 (Attachment B to the Management Report), the Budget of Revenues and Expenses for 2019 (Attachment C to the Management Report), and the Capital Budgets for 2019-2022 (Attachment D to the Management Report).

Possible Refunding of 2009 Bonds

Mr. Cole reported that management had been reviewing with its financial advisors a possible bond issuance in 2019 to refund the Corporation's 2009 Bonds. As described in the Management Report, Mr. Cole advised that the refunding would be intended to reduce the Corporation's current debt service, while maintaining flexibility to issue additional bonds in the future if needed. After discussion, the Board agreed that a refunding should be pursued. Mr. Cole advised that the Corporation planned to issue an RFP to select underwriters in the fall, with the underwriters being subject to Board approval or ratification at a future Board meeting, likely in March of 2019. Mr. Cole advised that the Corporation's current bond counsel and financial advisors

would remain in place as these firms were previously retained for services relating to both the financing of the proposed UN Consolidation Building and refunding of the Corporation's bonds.

At the Chairman's request and with the Board's concurrence, the meeting entered executive session to discuss leasing and related matters. The executive session ended after that discussion concluded, with no action being taken by the Board in executive session.

Other Business

There being no other business, the meeting was adjourned at 3:00 p.m.



Loida Diaz de Jesus
Acting Secretary

**ATTACHMENT TO MINUTES OF
SEPTEMBER 13, 2018 BOARD MEETING**

Performance Goal #6:

Take appropriate action to have the State Legislature approve and the Governor sign additional legislation that permits the Corporation to develop and operate real estate outside the current boundaries of the Development District and/or changes of other powers of the Corporation, as appropriate, to permit the Corporation, consistent with its mission and at the request of the U.N. or the City or State of New York, to respond to and help meet changing real estate needs of the U.N. Community, as measured by the enactment of such legislation and by the Corporation responding to and helping to meet changing real estate needs of the U.N. Community.

Evaluation #6:

In the past, the Corporation proposed to the UN the financing and construction by the Corporation of a new build-to-suit office building, for exclusive UN use, that would be located on First Avenue and across 42nd Street from the UN Headquarters. For purposes of this project, State legislation was enacted in 2011 and a Memorandum of Understanding, with a current expiration of December 31, 2019, was signed by the Mayor of the City of New York and State legislative leaders. Although in 2015 and previously, the UN actively considered the new building as an option to accommodate its long-term space needs in the City of New York, the UN has not at this time given its approval for the Corporation to proceed with the new building. The Corporation continues to work with the UN and the City and State of New York to help meet the real estate needs of the UN Community, which could include extensions by the UN of its current leases at the Corporation's buildings or could include development of the new building or other alternatives, for which additional legislation may be needed as referred to in Performance Goal #6.