ORRICK - NEW YORK

Moderator: Alison Radecki
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10:01:59 CT

OPERATOR: This is Conference # 335041671R

Operator: This call is now being recorded.

Alison Radecki: Okay, it's on.

Anne Adams Rabbino: So I know that Susan Jones is on and Leah Johnson and Erika Mallin and Lynne Sagalyn and Merryl Tisch and Dawanna Williams, Ali Davis, Pranita Raghavan. Krishna, are you on?

Krishna Omolade: Yes. Yes, I'm on.

Anne Adams Rabbino: Great, so we have a quorum, Susan. Not only do we have a quorum, we have everyone that could attend.

Susan Henshaw Jones: Perfect attendance.

Anne Adams Rabbino: So just going down the line ...

Susan Henshaw Jones: While people – shall I call the meeting to order?

Anne Adams Rabbino: Yes.

Susan Henshaw Jones: Okay. Okay, this is Susan Jones, and I am calling the meeting to order and then the format is as Anne presents it in the agenda. The presenters are identified on the agenda itself. And good morning to all, and let's just get through this and begin.

Anne Adams Rabbino: So before we let anybody else talk, can – I'm going to go through the list of participants I'm expecting. Lauren Klein, who I know is on. Jim McGlynn also from LCPA. Bob Cundall, are you there?

Bob Cundall: I'm on. Thanks.

Anne Adams Rabbino: And Christina Seymour from LCPA.

Christina Seymour: Good morning, everyone.

Anne Adams Rabbino: Thank you. Three people from Goldman Sachs – Kevin Willens, Diana Hoadley, and John Stevenson – are you all there?

Kevin Willens: Yes.

John Stevenson: John Stevenson's on.

Kevin Willens: Kevin is.

Diana Hoadley: And Diana.

Anne Adams Rabbino: Thank you. Seema Mohanty, are you on?

Seema Mohanty: Yes. Good morning. I am on.

Anne Adams Rabbino: Thank you. Virginia Wong and Sebastian Torres from Nixon Peabody?

Virginia Wong: Good morning.

Anne Adams Rabbino: Thank you. Eileen Heitzler, Alison Radecki, and Helen Pennock from Orrick Herrington?

Eileen Heitzler: This is Eileen. I'm on.

Helen Pennock: Helen is on. .

Anne Adams Rabbino: Thank you. Amy Chan and Carol Ann Butler from EDC?

Amy Chan: Here.

Carol Ann Butler: Good morning, Anne. I'm here.

Anne Adams Rabbino: Seth Bryant and Goldie Bryant and me, Anne Rabbino, we're all here.

B. Seth Bryant: Present.

Anne Adams Rabbino: So this meeting is taking place entirely by telephone pursuant to Governor Cuomo's executive order dated March 12, which has been extended due to the continued

COVID-19 pandemic. This order permits compliance with the Open Meetings Law when a meeting is held by telephone with no physical presence for the meeting if the public is allowed to dial into the meeting. The dial in information for this meeting was made public. Is there anyone on the line who has not already been identified?

Okay, then I also need to report that the telephone call is being recorded and will be transcribed as required by Governor Cuomo's executive order. When you speak – when you begin to speak, please identify yourself by first and last name so that we can end up with a clear transcript of the meeting.

Turning ((inaudible)).

Female voice: I can't hear anything. This is (inaudible).

Eileen Heitzler: No. This is Eileen. I can't either. Anne, are you there?

Male: I can't hear anything.

Anne Adams Rabbino: Participants in the meeting have ((inaudible)).

Male: Anne, you are fading out.

Eileen Heitzler: Right.

Female: Yes.

Eileen Heitzler: Anne?

Female: Anne, you need to get closer to the microphone.

Anne Adams Rabbino: Can you not hear me?

Female: We cannot hear you.

Male: Cannot hear you.

Eileen Heitzler: We can't hear you.

Anne Adams Rabbino: Can you hear me now?

Eileen Heitzler: Yes, yes.

Male: Yes.

Female: Yes.

Anne Adams Rabbino: Okay, I'll try it this way. So did you hear that the meeting is being recorded and will be transcribed?

Eileen Heitzler: Yes.

Female: Yes.

Male: Yes.

Female: Yes.

Anne Adams Rabbino: Okay. So two participants have – in the LCPA matters have recused themselves: Leah Johnson because she's an executive with LCPA, and Gonzalo Casals, the new Commissioner of Cultural Affairs who was an ex officio member of the LCPA board. So his designee, Pranita Raghavan, has – is also treated as recused. They are hanging up now and will rejoin when our discussion of LCPA is over.

So Lauren Klein, the general counsel and ...

Male: Thank you.

Leah Johnson: Thank you.

Pranita Raghavan: Thank you.

Anne Adams Rabbino: Lauren, do you want to get started?

Virginia Wong: Actually, Anne, it's Virginia. I'll start off with the Lincoln Center if that's okay.

Anne Adams Rabbino: Sure.

Virginia Wong: Thanks very much, Anne. My name is Virginia Wong. I'm a partner at Nixon Peabody, and I represent Lincoln Center on this matter. First, we would like to thank the board for arranging this meeting and for your ongoing support for Lincoln Center of the last 14 years. Today we're seeking approval of the issuance of the series of tax exempt bonds to refund the Trust's outstanding 2008A Bonds that were issued for Lincoln Center to support its redevelopment project.

At or about the time of issuance of the Series 2020A Bonds, Lincoln Center expects to terminate the swaps associated with the 2008A Bonds and to issue its 2020B Bonds to pay the termination costs associated with those swap agreements. Lincoln Center will be issuing those bonds on a stand-alone basis.

Lincoln Center spent a great deal of time and resources particularly through its board committee to develop the plan of finance, and we are grateful to the assistance of Bryant Rabbino and Orrick in getting us to this point. We would also like to thank the Goldman team for helping Lincoln Center navigate this transaction over the last several months and Seema Mohanty from Mohanty Gargiulo who is serving as pricing advisor to Lincoln Center with respect to this matter.

I'd now like to introduce Lauren Klein, general counsel, who will provide information about Lincoln Center's activities both before and after the COVID-19 pandemic began in March. Lauren?

Lauren Klein: Great. Thanks, Virginia, and good morning, everyone. Thanks for welcoming us to this meeting. As Virginia said, I'm Lauren Klein, and I'm the general counsel of Lincoln Center for the Performing Arts. I'm going to give a brief overview of Lincoln Center for the Performing Arts and our response to the COVID-19 pandemic.

So Lincoln Center for the Performing Arts serves three primary roles. First, presenter of artistic programming. Second, national leader in arts education and community engagement. And third, manager of the Lincoln Center campus on behalf of ourselves and our 10 other constituent organizations.

Prior to the COVID-19 pandemic, Lincoln Center for the Performing Arts was focused on its traditional activity including presenting our many performance series, operating the Lincoln Center campus by welcoming visitors and patrons for performances and activities presented by all the constituents, running our community and education programming on campus and in schools, and we were preparing for our busy summer performance season. And as my colleague, Jim McGlynn, will touch on in his remarks about our finances, we were anticipating to be able to close fiscal year '20 with a balanced budget.

So with the arrival of the COVID-19 virus, in mid-March we halted our performances in accordance with state and city executive orders and we closed our halls and offices. We quickly shifted to a primarily remote work environment and implemented cleaning and other safety and health protocols with the safety and health of our employees, the constituents, and our community as our first priority.

We took a leading role in this across the Lincoln Center campus and responded on many levels including coordinating communications, security, and safety issues among the constituents, and we did all of this in consultation with state and local officials and in accordance with their guidelines.

Also, like many performing arts organizations, we quickly pivoted from our in-person performances to digital offering. Lincoln Center launched Lincoln Center At Home, which is a new online portal designed to help people maintain their connections to one another through the arts.

Lincoln Center At Home features on-demand content and it has a calendar of certain past and present programming by both Lincoln Center and the constituents. So, we host a variety of free virtual concerts, performance series, discussions and educational programs on there.

For example, we launched pop-up classrooms, which provides lessons five days a week, during which artists and educators teach families creative learning activities using simple household materials.

We launched Concert for Kids, which offers virtual concerts to family audiences by artists who bring world class performances and diverse perspectives. And we launched Memorial For Us All, which is a weekly community remembrance in the form of short virtual concerts which we present in partnership with – we presented in partnership with religious leaders and New York artists and community members were invited to submit the names of their loved ones as a tribute to be shown during the concert.

So, in terms of digital efforts on the community outreach and education front, in July we hosted Activate, which was a virtual convening of arts professionals that brought together community artists, educators, teaching artists and community leaders to build a global network that supports and will support arts professionals in a changing landscape.

And this week we launched a virtual version of our highly successful arts audition boot camp program, which we run in partnership with the Department of Education, where we prepare rising eighth graders from under resourced schools to audition for New York City's performing arts high schools.

And in mid July we took our first step at physically reopening the campus by removing certain gates at the front of the campus to allow visitors to enjoy passive recreation on our plazas. We also partnered with the Food Bank for New York City last week to host a free food distribution in Damrosch Park for those in our neighborhood in need.

And in addition ...

Merryl Tisch: I'm sorry – Lauren – Lauren, I'm sorry this is – this is Merryl.

Lauren Klein: Yes?

Merryl Tisch: I want to have a financial conversation and I want to be able to stay on long enough to get to the meat of it.

Lauren Klein: Sure.

Merryl Tisch: I'm just going to assume that everyone on this call knows how great Lincoln Center is.

Lauren Klein: That works for me. We are – be as responsible as you would like.

Merryl Tisch: I'm really sorry everyone, I just – I just think that we've got to get to business before we start to loose people. Okay?

Susan Henshaw Jones: Okay.

Merryl Tisch: Okay? There is no question but that Lincoln Center is a crown jewel, maybe the crown jewel in the cultural life of New York City, Lauren. I'm a defender, supporter, lover, love everyone on your board. What can we do to help?

Lauren Klein: Great. So, thank you Merryl. So then, I was just about done anyway and I can turn it over to – well, the next speaker was going to speak briefly about our financial matters, but we can – do you want move just to the transaction? We could do that as well.

Merryl Tisch: I think we should cover the financial matters.

Lynne Sagalyn: Yes, absolutely. The heart of this.

Lauren Klein: Well, let me just say one last point. Well, go ahead Jim, we can – go ahead, we'll skip over that.

Jim McGlynn: Sure. Good morning everyone, my name is Jim McGlynn and I'm the Controller at Lincoln Center. I'm going to speak briefly about fiscal '20 and '21 financials before I turn it over to John Stevenson, who I think is really going to get into the meat of this in terms of the plan of finance.

With regard to our fiscal year '20 financials, as Lauren indicated, prior to the COVID crisis a balanced budget was projected for the full year. As a result, it took a curtailment of earned revenue activities in mid March and to accommodate staff restructuring costs a full year deficit – operating deficit of $13 million was projected.

Looking forward to fiscal '21, the current environment has a necessitated a significant reconsideration of many of Lincoln Center's activities. The organization has accordingly set up what we believe to be a conservative balanced budget going into fiscal '21, which still allows for flexibility to ramp up earned revenue activities when conditions allow.

If I could touch briefly on our endowment and I would stress this is unaudited, speaking of June 30, fiscal '20, we are seeing a balance of $264 million with an unaudited return of 5.3%, which our investment consultants have indicated length in the top eighth percentile when compared against similar endowments.

With that brief overview haven been given, I would like to turn it over to John Stevenson from Goldman Sachs who is going to review the proposed plan of finance.

John Stevenson: Great. Thank you Jim and thank you to the board for your time this morning. This is John Stevenson, I'm a Vice President at Goldman Sachs. I'm also joined by my colleagues Kevin Willens and Diana Hoadley and we are serving as senior manager on the Series 2020 Bonds.

I am going to be discussing the proposed plan of finance this morning. As has been discussed, the Series 2008A Bonds are currently outstanding in the amount of $151,250,000 and are in a direct placement with Bank of America and that direct placement expires this September 10, 2020. Along with the team at Lincoln Center and Mohanty, Lincoln Center considered a variety of refinancing alternatives including another direct placement with Bank of America or another bank, but has decided to move forward as a public offering of tax exempt fixed rate bonds.

As part of the process to come to the public markets, we did meet with both agencies that rate Lincoln Center, Standard & Poor's and Moody's. A little bit of background here, following the onset of the pandemic, S&P put nearly all cultural institutions, including Lincoln Center, on a negative outlook.

In June 2020, S&P reviewed Lincoln Center's credit rating, which had been A plus and downgraded the rating by one notch to A flat, but also revised the outlook back to stable. As part of the terms of transaction, we went back to S&P and requested ratings for the Series 2020 Bonds. S&P affirmed the singe A rating and stable outlook as part of that process.

And then separately we also met with Moody's Investor's Service. Lincoln Center had been rated A3 with a stable outlook prior to the pandemic and as part of the rating process related to the proposed transaction Moody's maintained the A3 rating, though they did change the outlook to negative.

Both S&P and Moody's cited the pause in our operations and uncertainties caused by the pandemic as the primary reason for the change in rating, in S&P's case, and the change in outlook in Moody's case.

Turning to the market, as I'm sure everybody is aware, the financial markets have been characterized by heightened volatility since mid March. The tax exempt market, in particular, saw interest rates spike significantly in late March and April, but it's since improved significantly. And benchmark AAA tax exempt rates are now have returned at or near all-time lows. Demand for tax exempt bonds in New York in particular continues to be – continues to be quite strong.

The proposed transaction we're discussing today are the Series 2020A tax exempt refunding bonds. These, again, would be publically issued tax exempt fixed rate bonds with serial maturities starting in December 2031 and going through December 2035. Bonds would be structured with a no par call feature, and we would be structuring them with a premium (coupon) structure as is typical in the tax exempt market.

In terms of timing for our transaction, we plan to release preliminary offering documents to investors tomorrow, August 5th, and would look to price the bonds either next week – the week of August 10th, or the following week – the week of August 17th. And then close the issue in late August or early September. I think that summarizes we had prepared here. I'm more than happy to take any questions.

Anne Adams Rabbino: Does anyone have any questions?

Susan Henshaw Jones: No.

Anne Adams Rabbino: So in that case, Alison Radecki will describe the action that the Board is being asked to take in the documents, all of which were sent to you last week.

Alison Radecki: Good morning. So back in 2008, the Trust adopted a General Resolution and put in place a loan agreement to be used for all Lincoln Center bond issuances through the Trust. So at this juncture, we're asking the Trust to adopt a Series 2020A Resolution approving the issuance of the Series 2020A Bonds in an amount not to exceed $160 million.

Besides this not to exceed number, the Series Resolution also authorizes the bonds to be issued as fixed rate bonds, with a redemption premium not to exceed more than 102%, with a final maturity of not more than 30 years from the date of issuance of the original bonds, and an interest rate not to exceed 7%.

We're also asking the Trust to approve the forms of the bond purchase agreement with LCPA, Goldman Sachs and ((inaudible)) and an indemnification agreement with the Trust, and to approve the forms of the POS and the distribution of the OS – the Official Statement – in connection with the marketing of the Bonds.

And the resolution before you delegates to the Chair, the Trustees, the Secretary and any Assistant Secretary authority to finalize and to execute and deliver all the documents in connection with this transaction. So Anne, I don't know if anyone has any questions.

Anne Adams Rabbino: One thing I wanted to add that this is a refinancing and therefore it's a Type II action under the State Environmental Quality Review Act and the related regulations, which means that we have no obligation to conduct any environmental review. Does anybody have any questions?

Krishna Omolade: This is – this is Krishna. I just have one quick question. I think for John, which I was just curious if there are any MWBE firms that are a part of the underwriting team and working with Goldman on selling the bonds?

John Stevenson: Yes. Good question and Loop Capital Markets is the co-manager on the transaction, and so of course they are a MWBE Firm. The – Goldman Sachs again will serve as senior manager with Loop Capital Markets as the co-manager.

Krishna Omolade: Thank you.

Anne Adams Rabbino: Does anyone have any other questions?

Lynne Sagalyn: No.

Anne Adams Rabbino: In that case, can we have a motion and a second?

Lynne Sagalyn: I move so move. .

Anne Adams Rabbino: To adopt the resolution, that's the first one on the list sent to you last week and again this morning.

Lynne Sagalyn: Lynne Sagalyn and I move the motion.

Ali Davis: Ali Davis, and I second.

Anne Adams Rabbino: Thank you. So I'm going to call the roll to ensure that we have proper adoption of this. Susan Jones?

Susan Henshaw Jones: I so move

Anne Adams Rabbino: Thank you. Erika Mallin?

Erika Mallin: Yes.

Anne Adams Rabbino: Lynne has moved it, so you have voted in favor. Merryl Tisch?

Merryl Tisch: 100% yes.

Anne Adams Rabbino: Dawanna Williams?

Dawanna Williams: Yes.

Anne Adams Rabbino: Krishna?

Krishna Omolade: Yes.

Anne Adams Rabbino: And Ali?

Ali Davis: I vote yes.

Anne Adams Rabbino: Okay, so this motion is unanimously adopted. Thank you very much for the Lincoln Center team. We're delighted to have this happy outcome, and if – you are welcome to stay. This is an open meeting, but anyone who would like to leave is free to do so.

Krishna Omolade: ((Inaudible)).

Lauren Klein: Thank you all very much.

John Stevenson: Thank you.

Female voice: Thank you.

Male voice: Thank you.

Female voice: Thank you.

Anne Adams Rabbino: Okay. That was a lot of clicks. We want to wait just a moment for Leah and Pranita to dial back in, now that we have finished with the Lincoln Center matter.

Eileen Heitzler: Anne, have they joined or should we email them?

Anne Adams Rabbino: I haven't heard clicks.

Eileen Heitzler: I didn't hear anything click.

Female: I think we should proceed.

Eileen Heitzler: Anne, do we need to email them or they were just going to rejoin at 11:30?

Anne Adams Rabbino: We were texting them and I just emailed them also separately, so.

Merryl Tisch: This is Merryl, when you – when you – I'm living in the city. When you go down to west side...

Leah Johnson: Hi, it's Leah Johnson.

Merryl Tisch: ... and you see that empty campus, it just makes you want to cry.

Female: Yes.

Leah Johnson: Hello?

Merryl Tisch: It's just so sad.

Anne Adams Rabbino: Hi, Leah.

Male: Hi there.

Pranita Raghavan: Hi, it's Pranita.

Anne Adams Rabbino: Thank you all so much. So the next item on the agenda is a presentation about the Manhattan School of Music where we are continuing as the Board and as the Finance Committee, and we'll hear again from Alison Radecki.

Alison Radecki: So around a month ago, we were approached by the Manhattan School of Music and their counsel. They issued bonds back in 2009 through the Trust and the bonds were originally with Wells Fargo, and then they found their way into the hands of Israeli Discount Bank, who did a reissuance at one point and Israeli Discount Bank purchased the bonds and they've held the bonds and they worked with Manhattan School of Music for the last couple of years. Just basically at one point they restructured the bonds. So at this juncture with respect to the COVID pandemic, the School has a little uncertainty as to what's going on this fall.

So they've been in discussions with Israeli Discount Bank as to whether or not they could defer their October 1, 2020 principal payment. And so – and Israeli Discount Bank has said they've given preliminary approval for this and they're in the process of getting final approval, so Manhattan School of Music has requested that basically that the Trust would delegate to certain parties, the Chair, the Trustees, or any Secretary or Assistant Secretary, to help them effectuate this deferral of the principal payment once the final particulars are known.

So you have before you today, a resolution basically setting forth this delegation to your members once the actual particulars are known about the deferral that basically delegating the authority to enter any agreements to amend the Series Resolution or the Bond Series Certificate to take into account the deferment for the October 2020 principal payment to a date that's not more than five years so it would be 2025 for a portion of that principal payment amount. Does anybody have any questions?

Merryl Tisch: This is Merryl, I'm sorry to be a pest today. But I'd like to ask you a question. Are we sure this School is going to exist in a year?

Alison Radecki: Well, I think IDB will work with them. I honestly don't know what all of their financial situation is. The bank has been working with them for some time. But again, I don't know if you have any more information on the finances.

Lynne Sagalyn: This is Lynne Sagalyn, could you – in answering that question, could you again repeat, are we delegating final decision on this to whom?

Alison Radecki: To the Chair, the Trustees, the Secretary, and any Assistant Secretary. And that delegation ...

Merryl Tisch: Of the Manhattan School of Music?

Alison Radecki: No, of the Trust.

Merryl Tisch: Okay.

Alison Radecki: As of now, you're approving basically the fact that there may be a deferral of the principal, and that's due on October 1 of this year.

Merryl Tisch: Wow.

Lynne Sagalyn: I had the same kind of concerns that Merryl has. I mean, it sort of feels like we're being asked to approve this in the blind without knowing other financial information.

Merryl Tisch: I also want to understand, let's just say for some reason we had a concern about the structure of the deal with IDB at the end of it and we have to say to the deal with IDB. Are we then taking on a fiduciary responsibility by blocking something? To me this sounds – I'll do whatever you all want me to do, but it doesn't sound, for lack of a better word, like a safe thing to do.

Alison Radecki: Well there's no other change to the underlying documents and there's no other change to the change to the business deal. The only change is to defer the principal payment ...

Lynne Sagalyn: For the month of September?

Alison Radecki: For the month of October. Just the month of October ...

Leah Johnson: If you defer the principal payment, it gets added to the end of the term, is that correct? Where does the ((inaudible)) ...

Alison Radecki: Well, it's only a deferral for five years. So it's only a deferral due to 2025 at the most. And the ...

Leah Johnson: But it's a deferral for the end of the term of the bond, which would be 2025.

Alison Radecki: No, the term of the bonds go to 2029, so it's a five year deferral at the most.

Leah Johnson: It's a five year deferral, okay. Got it.

Anne Adams Rabbino: So they have been amortizing these bonds on a regular basis. The original principal amount was $42,300,000. And the current principal amount is $26,925,000. So the payment that would otherwise be due in October is just over $2 million and what their finance team has said to us is that, depending on their financial circumstances as the school year begins, they may not exercise this deferral option.

But if we didn't make a presentation about this to the Trust board at this meeting and they decide definitively that they want to defer half of the payment in October, and IDB agrees, which they're expected to do, then we'd either have to have a Trust board meeting to authorize the five year deferral, or we would have to seek unanimous written consent.

So they – I think Manhattan School of Music has been reasonably successful in recent years and obviously the performing arts are really struggling now and the extent to which students and their families are going to decide to pursue the kind of programs the Manhattan School of Music operates in the COVID-19 era is– nobody knows the answer to that question at the moment. But they're not a weak school.

They're not as strong as Juilliard, but Juilliard's per pupil endowment is higher than Princeton’s, so that's a pretty high bar. And they have managed their situation since they built the building that the bonds paid for so that they have been amortizing their principal on a regular, ongoing basis.

Lynne Sagalyn: Do you have a sense of what their endowment is, do we know what that – offhand?

Anne Adams Rabbino: I'm sorry, I don't know that. I would be happy to pursue that question and send everybody a memo after this call.

Erika Mallin: Hi, this is Erika. I think that's a – that would be really helpful, Anne, and I don't know if we have their latest 990s, which probably doesn't really tell a story, but sure like every other institution they're running deficit in the millions, then you know I – it is so uncertain that it would be great to understand their financial situation before COVID and what they're projecting going forward, which of course is going to be subject to change.

Anne Adams Rabbino: Sure. We – we're – we'll work on putting together that information in a memo and send it to everyone. So, I think the question, at this point, is whether the sense of the meeting is that you would like to defer action on this request until you have that information and then if it's acceptable, act by unanimous consent, or alternatively if you want to authorize the action and receive as soon as it's – as soon as we can pull it together, the written information.

And I suppose the third alternative is that we could convene another Trust Board meeting to discuss this after you have that information.

Lynne Sagalyn: This is Lynne, I would feel more comfortable with more information whether the next step is the approval by unanimous consent after receiving it or whether it's a very short board call, I just – that's my sense of the matter.

Leah Johnson: This is Leah, I agree.

Susan Henshaw Jones: Anne, Anne, are you able to do – are you able to pull together even a very short board meeting?

Anne Adams Rabbino: Yes, I mean we have to – to have a Trust Board meeting, we have to give notice to the public and it has to be recorded the way this one is being recorded. But when we can do everything by telephone, it – it's not the same logistical problem as a physical – as having to hold a physical meeting. Okay, so.

Lynne Sagalyn: That is the same process, but if by unanimous consent it – you don't have to – it's not that process, is that correct?

Anne Adams Rabbino: Right. It does mean that the ex officios have to authorize action by unanimous written consent, not through their designees who are participating today. But why don't we send the information and then we can decide whether there's going to be a meeting or unanimous action by writing after people have had a chance to review the information?

Merryl Tisch: Anne, it's Merryl one more time. As part of the information, do you think you can tell us whether or not this is setting a precedent for the cultural trust? Have we ever taken on these governance responsibilities for any of these institutions? Is this a first?

Anne Adams Rabbino: Well, it's not uncommon when institutions, especially when bonds are held by a single holder, as is the case here, it's not uncommon for the parties of the transaction to change something in their deal. There might be a covenant about maintaining – about the size of their endowment measured on a particular date or something like that.

And the parties may agree to change that covenant between themselves and each time something like that occurs, we have to have approval of the Trust Board. And so the general approach has been that if the holder of the bonds is accepting this or agreeing to this change, then that it's been a simple decision for the Trust Board.

So, I mean in this instance because of COVID-19 and these other questions, you want more information, which we're happy to provide. But I don't think there's any concern about creating a precedent that would be troubling going forward.

Merryl Tisch: Unless, of course, we have a whole slew of these, right, yes.

Erika Mallin: Anne, it's Erika, so – It's Erika again, just – they're asking for a deferral for five years, the bank has basically said okay. Excuse my lay terminology here, but what is the liability if they don't exist in five years or they can't – I don't know, I guess they keep deferring, but what if they just can't?

Like what – what is our responsibility or what is our liability? If we say yes, do we want to help this institution, we want to say yes to this, but in all honesty will this institution be around in five years and that seems to be sort of troubling to us. What is the liability for us?

Anne Adams Rabbino: Well, the Trust – it's in its role as a conduit issuer of the bonds, has no responsibility to the holder of the bonds and in this instance, the holder of the bonds is a bank, and – so that the bank would suffer the financial loss. But the bank is getting this – the interest rate on these bonds is exempt from tax. Part of the interest received by the bank is exempt from tax because the Trust is the issuer of the bonds.

But all of the liability owed – is owed by the institution, in this case the Manhattan School of Music. So if Manhattan School of Music becomes unable to pay, the cost of that will fall on the bank as the holder of the bonds.

Lynne Sagalyn: And I would just add also, Erika, from a lay perspective that the bank is the sophisticated player. It's not mom and pops holding municipal bonds. I mean, if this was – went any further than what's in the contract and lack of liability. I mean, you can't say that Israeli Discount Bank is really naïve.

Erika Mallin: Oh, yes, no. I know. And I assume there's a like a board resolution that's fiduciarily okay with it? Manhattan School of Music board resolution.

Anne Adams Rabbino: I'm sorry. I didn't understand your question.

Erika Mallin: So ...

(Crosstalk)

Female: There's a storm ...

...

(Crosstalk)

Dawanna Williams: This is Dawanna speaking. There has to be a Manhattan School of Music resolution – approving what they're asking to do?

Female: Yes, they have to.

Erika Mallin: So maybe if we just get a copy of that, that would be – so we're – we're just sort of maybe crossing our I's and dotting our T's, oh my gosh, okay losing that metaphor. But to know that we're not ...

Lynne Sagalyn: That there's been a due process about this.

Erika Mallin: Right.

Anne Adams Rabbino: Well I think that the Manhattan School of Music has – of the treasurer and the CFO have decided to pursue this – having this option for them to do the deferral with IDB. I don't think that they have gotten a board resolution now because they haven't actually finally decided that this is what they want to do. They were trying to be in a place where they could do it on short notice if they decided to do it.

But when they decide to do, yes, they would have to have a board resolution to show us. But you know the Trust Board doesn't ordinarily look at – I mean we're not reviewing as a Board the resolution of Lincoln Center for the Performing Arts. The job of being sure that LCPA approved the – the transaction properly really falls to the lawyers when we close the transaction.

And so I think delivering that kind of detail of the Manhattan School of Music board would start to get you, as a Board, into – pretty far into the weeds of the documentation.

Ali Davis: Hi, this is Ali Davis. I have a potentially stupid question. My understanding of this resolution is that we're basically delegating decision making power to a subset of the Trust for Cultural Resources Board, correct?

Anne Adams Rabbino: Yes.

Ali Davis: If that's the case, do people have an issue with and I don't know if it's possible to change the resolution or if it's even necessary to. But with basically giving a conditional approval subject to seeing some of these documents or again I'm not even sure that that's necessary because we're really delegating to a subset of ourselves. Just throwing that out there as a comment/question.

Anne Adams Rabbino: Well I think Lynne has indicated that she would prefer and Leah also have and Erika have all indicated that they would prefer to see this additional information before going forward with the delegation.

Lynne Sagalyn: Just refresh – it's Lynne, refresh my memory again. Is the delegation to the chair of the Trust board and the secretary?

Anne Adams Rabbino: Yes. Yes, any other trustee and the secretary or any assistant secretary. So any of those people can do – take actions and execute and deliver documents to effectuate the deferral of a portion of the October 1 payment. That's what the resolution authorizes.

(Crosstalk)

Eileen Heitzler: Sorry, it's Eileen Heitzler. Just to add to that. The deferral – the bonds are already outstanding. As you said before, the School has been paying down the bonds they are and tell me if I've gotten this wrong. It is my understanding as well – the School has been negotiating with the Bank to essentially explore its options potentially defer a portion of the October 1 principal payment out for five years. If it – if it continues to look at its financials as it goes through the pandemic the deferral that would be relief that it would like to take advantage of.

Because these are technically the Trust's bonds we need to be signing documents, approving that essentially is a deferral of a loan payment to us and a bond payment from us to the Bank. But the substance of this negotiation have been going on between bank and borrower. And that – because the School hasn't decided yet what to do we don't have the specifics other than we're authorizing the potential deferral of this – all or portion of the October 1 payment up to five years.

And that won't happen unless the School makes a final decision. And there's no deferral unless the School makes a final decision and adopts the appropriate resolution at its end and the Bank, as the bond holder, consents to that deferral. And the Trust action here is to effectuate that ultimate agreement.

Lynne Sagalyn: This is Lynne. I raised that point before and it was from the shorthand resolutions. It wasn't quite clear about that this was a delegation and whom even though the full resolution I'm sure has that. I have confidence, given this discussion that we've all had, that the delegation to the two or three people mentioned in the resolution that they will take into consideration the concerns we all have. And review the material as necessary.

Erika Mallin: I would agree with that, Erika.

Dawanna Williams: This is Dawanna. I agree as well.

Ali Davis: This is Ali. Same here.

Leah Johnson: And Leah, same.

Pranita Raghavan: I agree.

Anne Adams Rabbino: So I'm going to go back to the roll and make sure that we've heard from everyone. Susan, is that ...

Susan Henshaw Jones: Approved.

Anne Adams Rabbino: ... acceptable?

Susan Henshaw Jones: Yes, I approve.

Anne Adams Rabbino: Oh, I'm sorry. I guess we should ask for a motion and a second and – can somebody make – move a motion.

Ali Davis: This is Ali, I move. I move to accept the resolution.

Leah Johnson: Second, Leah.

Anne Adams Rabbino: So all in favor would be Susan, Leah, Erika, Lynne. Merryl, are you still on the phone? I think we lost Merryl.

Female: Yes.

Anne Adams Rabbino: Dawanna, you said yes.

Merryl Tisch: No, Merryl is here. Merryl, is here I just forgot to off mute. You know what I'm in favor of.

Anne Adams Rabbino: Are you in favor?

Merryl Tisch: Yes, ma'am.

Anne Adams Rabbino: Thank you.

Merryl Tisch: I'm in favor of?

Anne Adams Rabbino: Adopting the resolution which authorizes the chair and or another trustee or the secretary or the assistant secretary to take actions to extend the deferral of a portion of the October 1 principal for five years.

Merryl Tisch: I am in favor of waiting until we get more information.

Anne Adams Rabbino: So this is a very ...

(Crosstalk)

Anne Adams Rabbino ... moment in the Trust history because most resolutions have been adopted unanimously. And I think we've had yes votes from five of the six participants in the meeting and – I'm sorry and also Ali and Pranita make seven and I was just asking about Krishna. So …I think the motion would pass unless either seven to two or eight to one, but if people are happy to leave the vote and that – with that outcome we can do that.

Susan Henshaw Jones: That's fine. Just leave it with that outcome.

Anne Adams Rabbino: Okay.

Krishna Omolade: This is Krishna. For the record, I vote in favor.

Anne Adams Rabbino: But we will send additional information on the endowment and the 990.

Susan Henshaw Jones: Good.

Anne Adams Rabbino: So moving along ...

Krishna Omolade: This is Krishna. I just wanted – I just wanted to say that I also vote in favor of it, just for the record.

Anne Adams Rabbino: Thank you, Krishna. So moving along, the next three items on the agenda can be voted on at one time. There are three items: the new contract for audit services, the budget that the state law requires be authorized by the Board, and the minutes of the March 24 meeting. So Lynne will, as Chair of the Audit Committee, will report on the new contract for audit services.

Lynne Sagalyn: I'm going to be brief and open to questions if anybody wants more detail. A report was sent to the members of the Audit Committee on the process of selecting a new auditor. We had –

oh, I think this is a complete and fulsome process. We set up a selection committee consisting of myself, Amy, Carol Ann Butler, Krishna, and Anne.

We've reviewed the responses to the RFP and we rated them independently. We then had a Zoom meeting call to discuss the responses and our ratings, and we – the result of that meeting, we decided to enter two of the seven respondents, EFPR Group and Marks Paneth, who we all agreed and there was no – it was a clear consensus that they had made the strongest proposals of the crew.

The selection committee met for an hour via Zoom with the teams for EFPR and Marks Paneth, and we followed that with another Zoom meeting of the selection committee to discuss again what we thought of the two respondents. And there was a consensus – after much discussion, the kind of discussion you have when you want to fully understand each team and each person – each selection committee member's view, there was consensus of the committee that both firms have the capacity to serve as the Trust's auditors.

And then really important that Carol Ann Butler and others at EDC brought up the issue that the current situation with everybody working remotely really was an important factor in the selection of the Trust's auditors for the next four years. And both Carol Ann and Amy advocated for EFPR because the possibility that everybody would still be working remotely, and that that firm had once before been the auditor for the Trust was familiar with the processes, and it would be the most efficient and expedient transformation of – transition from one audit firm to the other.

So given those considerations the committee unanimously decided to select EFPR. Their pricing was certainly within the perimeters and I think it was the lowest of the – of all of them. And so as a result of that Amy and Carol Ann and EDC is in the process of firming up the contract for a four-year audit engagement with EFPR. Any questions? Thank you.

Anne Adams Rabbino: Great. Thank you very much. Now, Amy Chan and Carol Ann Butler are going to report on the budget, which we sent to you last week.

Amy Chan: Good afternoon, everyone. This is Amy. Along with Carol Ann Butler, I'm going to quickly present the Trust's PAAA 2021 budget and financial plans for Board approval as required by the state. So this budget, which was located in the Board materials provided by Anne before the meeting, is based on the actual audited 2019 revenues and expenses, and then we project out until 2024.

There were no major changes in assumptions in the preparation of this year's budget from last year. Similar to years passed, MoMA is the driving factor for the annual deficiencies and excesses of revenues that drives that bottom-line number. We have budgeted the TEP revenues with an annual 1% increase, which is the same as prior year. The expenses continue to be driven by the MoMA tower’s depreciation, the PILOT and the interest expense on the MoMA payable.

Just to note for the Board that in April of 2023, the MoMA TEP Series 2012A Bonds will be fully redeemed, resulting in the excess of revenue bottom line. It causes that number to substantially increase, starting in 2023. In addition, also in 2023, the MoMA tower will be fully depreciated further increasing this excess. So that's what we're presenting to you and we're happy to answer any questions that you may have.

Anne Adams Rabbino: Are there any questions?

Female: No, not yet.

Anne Adams Rabbino: Okay, so then the last thing to bring to your attention for your vote are the minutes of the March 24th meeting, which were sent to you last week. Does anybody have any questions or corrections or comments about the minutes?

Ali Davis: This is Ali, none here.

Anne Adams Rabbino: So hearing none, can we have a motion to approve the last three items on the agenda – on the proposed resolutions that I sent to you earlier this morning?

Leah Johnson: So moved.

Anne Adams Rabbino: That would be – a second?

Ali Davis: This is Ali, seconded.

Anne Adams Rabbino: All in favor?

Female: Aye.

Female: Aye.

Female: Aye.

Female: Aye.

Anne Adams Rabbino: So I don't think we need to call the roll on this. I did – we did want to discuss two other things that don't require any board action, but Eileen Heitzler is going to tell us about an action by the Wildlife Conservation Society.

Eileen Heitzler: Hi, it's Eileen Heitzler. The Trust issued bonds on behalf of the zoo and aquarium facilities for the Wildlife Conservation Society in 2013 and 2014, I think prior to that as well, those are the ones that are currently outstanding that finance some – sorry – renovations at the zoo as well as the construction of the new aquarium – portions of the new aquarium and the shark exhibit. The Wildlife Conservation Society would like to advance refund those bonds. They are not subject to redemption until 2023.

It is no longer due to changes in the tax law, I think it was the end of '17, to no longer issue bonds on a tax exempt basis to advance refund – that is, to refund more than 90 days before the redemption date. So it's not possible for them to have tax exempt bonds issued for this advance refunding. As a result, they have looked at and decided it makes economic sense to issue taxable bonds in order to advance refund the Trust's 2013 and 2014 bonds.

The Wildlife is going to issue those taxable bonds itself. It can do so, so it's going to add and issue its own taxable bonds. It's – it is not requesting an issuance of bonds through the Trust. They will take the proceeds of their taxable bonds and deliver them to the trustee for the Trust's tax exempt 2013 and 2014 bonds.

There'll be an escrow established; the money will be held in the escrow and used to pay scheduled interest payments until the redemption date of 2023, and I think the 2013 bonds have a maturity in 2023. So in connection with that, the Trust will need to sign an escrow agreement. We will need to provide a defeasance opinion saying the bonds are defeased.

There's no action that's need to be taken. It is fairly ministerial actions on the part of the Trust. The Wildlife does have the ability under the documents to direct us – to direct redemption of the bonds, so the actions of the Trust are to aid in the defeasance of the bonds, so just wanted to inform the Board.

So again, Wildlife will be issuing its own taxable bonds, they expect to do that this month, and then the money would be put in escrow and the Trust's bonds will be defeased by these escrows paying the ongoing interest, and then the maturing principal in '23 and the redemption of the bonds August of 2023.

I don't know if there are any questions.

Anne Adams Rabbino: So partly this is happening because taxable rates of interest are so low that it works for Wildlife to do this.

Just one last thing I wanted to tell you about. We've considered the possibility of legislative changes to the Trust’s enabling legislation, but the bottom line on this possibility is that such any changes to the legislation would require the City to be willing to support and direct the effort with the state legislature.

And that may be possible in the future when the period of the emergency/crisis over health education, hunger, and housing have abated sufficiently. But at this time, that's not really the – the City is clear that that's not really appropriate and I think we would agree with that.

Susan Henshaw Jones: Yes.

Anne Adams Rabbino: So we have no other business before the meeting?

Susan Henshaw Jones: I think we can conclude the meeting. Thank you all very, very much for being on the phone for an hour and 15 minutes and for all of your due diligence.

Lynne Sagalyn: Everybody stay safe.

Female: Thank you.

Female: Thanks, bye.

Female: Thank you, be well.

Female: Bye.

Male: Thank you.

Female: Bye.

Female: Bye.

Male: Bye.

Female: Bye.

END