RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The Continuation of the Special Meeting of the Retirement Allowance Committee was held on Thursday, December 23, 1982, at 10:00 A.M., in the Board Room, Room 734, Merchandise Mart. The following were in attendance:

Mr. W. Ashley    Mr. P. Kole
Mr. R. Fleming    Mr. D. Perk
Mr. E. Flowers    Mr. I. Thomas
Mr. J. Gallagher  Mr. J. Weatherspoon
Mr. A. Kasner

Mr. L. Morris, alternate for Mr. C. Hall, was present.
Mr. R. Goldman was present. Mr. B. Ford was present. Messrs. G. Nagle, D. Lenn and Ms. C. Cox were present. Mrs. K. Ford and Mr. E. Hamilton of Continental Bank were present. Mr. J. Anderson of the Plan Attorney's office was present. Messrs. L. Blust of Jenner & Block, Messrs. L. Silverman, H. Major and G. Bethati of Development Management Group, Inc. were present. Mr. M. Gomberg of Angell, Kaplan & Gomberg was also present.

The Vice Chairman called the meeting to order at 10:20 A.M. and asked Mr. Silverman of Development Management Group, Inc. to begin his presentation.

Mr. Silverman began his presentation by introducing himself, his associates and explaining their function. Mr. Silverman gave a slide presentation of the property at 3660 N. Lake Shore Drive for which his group is seeking a loan in the amount of $4,140,000.00 in order to build a complex of multi-level housing units. Mr. Silverman noted that the construction of the dwellings would be done in three
phases; Phase I would be a high-rise building comprising 560 units with garage and available space for a supermarket and other commercial shops; Phase II consists of 46 townhouses - with construction to begin approximately 9 months after the beginning of Phase I; and, Phase III will be a high-rise of 312 units, with garage, which at present is earmarked as condominiums. However, this could change to rental properties depending upon the market at the time of completion.

Mr. Silverman explained the terms of the proposed loan agreement stating that the amount of the loan was $4,140,000 for 3-1/2 years with $3.6 million to be used for the purchase of the land on which the lender would hold the first mortgage lien. The remaining $140,000 would be used as a reserve for payment of the interest for the first year. The loan would bear interest at the rate of 12 per cent per annum payable in arrears on the first anniversary of the loan. The mortgage, upon development of Phase I, would entitle the lender to have the option of either being paid out as mortgagee with interest as accrued; or, to take a 10 per cent partnership in the development of Phases II and III which would net the lender approximately $5.6 million plus the interest which they would have already collected. If unable to develop Phase I and land is sold, the lender would share 50 per cent in the profits of the sale of the land.

A discussion ensued between Mr. Silverman, Mr. Hamilton, Mr. Anderson and Committee Members regarding the land, development of the property and the terms of the agreement being proposed. Upon completion of discussion, Mr. Silverman and associates retired
from the meeting room in order that the Committee could discuss the matter further.

The Chairman asked the Trustee and Counsel to give comments on this real estate venture. Mr. Hamilton stated that it was the Trustee's opinion that basically the proposed agreement was reasonable. However, in terms of the rate of interest on the loan he felt that the rate should be in the area of 14 or 14-1/2 per cent, plus the 10 per cent equity participation. Mr. Anderson stated that a first lien on the property can be created which, under the worse circumstances, we could foreclose upon and take title of the property and in turn offer it for sale. As to the 10 per cent participation, it is difficult to respond on this matter because he could not give any assurance that a 10 per cent participation, no matter how structured, would necessarily be legally enforceable. There is no case law in existence at this time that would enable any practitioner to give what is called an "attorney's opinion" to the effect that the 10 per cent participation would be enforceable. However, if structured properly it can be made enforceable.

A discussion ensued between Mr. Anderson and the Committee Members during which Mr. Anderson explained the organizational structure of parties involved at present and what the Fund's position would be if the decision was made to invest in the project.

The Chairman asked for a brief recess in order that the Real Estate Sub-Committee could caucus. Upon return, of the subcommittee, the Chairman requested that the Minutes reflect that the board and Committee as a whole have received reports from the Fund's consultant, Bob Harrell; the Trustee, Continental Bank, and
Dr. R. Zerbst with respect to investing in the real estate at 3660 N. Lake Shore Drive and at this time would like to present a summary of these reports. The Continental Bank indicated that on a transaction of this type a reasonable rate of interest would be from 14 to 14-1/2 per cent plus 10 per cent equity participation. Our consultant, R. Harrell, has informed us that such a return on investment, in light of the fact that the Committee has previously set up mechanical rules whereby we will invest 20 per cent in fixed income, would be compatible with these objectives. Dr. Zerbst, who was asked to specifically review this transaction, has indicated to the Committee that this investment is reasonably prudent. Based on the representation of counsel for the Fund that with a good first lien and a 14 per cent interest rate, plus a good appraisal substantiating the one previously submitted by the developer, the Committee could make such an investment which would be considered reasonably prudent. The Chairman stated, with all these things in mind, he would like a recommendation from the Real Estate Sub-Committee on which the Committee could vote. Mr. Weatherspoon stated that the recommendation of the Real Estate Sub-Committee of the Chicago Transit Authority Retirement Committee was that we accept the proposed agreement submitted by Mr. Silverman for the investment of $4,140,000 in the property at 3660 N. Lake Shore Drive with a 14 per cent interest rate, Mr. Kole seconded the resolution and the Committee unanimously agreed. The Chairman requested that the record show that the resolution of the Real Estate Sub-Committee passed unanimously and that there be an addendum to the resolution to show that the Committee as whole authorized the sub-committee to negotiate with Mr. Silverman
on the 14 per cent interest rate as opposed to the 12 per cent originally stated.

The Secretary asked Mr. Hamilton how soon the appraisal of the land would be available. Mr. Hamilton responded that he had contacted an appraiser and was awaiting a response which he felt he would receive that afternoon.

The Chairman asked for a recess in order that the Real Estate Sub-Committee could meet with Mr. Silverman regarding the 14 per cent interest rate and appraisal of the property. Upon return, Mr. Weatherspoon stated that the 14 percent interest rate and appraisal of the property had been presented to Mr. Silverman who agreed to both terms.

The Chairman requested that the Committee's attorneys meet with Mr. Silverman's attorneys to begin the necessary paper work. The Chairman noted that only in the event that the appraisals were different to the extent that it would jeopardize the Fund's first lien should the attorney or Continental return to the Committee.

The Chairman then brought up an item of new business by stating that normally the Retirement Plan Budget is presented to the CTA Board, however, both labor and management agreed that the budget be presented to the Retirement Committee prior to presentation to the Board next year and asked that a budget presentation be made at the January 17, 1983 Committee Meeting.

There being no further business, on a motion by Mr. Weatherspoon, seconded by Mr. Thomas, the Committee unanimously agreed to adjourn at 2:24 P.M.
SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED ____________________