



HUGH L. CAREY
BATTERY PARK
CITY AUTHORITY

Hugh L. Carey Battery Park City Authority
Review of Investment Performance
Quarter Ended October 31, 2010

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Table of Contents

A	–	Summary of Aggregate Portfolio
B	–	Performance Attributes
C	–	Market Commentary

Section A – Summary of Aggregate Portfolio



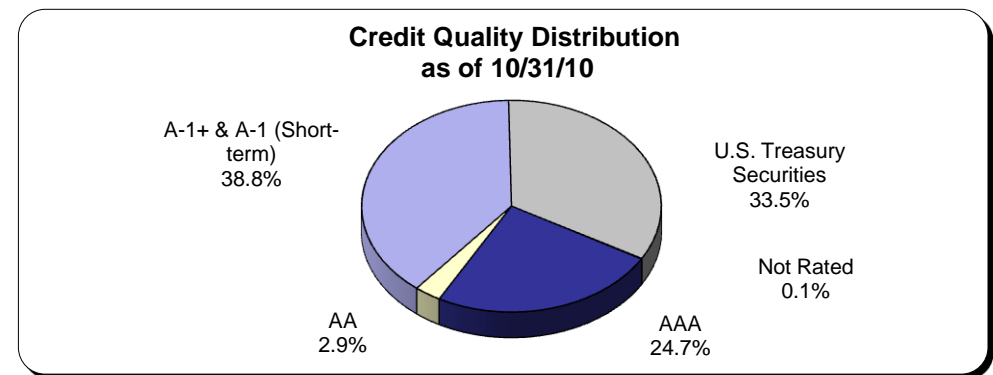
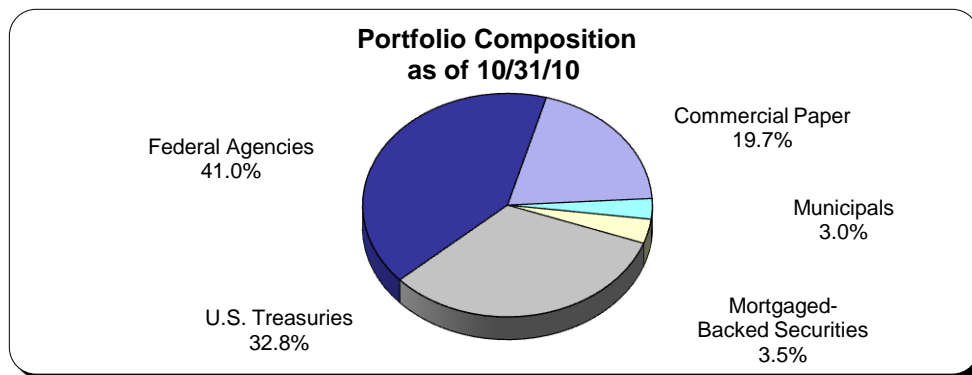
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Aggregate Portfolio Composition and Credit Quality

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>Effective Duration</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>	<u>Effective Duration</u>
U.S. Treasuries	\$206,771,915	32.8%	0.86	\$45,228,796	7.4%	3.33
Federal Agencies	\$258,588,483	41.0%	1.16	\$385,674,673	63.1%	0.87
Commercial Paper	\$124,448,261	19.7%	0.07	\$141,145,489	23.1%	0.19
Municipals	\$18,780,804	3.0%	3.80	\$18,559,991	3.0%	4.17
Mortgaged-Backed Securities	\$22,244,603	3.5%	2.70	\$20,647,691	3.4%	2.94
Totals	\$630,834,067	100.0%	0.98	\$611,256,639	100.0%	1.07

<u>Issuer Breakdown</u>	<u>October 31, 2010</u>	<u>July 31, 2010</u>
Federal Agencies (includes Mortgaged-Backed Securities)²		
Freddie Mac	\$46,432,169	\$179,970,352
Fannie Mae	\$85,926,493	\$119,384,721
Federal Home Loan Bank	\$129,045,655	\$86,888,233
Commercial Paper²		
Bank of Nova Scotia NY	\$29,519,107	\$28,508,090
Barclay's U.S. Funding LLC	\$997,440	\$37,151,521
General Electric Capital Corporation	\$11,811,972	\$30,530,335
General Electric Company	\$24,994,175	\$0
Municipal Issuers²		
NY State Housing Finance Authority	\$600,106	\$600,118

<u>Issuer Breakdown</u>	<u>October 31, 2010</u>	<u>July 31, 2010</u>
Federal Farm Credit Bank	\$14,588,115	\$14,778,870
Ginnie Mae	\$4,840,655	\$5,300,188
Rabobank USA	\$0	\$699,988
Toyota Motor Credit Corporation	\$4,331,359	\$8,993,808
US Bank NA	\$25,994,610	\$35,261,747
Wells Fargo & Co.	\$26,799,598	\$0
New York City	\$18,180,699	\$17,959,873



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

2. Pursuant to the Authority Investment Policy, investments in obligations other than those backed by the full faith and credit of the U.S. Government are limited to a maximum of \$250 million per issuer.

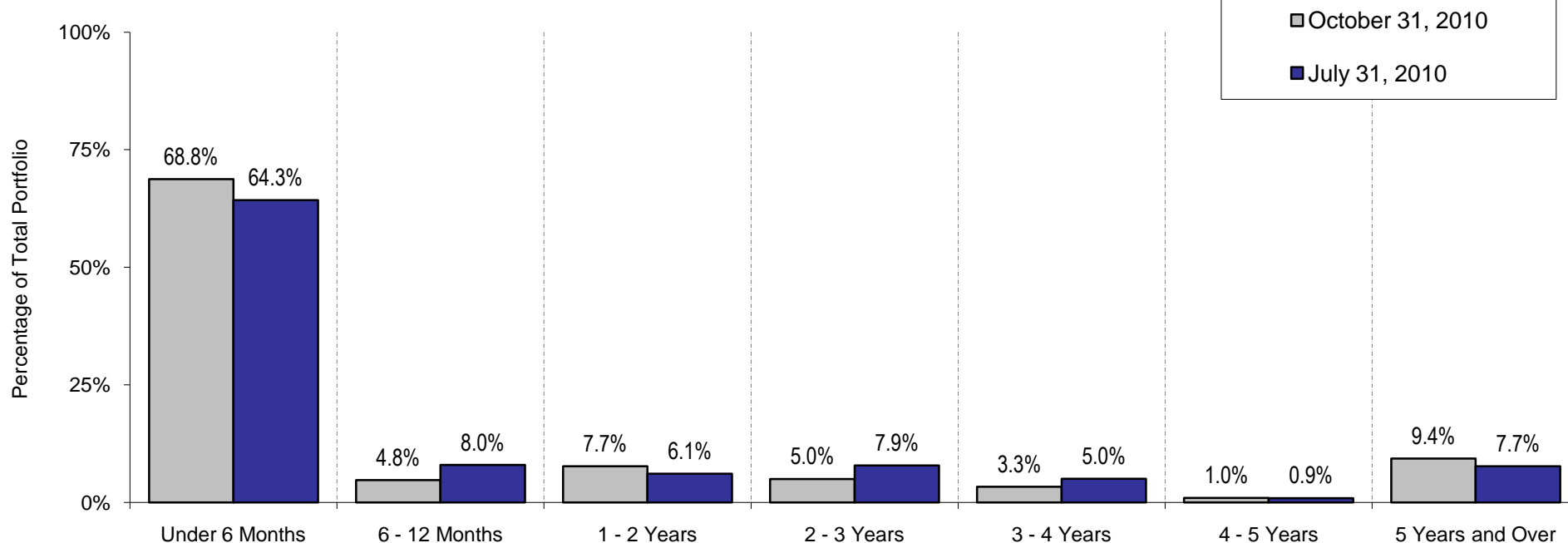
In addition to the PFM-managed funds listed above, BPCA, with oversight by its Investment Committee, maintains the following outside investment(s):

a) Pier A Funding - \$11.9 held in a Chase Public Funds Commercial MMDA as of October 31, 2010, earning 0.15%

Aggregate Portfolio Maturity Structure

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>	<u>Qtr-over-Qtr % Change</u>
Under 6 Months	\$433,789,221	68.8%	\$392,963,788	64.3%	4.48%
6 - 12 Months	\$30,084,560	4.8%	\$48,802,762	8.0%	(3.21%)
1 - 2 Years	\$48,704,819	7.7%	\$37,530,020	6.1%	1.58%
2 - 3 Years	\$31,690,465	5.0%	\$48,108,100	7.9%	(2.85%)
3 - 4 Years	\$21,111,327	3.3%	\$30,857,349	5.0%	(1.70%)
4 - 5 Years	\$6,324,215	1.0%	\$5,701,305	0.9%	0.07%
5 Years and Over	\$59,129,461	9.4%	\$47,293,314	7.7%	1.64%
Totals	\$630,834,067.25	100.0%	\$611,256,639	100.0%	

Aggregate Portfolio Maturity Distribution



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Section B – Performance Attributes



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Information contained in Section B

- Breakdown of Portfolio Value by Account: B-1 – B-2
- Portfolio Strategy Recap and Market Outlook: B-3
- Summary of Total Return Accounts' Performance: B-4
- *Performance Summaries*
 - Longer Term Strategy: B-5 – B-12
 - Short Term Strategy: B-13 – B-16

Breakdown of Portfolio Value by Account

Total Return Accounts

	<u>October 31, 2010</u>		<u>July 31, 2010</u>		
<u>Longer Term Investment Strategy</u>	<u>Market Value</u>	<u>Effective Duration</u>	<u>Market Value</u>	<u>Effective Duration</u>	<u>Market Value Change</u>
2003 Reserve Fund	\$73,025,081	3.66	\$74,691,296	3.39	(\$1,666,215)
BPCPC Operating Reserve	\$962,297	3.72	\$1,148,968	2.87	(\$186,672)
BPCPC Operating Reserve Contingency	\$19,149,308	3.62	\$18,866,413	3.31	\$282,895
Insurance Fund	\$5,057,063	3.62	\$4,980,567	3.22	\$76,496
Operating Budget Reserve	\$8,881,404	3.60	\$8,747,565	3.25	\$133,839
BPCA Other Post Employment Benefits	\$17,665,736	3.61	\$17,410,665	3.22	\$255,071
BPCPC Other Post Employment Benefits	\$7,178,177	3.63	\$7,061,982	3.14	\$116,195
Short Term Investment Strategy					
2003 Pledged Revenue	\$282,996,620	0.11	\$258,153,567	0.21	\$24,843,053
2003 Project Operating Fund	\$7,301,706	0.13	\$3,583,575	0.25	\$3,718,131
Joint Purpose Fund	\$35,997	0.07	\$35,998	0.05	(\$1)
Subtotal of Total Return Accounts	\$422,253,390	1.21	\$394,680,596	1.26	\$27,572,794

	<u>October 31, 2010</u>		<u>July 31, 2010</u>		
<i>Other BPCA Accounts</i>	<u>Market Value</u>	<u>Effective Duration</u>	<u>Market Value</u>	<u>Effective Duration</u>	<u>Market Value Change</u>
2000 Arbitrage Rebate	\$774,742	1.81	\$771,917	0.06	\$2,825
1993 Unpledged Revenue	\$1,852,765	0.11	\$1,247,366	0.24	\$605,399
2003 Debt Service Senior Payments	\$27,995,048	0.16	\$25,059,770	0.40	\$2,935,279
2003 Project Costs Subaccount	\$0	0.00	\$0	0.00	\$0
2003 Residual Fund	\$116,989	0.07	\$114,964	0.22	\$2,025
Corporate Funds	\$2,159,110	0.35	\$2,396,941	0.24	(\$237,831)
Debt Service Junior Payments	\$53,194,301	0.00	\$56,940,686	0.19	(\$3,746,385)
Hudson View W Towers G	\$162,964	0.13	\$162,848	0.38	\$115
Hudson Towers E/F	\$198,955	0.13	\$198,815	0.38	\$141
Hudson View Towers C	\$178,960	0.13	\$178,833	0.38	\$127
Liberty Terr Mariners Cove-K	\$588,868	0.13	\$588,452	0.38	\$417
Liberty House Mariners J	\$515,885	0.13	\$515,520	0.38	\$365
Liberty Ct Mariners Cove B	\$1,310,707	0.13	\$1,309,779	0.38	\$927
Liberty Battery Place Assoc 4	\$476,893	0.13	\$476,556	0.38	\$337
Millenium	\$3,495,218	0.13	\$3,492,745	0.38	\$2,473
Rector Park L	\$31,993	0.20	\$31,997	0.07	(\$4)
The Regatta Site 10	\$462,896	0.13	\$462,569	0.38	\$328
Soundings Rector Park A	\$202,955	0.13	\$202,811	0.38	\$144
South Cove Assoc 11	\$379,915	0.13	\$379,646	0.38	\$269
Special Fund	\$34,432,199	0.96	\$35,245,138	1.28	(\$812,939)
BPCA Millenium Tower Security Fund 2A	\$2,918,347	0.13	\$2,916,282	0.38	\$2,065
BPCA S 16/17 Riverhouse Security Fund	\$6,190,959	0.10	\$6,186,811	0.35	\$4,148
BPCA Goldman Sachs Liberty Contribution Fund	\$295,905	0.12	\$1,805,854	0.04	(\$1,509,949)
BPCA Visionaire Security Fund	\$2,554,193	0.19	\$2,421,524	0.44	\$132,669
BPCA Series 2009A Cost of Issuance	\$0	0.00	\$0	0.00	\$0
BPCA Series 2009B Cost of Issuance	\$0	0.00	\$0	0.00	\$0
BPCA Series 2009A Project Costs	\$41,524,108	0.93	\$44,241,362	1.11	(\$2,717,254)
BPCA Series 2009B Project Costs	\$26,565,803	0.93	\$29,226,857	1.03	(\$2,661,054)
Subtotal of Other BPCA Accounts	\$208,580,677	0.51	\$216,576,042	0.71	(\$7,995,365)

Total	\$630,834,067	0.98	\$611,256,639	1.07	\$19,577,428
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Breakdown of Portfolio Value by Strategy

	<u>October 31, 2010</u>			<u>July 31, 2010</u>			<u>Market Value Change</u>
	<u>Market Value</u>	<u>Effective Duration</u>	<u>% of Total BPCA Portfolio</u>	<u>Market Value</u>	<u>Effective Duration</u>	<u>% of Total BPCA Portfolio</u>	
<i>Total Return Accounts</i>							
<u>Longer Term Investment Strategy</u>	\$131,919,067	3.64	20.9%	\$132,907,457	3.32	21.7%	(\$988,390)
<u>Short Term Investment Strategy</u>	\$290,334,323	0.11	46.0%	\$261,773,140	0.22	42.8%	\$28,561,184
<u>Subtotal of Total Return Accounts</u>	<u>\$422,253,390</u>	<u>1.21</u>	<u>66.9%</u>	<u>\$394,680,596</u>	<u>1.26</u>	<u>64.6%</u>	<u>\$27,572,794</u>
<i>Other BPCA Accounts</i>							
<u>Subtotal of Other BPCA Accounts</u>	<u>\$208,580,677</u>	<u>0.51</u>	<u>33.1%</u>	<u>\$216,576,042</u>	<u>0.71</u>	<u>35.4%</u>	<u>(\$7,995,365)</u>
<u>Total BPCA Portfolio</u>	<u>\$630,834,067</u>	<u>0.98</u>	<u>100.0%</u>	<u>\$611,256,639</u>	<u>1.07</u>	<u>100.0%</u>	<u>\$19,577,428</u>

Portfolio Strategy Recap

- The Battery Park City Authority portfolios are in compliance with the Authority's investment policy.
- The Authority's portfolios are of very high quality and are well diversified among sectors and issuers. In aggregate, the allocation to U.S. Treasuries increased during the quarter to 32.8% from 7.4%, while Federal Agency exposure was decreased to 41.0% from 63.1%. This increase in U.S. Treasury allocation was attributed to fiscal year-end spreads between Treasury and Agency securities being at extremely narrow levels, with the majority of the increase seen in the 2003 Pledged Revenue Fund. Although declining modestly quarter-over-quarter, exposure to the Commercial Paper sector maintained allocations of approximately 20%, as these securities continue to add value to the Authority's portfolios relative to similar short-term U.S. Treasury and Federal Agency securities.
- Throughout the quarter ending October 31, 2010, the Investment Committee focused new security purchases on specific sectors, dependent on yield curve position. For short-term investments, U.S. Treasury Bills and Commercial Paper added the most value to the Authority's portfolios, while for longer-term accounts, duration extension purchases of U.S. Treasury and Federal Agency securities were focused in the 4-10 year range, capturing the steepest part of the yield curve .
- Generally, because of the Federal Open Market Committee's resolve to keep the Federal Funds Target Rate in the 0% to 0.25% range for an "extended period," PFM will position shorter-term portfolios longer than their benchmark. Given these conditions, the Authority's portfolios were positioned slightly longer than their benchmarks at the beginning of the quarter. Additionally, investment strategy for the 2003 Pledged Revenue Fund was dictated by fiscal year-end trade restrictions. As a result of these strategies, third quarter 2010 returns for the 2003 Pledged Revenue Fund and the 2003 Project Operating Fund outperformed the Merrill Lynch 3-Month Treasury Bill Index by 2 basis points (0.023%) and 8 basis points (0.079%), respectively. The Joint Purpose Fund ended the quarter in line with the benchmark performance.
- Expectations of QE2 drove yields lower and was the driving force behind the reallocation to U.S. Treasuries throughout the quarter . The continuation of dramatic declines in interest rates and the flattening of the yield curve impacted returns significantly during the quarter. The decline in yields had a positive effect on market valuations in most portfolios. Generally, the longer the duration of a portfolio or security the better the performance during the quarter.
- Returns in longer-term portfolios were very good on an absolute basis, but lagged the respective benchmark during the quarter. Among the seven (7) funds managed on a long-term performance basis, absolute returns for the third quarter 2010 ranged from 1.27% to 1.55%. Despite extending durations throughout the quarter, durations of the longer-term portfolios ended the quarter short of the benchmark and, therefore, were responsible for the relative underperformance, ranging from 58 basis points (0.58%) to 30 basis points (0.30%). Since inception, however, returns continue to outperform the benchmark.

Market Outlook

Economic releases throughout the third quarter had little impact on the market as participants focused on the potential for additional Quantitative Easing (QE2). The debate recently has shifted firmly from the likelihood of purchases to the amount and timing of additional purchases. Furthermore, the Fed is not the only central bank considering asset purchases to boost the world economy. The Bank of Japan announced that it would purchase ¥5 trillion in assets. This announcement had an almost immediate impact on the short-term U.S. Treasury market and equity markets. The Bank of England has also considered similar purchases of government and possibly mortgage-backed debt. Although some Fed officials remain skeptical about the need for additional purchases, the majority seem ready to expand the Fed's balance sheet. In the face of further purchases, the Fed has made it clear that members of the FOMC are concerned inflation may decline further. After remaining unchanged for two months, Core CPI fell to a 49 year low of just 0.8% in September. The Fed seems ready to act as it deems necessary to avoid a deflationary environment.

Total Return Portfolio Attributes

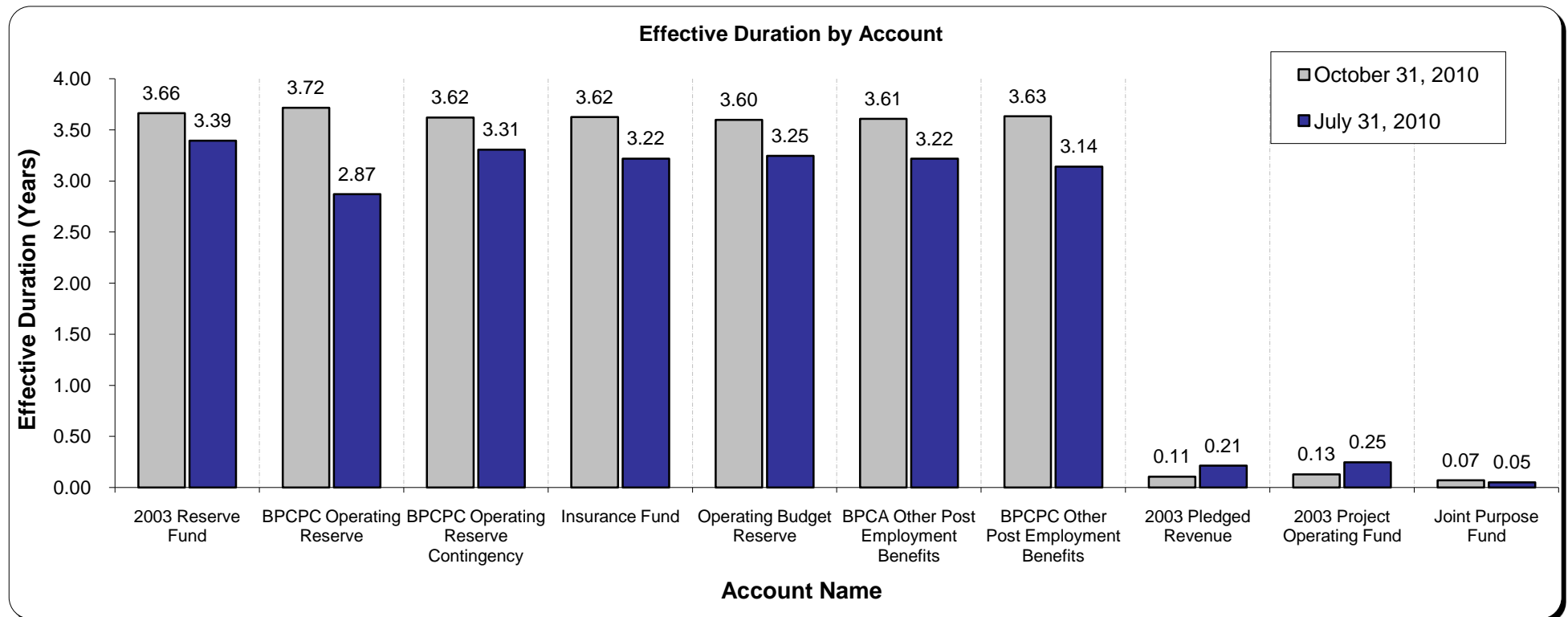
Yields	Effective Duration (in years)		Yield To Maturity - At Market		Yield To Maturity - On Cost	
	October 31, 2010	July 31, 2010	October 31, 2010	July 31, 2010	October 31, 2010	July 31, 2010

Longer Term Investment Strategy

2003 Reserve Fund	3.66	3.39	1.60%	1.64%	3.56%	3.69%
BPCPC Operating Reserve	3.72	2.87	1.62%	1.49%	3.84%	3.77%
BPCPC Operating Reserve Contingency	3.62	3.31	1.89%	1.98%	3.55%	3.63%
Insurance Fund	3.62	3.22	1.34%	1.46%	3.36%	3.45%
Operating Budget Reserve	3.60	3.25	1.87%	1.95%	3.67%	3.73%
BPCA Other Post Employment Benefits	3.61	3.22	1.23%	1.30%	3.49%	3.61%
BPCPC Other Post Employment Benefits	3.63	3.14	1.23%	1.21%	2.12%	1.94%

Short Term Investment Strategy

2003 Pledged Revenue	0.11	0.21	0.14%	0.24%	0.13%	0.25%
2003 Project Operating Fund	0.13	0.25	0.18%	0.41%	0.21%	0.42%
Joint Purpose Fund	0.07	0.05	0.12%	0.13%	0.13%	0.15%



Portfolios managed with a Longer Term Investment Strategy

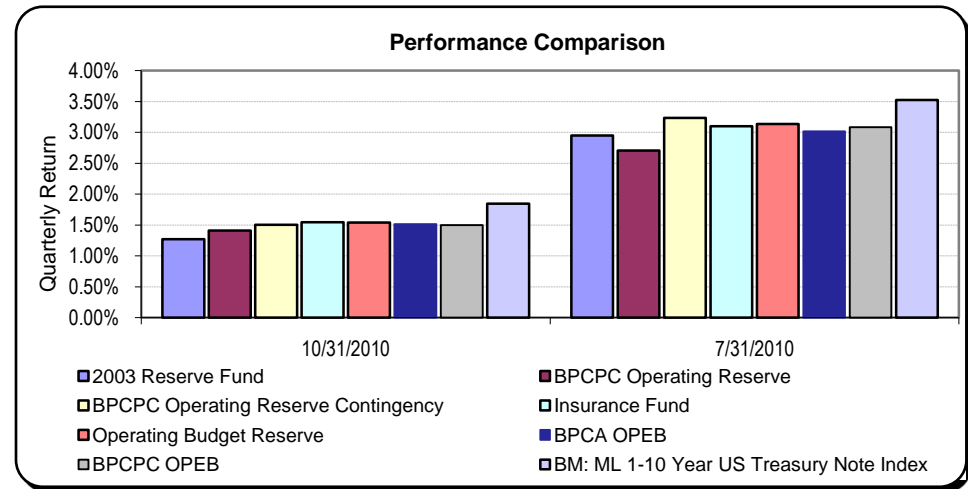
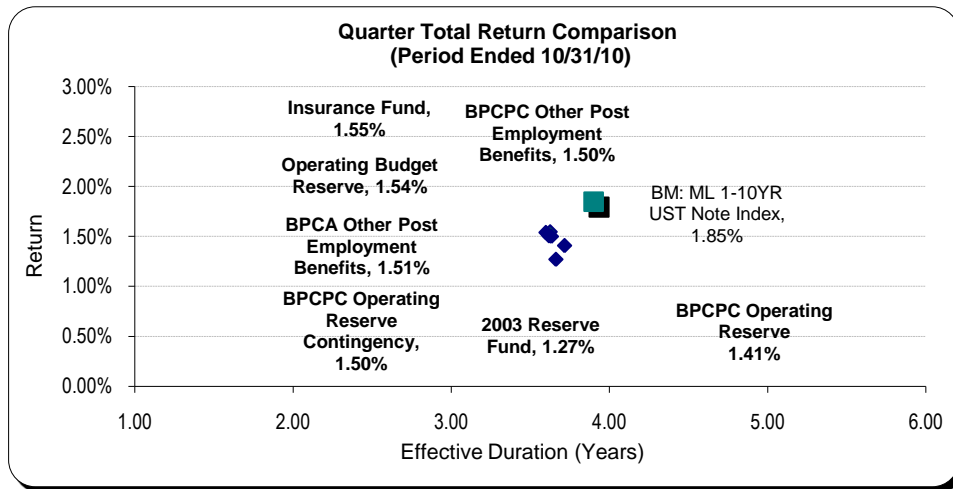


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Longer Term Investment Strategy

Total Return ^{1,2,4,5}	October 31, 2010	Annualized Quarter	Since Inception ⁵	Annualized Since Inception
2003 Reserve Fund	1.27%	5.14%	32.94%	6.18%
BPCPC Operating Reserve	1.41%	5.71%	33.64%	6.29%
BPCPC Operating Reserve Contingency	1.50%	6.10%	36.52%	6.77%
Insurance Fund	1.55%	6.27%	37.36%	6.91%
Operating Budget Reserve	1.54%	6.25%	37.35%	6.91%
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	1.85%	7.53%	32.79%	6.15%
BPCA Other Post Employment Benefits	1.51%	6.14%	17.11%	5.91%
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	1.85%	7.53%	15.09%	5.24%
BPCPC Other Post Employment Benefits	1.50%	6.08%	5.20%	7.35%
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	1.85%	7.53%	5.98%	8.46%

Effective Duration (in years) ³	October 31, 2010	July 31, 2010
2003 Reserve Fund	3.66	3.39
BPCPC Operating Reserve	3.72	2.87
BPCPC Operating Reserve Contingency	3.62	3.31
Insurance Fund	3.62	3.22
Operating Budget Reserve	3.60	3.25
BPCA Other Post Employment Benefits	3.61	3.22
BPCPC Other Post Employment Benefits	3.63	3.14
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	3.90	3.90

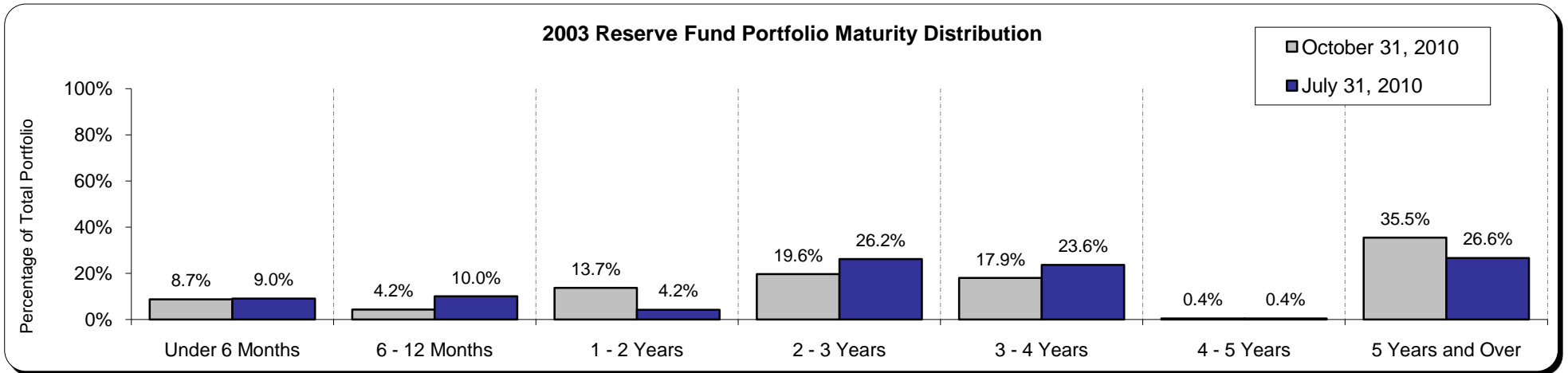
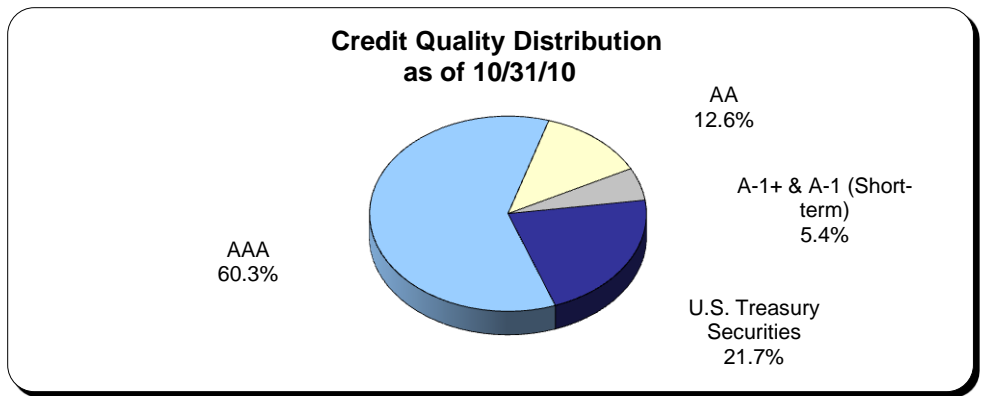
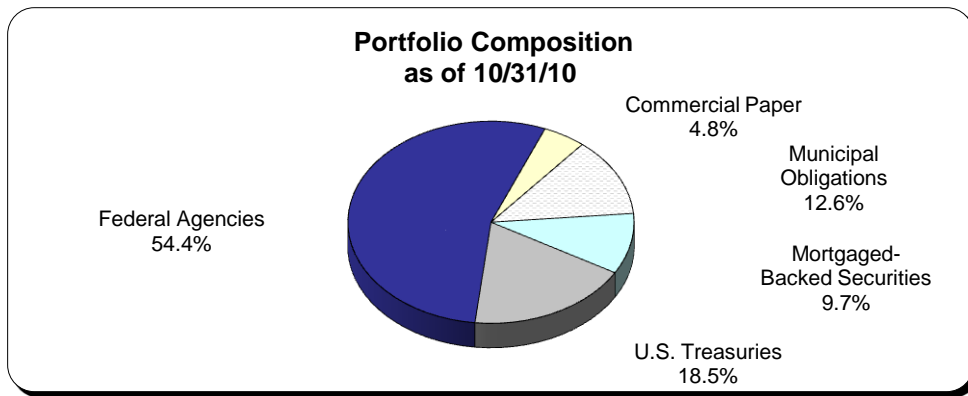


Notes:

- 1 Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards
- 2 Merrill Lynch Indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
- 3 Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
- 4 Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
- 5 Since inception performance for all portfolios other than 'BPCA Other Post Employment Benefits' and 'BPCPC Other Post Employment Benefits' is calculated from January 31, 2006 to present. Since inception performance for the BPCA Other Post Employment Benefits performance is calculated from January 31, 2008 to present. Since inception performance for the BPCPC Other Post Employment Benefits performance is calculated from February 12, 2010 to present.

2003 Reserve Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$13,479,906	18.5%	\$13,944,693	18.7%
Federal Agencies	\$39,710,999	54.4%	\$42,418,032	56.8%
Commercial Paper	\$3,536,066	4.8%	\$3,528,167	4.7%
Municipal Obligations	\$9,198,294	12.6%	\$9,207,774	12.3%
Mortgaged-Backed Securities	\$7,099,816	9.7%	\$5,592,630	7.5%
Totals	\$73,025,081	100.0%	\$74,691,296	100.0%

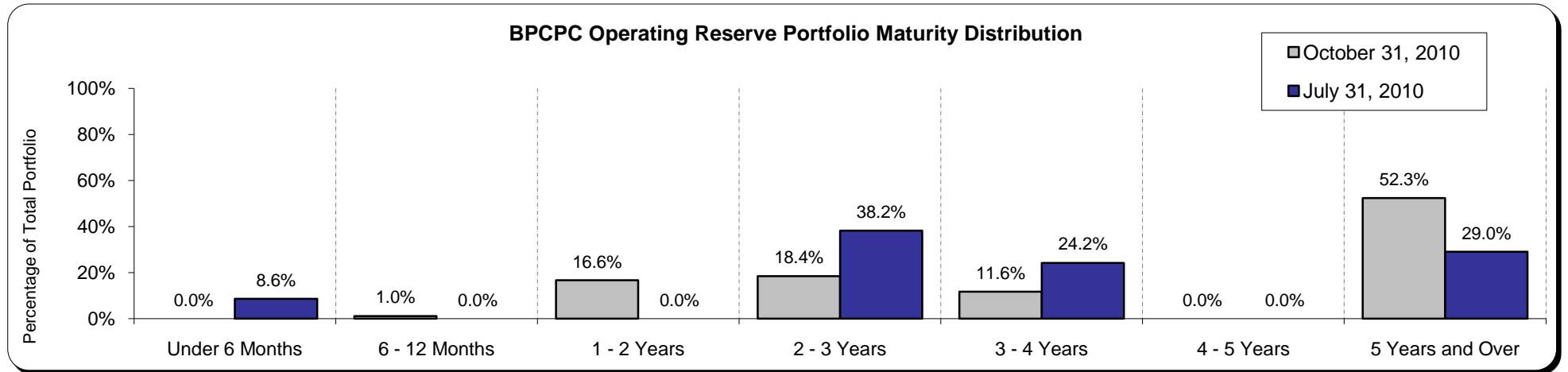
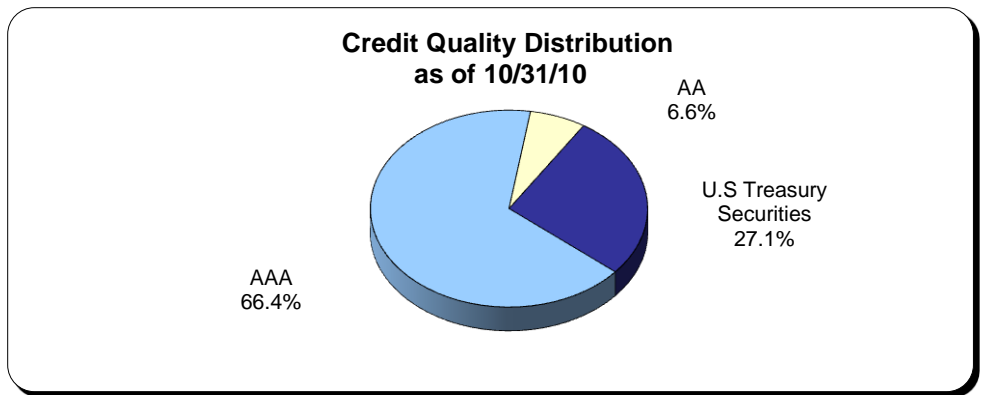
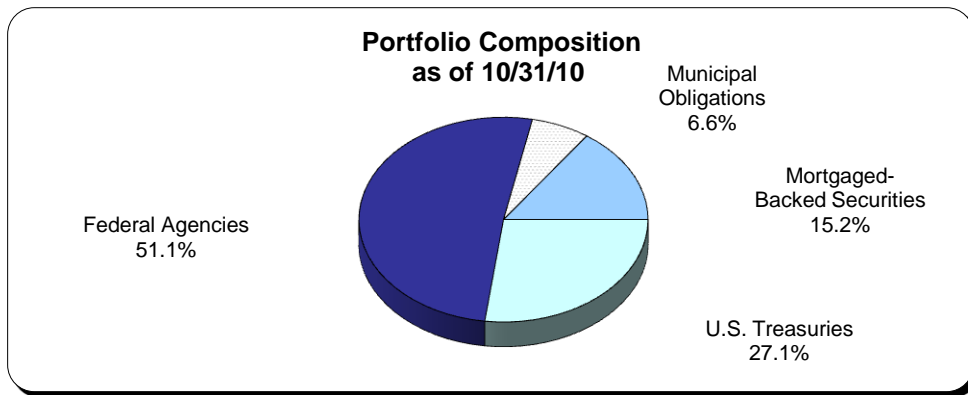


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

BPCPC Operating Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$260,503	27.1%	\$193,043	16.8%
Federal Agencies	\$492,148	51.1%	\$740,035	64.4%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$63,106	6.6%	\$64,213	5.6%
Mortgaged-Backed Securities	\$146,540	15.2%	\$151,677	13.2%
Totals	\$962,297	100.0%	\$1,148,968	100.0%

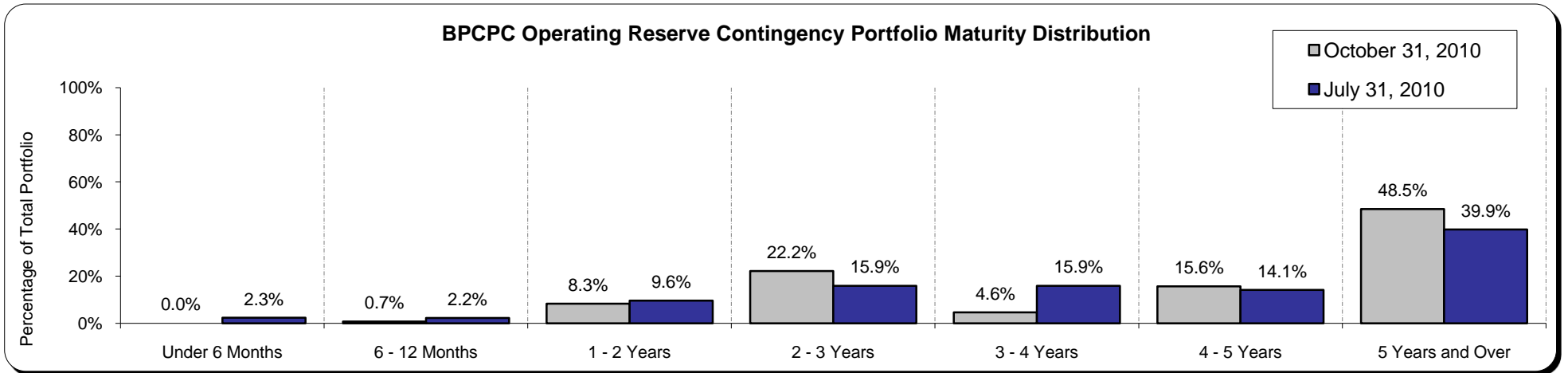
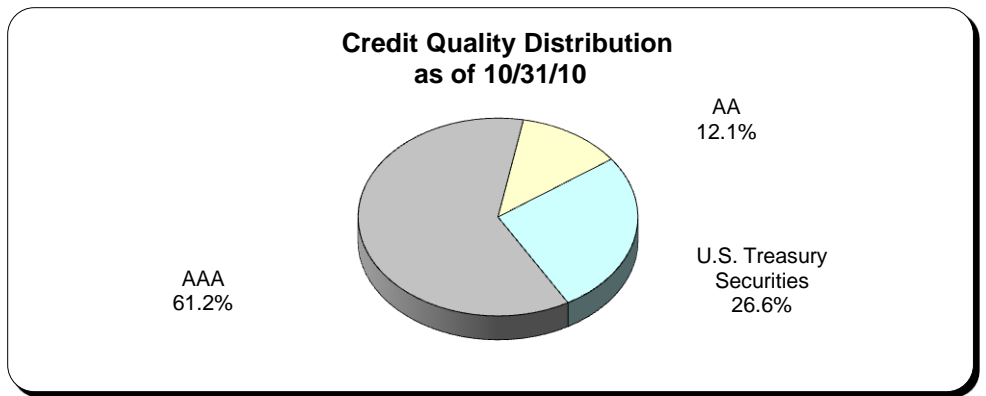
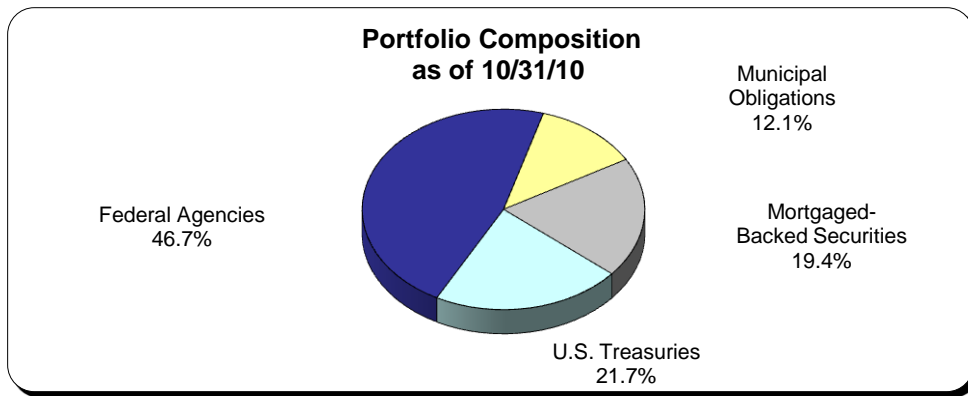


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

BPCPC Operating Reserve Contingency Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$4,157,595	21.7%	\$4,051,580	21.5%
Federal Agencies	\$8,949,634	46.7%	\$8,932,304	47.3%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$2,323,890	12.1%	\$2,329,156	12.3%
Mortgaged-Backed Securities	\$3,718,190	19.4%	\$3,553,373	18.8%
Totals	\$19,149,308	100.0%	\$18,866,413	100.0%

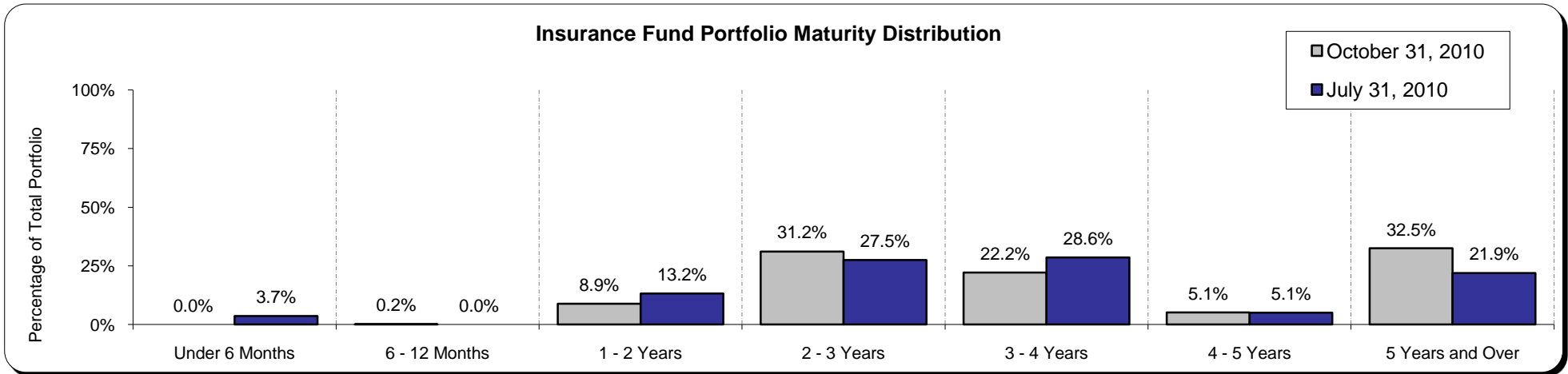
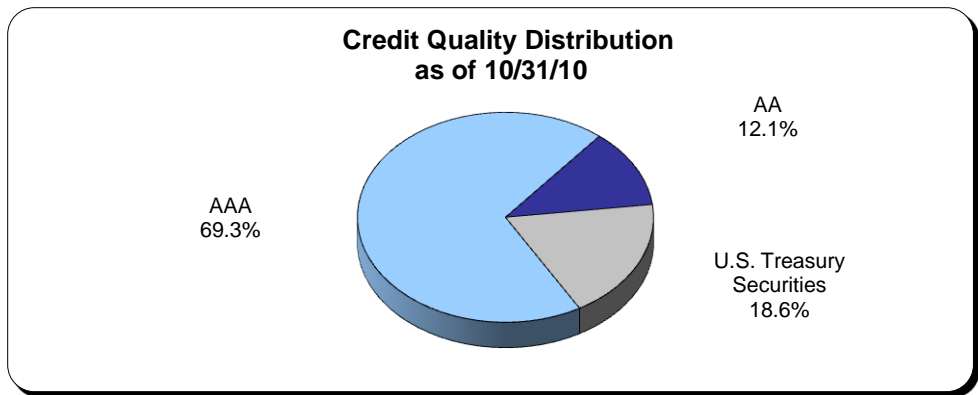
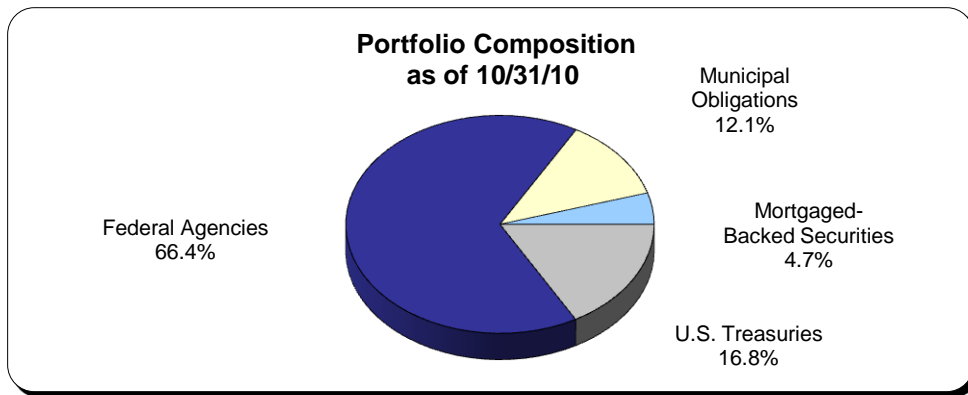


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Insurance Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$851,987	16.8%	\$710,074	14.3%
Federal Agencies	\$3,356,819	66.4%	\$3,405,315	68.4%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$612,518	12.1%	\$613,138	12.3%
Mortgaged-Backed Securities	\$235,739	4.7%	\$252,040	5.1%
Totals	\$5,057,063	100.0%	\$4,980,567	100.0%

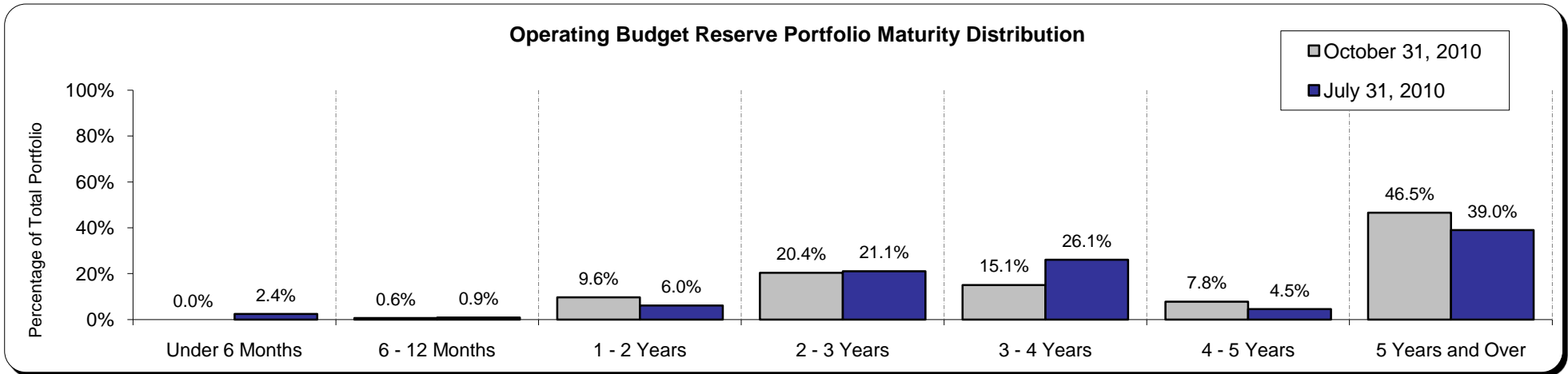
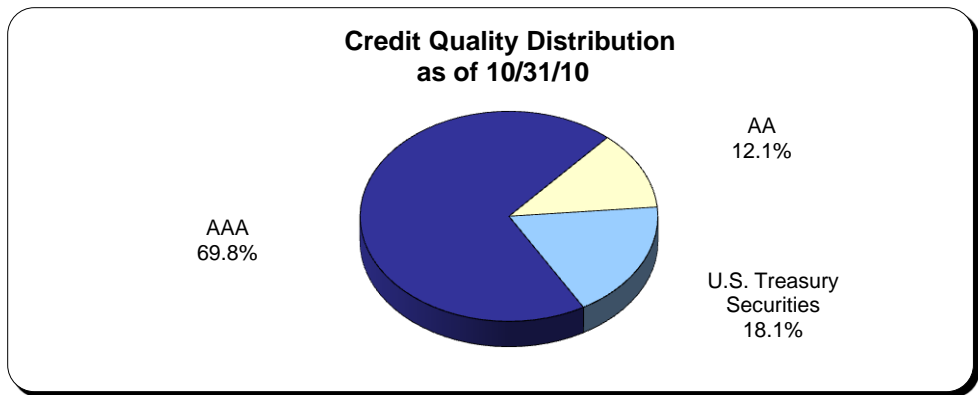
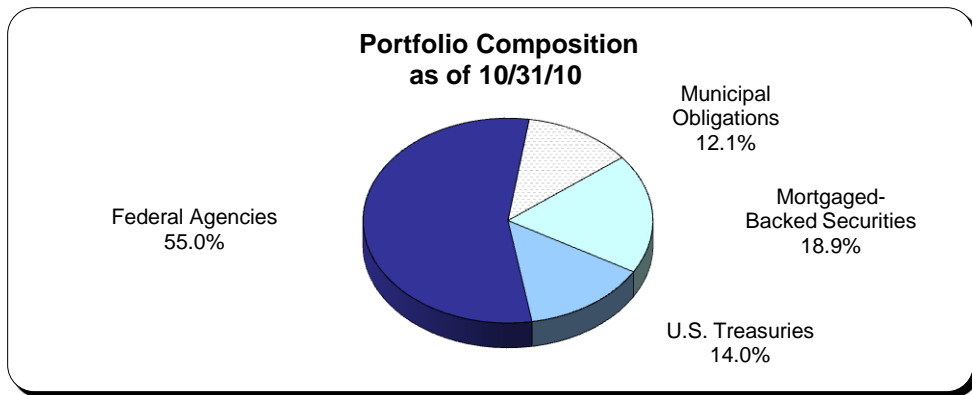


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Operating Budget Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$1,244,571	14.0%	\$925,648	10.6%
Federal Agencies	\$4,884,282	55.0%	\$5,161,615	59.0%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$1,073,443	12.1%	\$1,073,731	12.3%
Mortgaged-Backed Securities	\$1,679,108	18.9%	\$1,586,571	18.1%
Totals	\$8,881,404	100.0%	\$8,747,565	100.0%

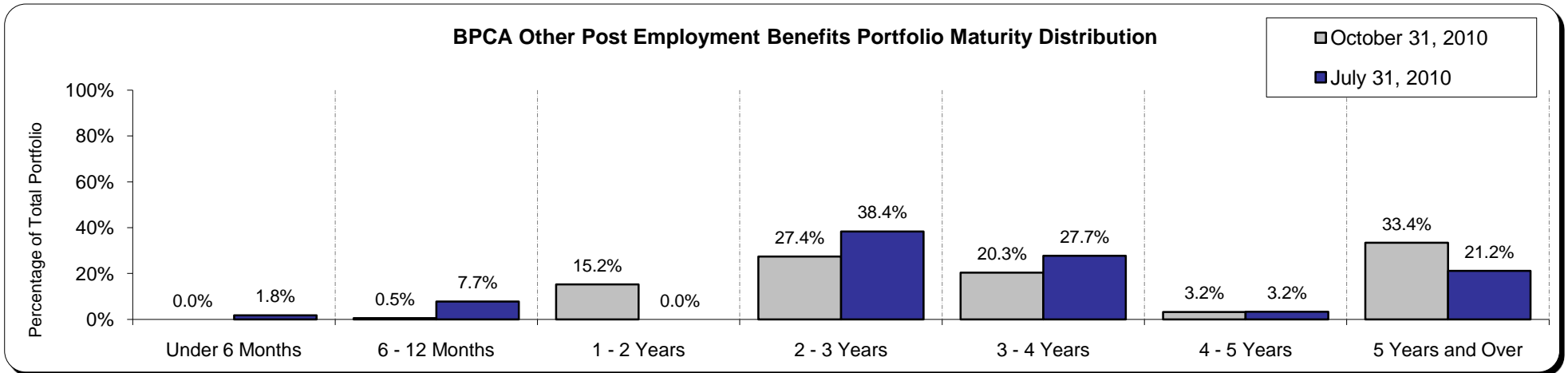
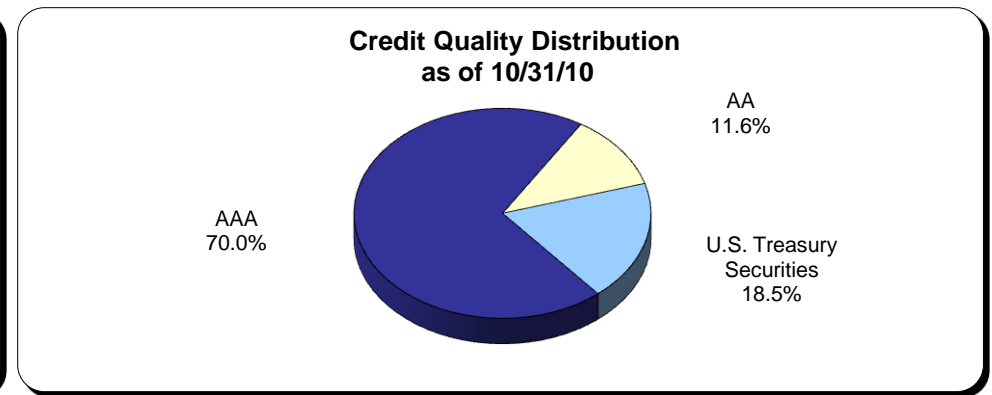
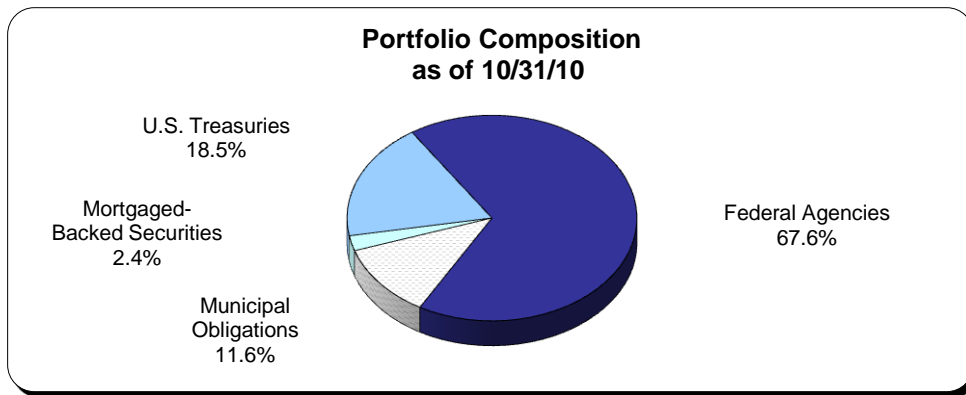


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

BCPA OPEB Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$3,264,044	18.5%	\$3,153,700	18.1%
Federal Agencies	\$11,939,029	67.6%	\$12,211,495	70.1%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$2,041,738	11.6%	\$2,045,470	11.7%
Mortgaged-Backed Securities	\$420,926	2.4%	\$0	0.0%
Totals	\$17,665,736	100.0%	\$17,410,665	100.0%

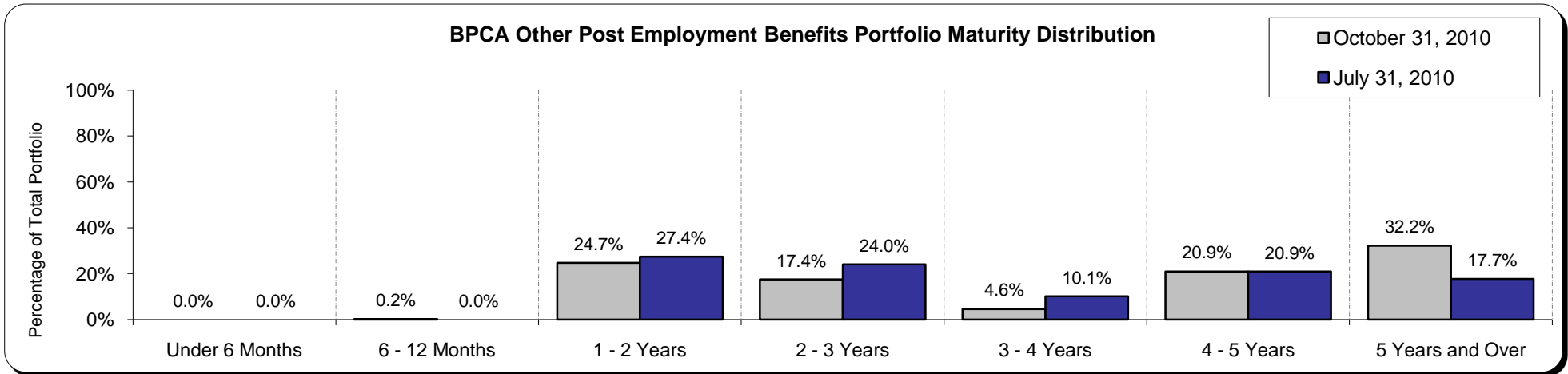
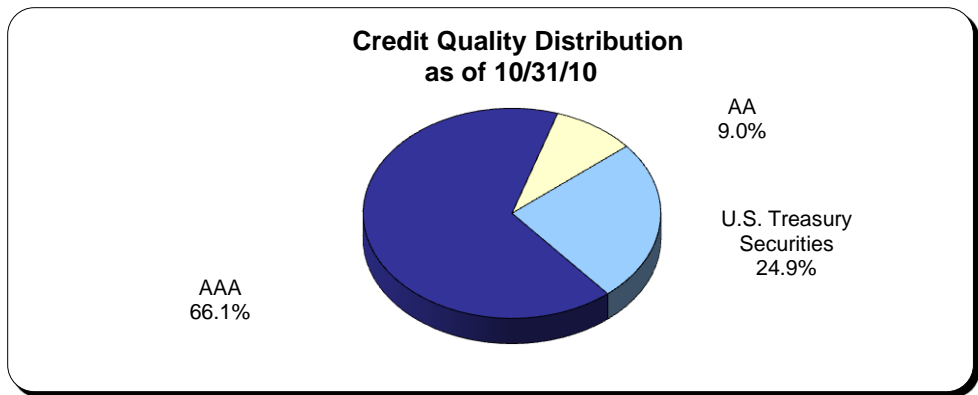
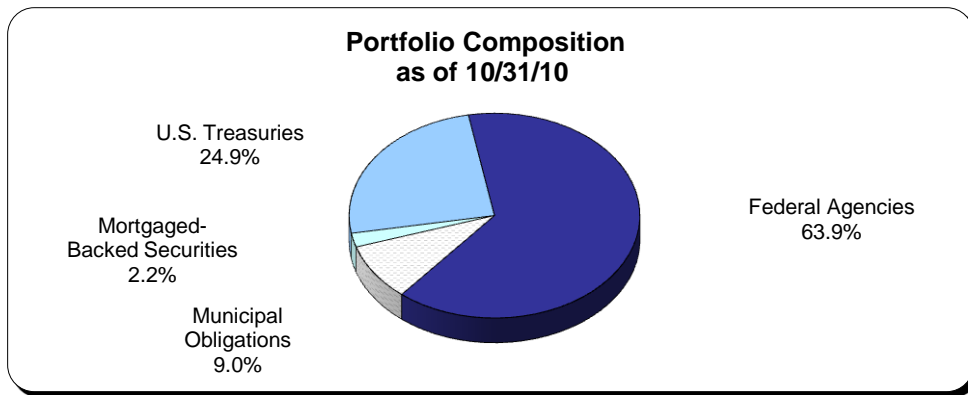


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

BPCPC OPEB Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$1,787,483	24.9%	\$1,901,744	26.9%
Federal Agencies	\$4,585,635	63.9%	\$4,763,937	67.5%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$647,213	9.0%	\$396,302	5.6%
Mortgaged-Backed Securities	\$157,847	2.2%	\$0	0.0%
Totals	\$7,178,177	100.0%	\$7,061,982	100.0%



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Portfolios managed with a Shorter Term Investment Strategy

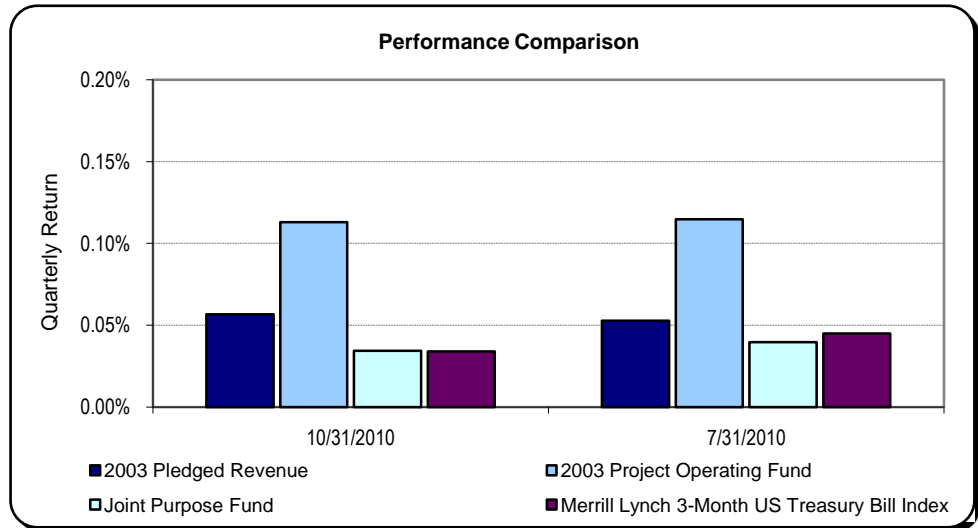
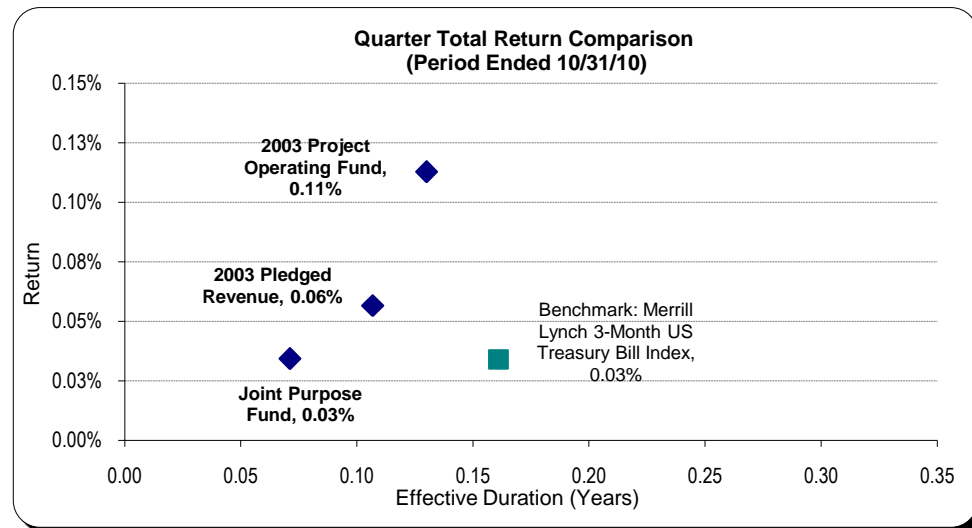


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Short Term Investment Strategy

Total Return ^{1,2,4,5}	October 31, 2010	Annualized Quarter	Since Inception ⁵	Annualized Since Inception
2003 Pledged Revenue	0.057%	0.22%	12.98%	2.60%
2003 Project Operating Fund	0.113%	0.45%	12.82%	2.57%
Joint Purpose Fund	0.034%	0.14%	13.74%	2.75%
Benchmark: Merrill Lynch 3 Month US Treasury Bill Index	0.034%	0.13%	12.36%	2.48%

Effective Duration (in years) ³	October 31, 2010	July 31, 2010
2003 Pledged Revenue	0.11	0.21
2003 Project Operating Fund	0.13	0.25
Joint Purpose Fund	0.07	0.05
Benchmark: Merrill Lynch 3-Month US Treasury Bill Index	0.16	0.16

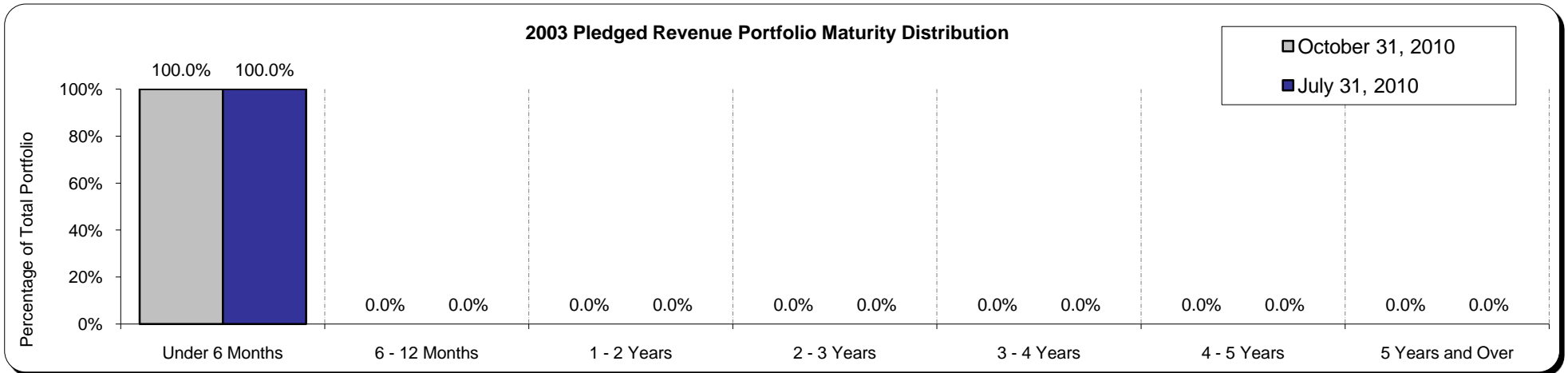
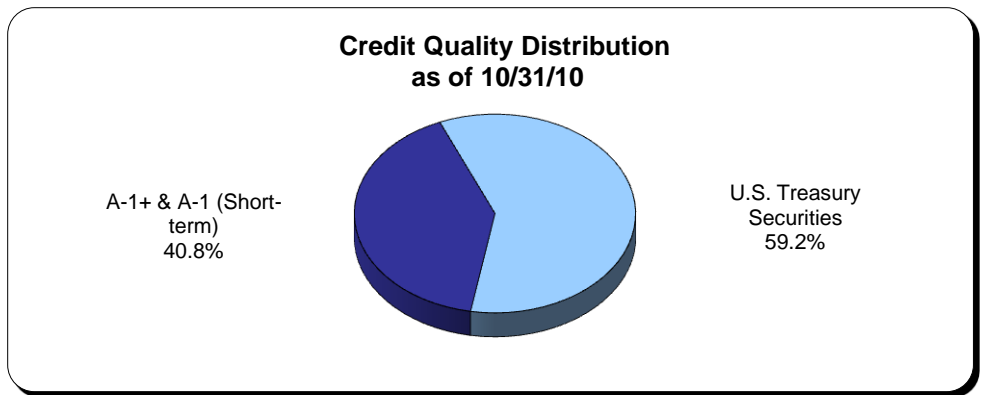
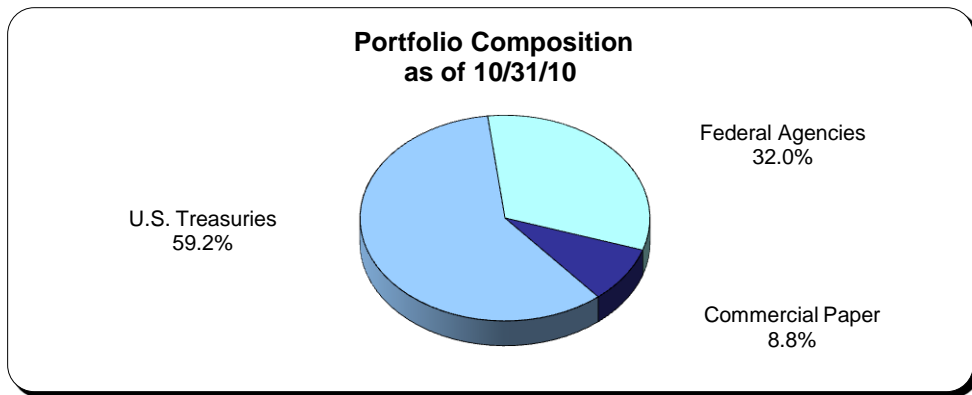


Notes:

1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards
2. Merrill Lynch Indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3. Duration is the change in the value of a security that will result from a 1% change in interest rates, stated in years.
4. Periodic performance numbers are presented both as the periodic return and on an annualized basis. The annualized return assumes the periodic return is compounded at the same rate and is presented for reference only. The actual annual return will be the result of chaining the most recent four quarterly returns.
5. Since inception performance is calculated from January 31, 2006 to present.

2003 Pledged Revenue Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$167,518,722	59.2%	\$92,999	0.0%
Federal Agencies	\$90,483,723	32.0%	\$152,863,141	59.2%
Commercial Paper	\$24,994,175	8.8%	\$105,197,426	40.7%
Municipal Obligations	\$0	0.0%	\$0	0.0%
Mortgaged-Backed Securities	\$0	0.0%	\$0	0.0%
Totals	\$282,996,620	100.0%	\$258,153,567	100.0%

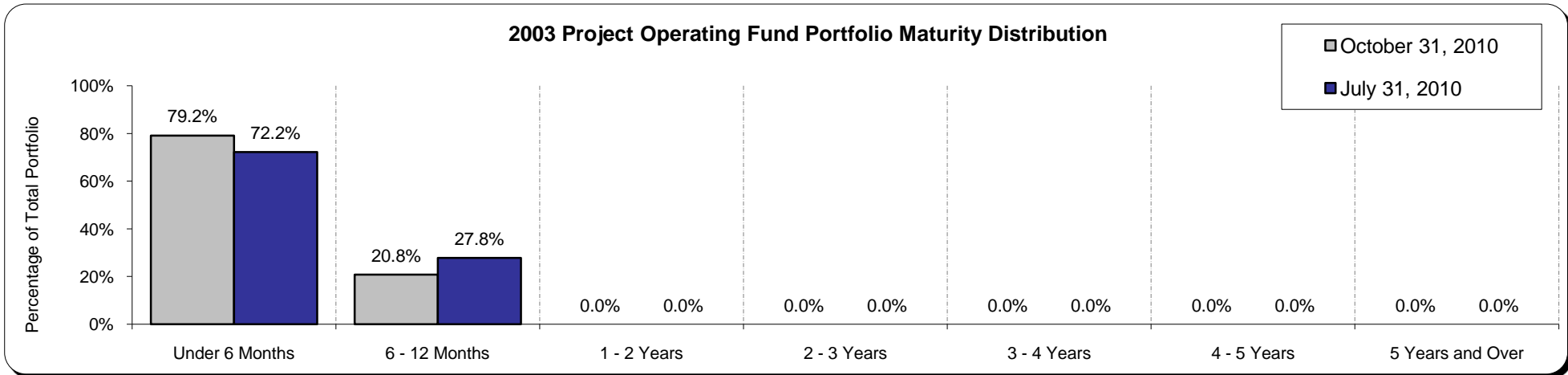
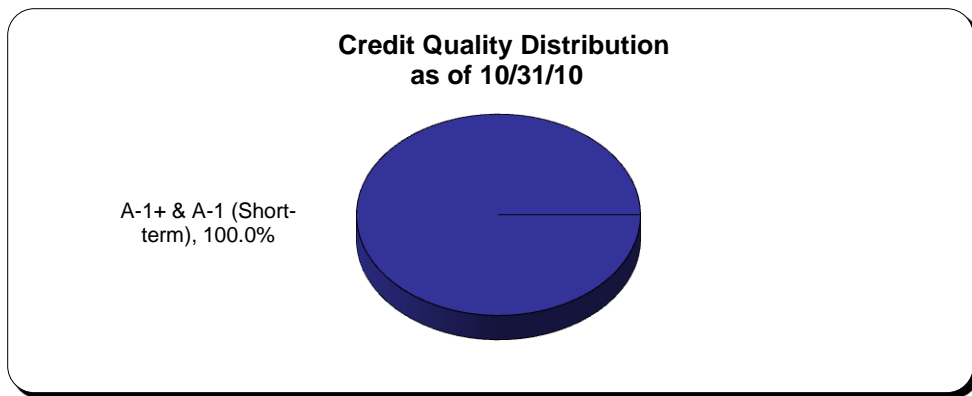
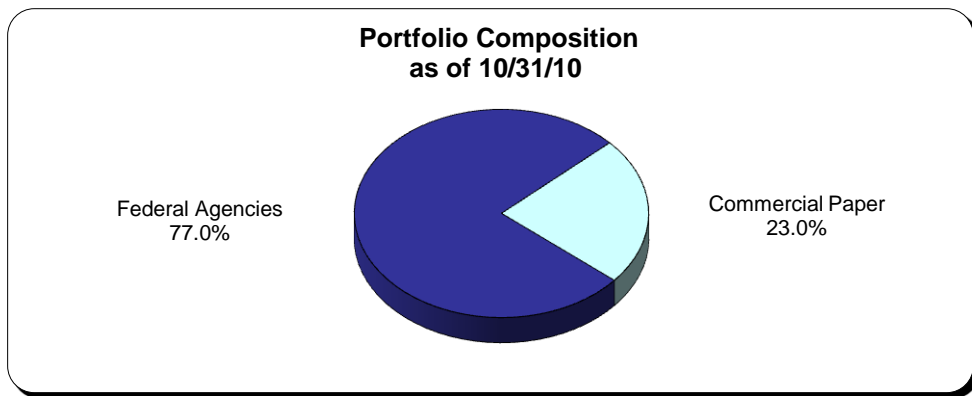


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

2003 Project Operating Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$0	0.0%	\$0	0.0%
Federal Agencies	\$5,624,334	77.0%	\$1,998,805	55.8%
Commercial Paper	\$1,677,372	23.0%	\$1,584,770	44.2%
Municipal Obligations	\$0	0.0%	\$0	0.0%
Mortgaged-Backed Securities	\$0	0.0%	\$0	0.0%
Totals	\$7,301,706	100.0%	\$3,583,575	100.0%

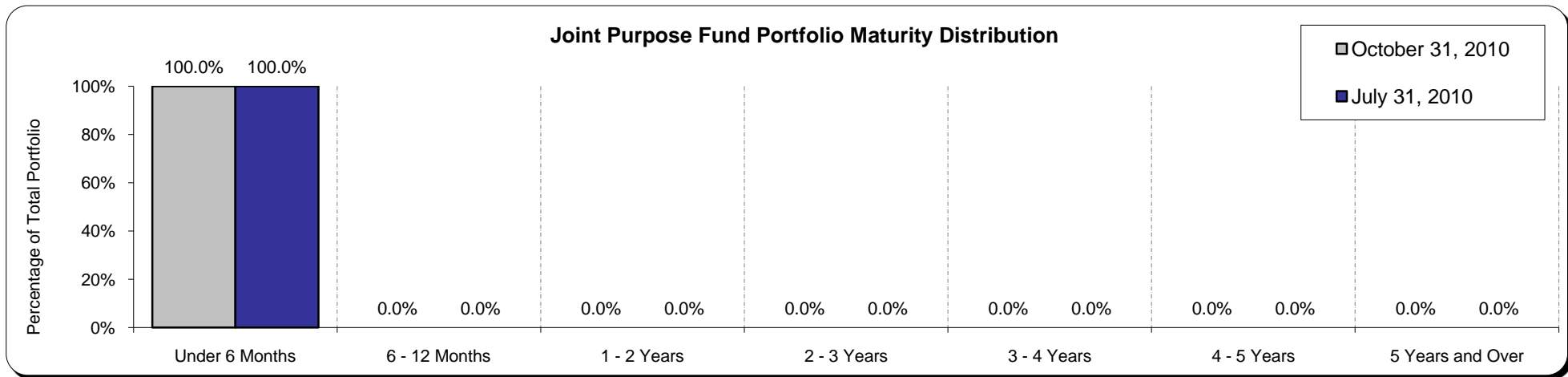
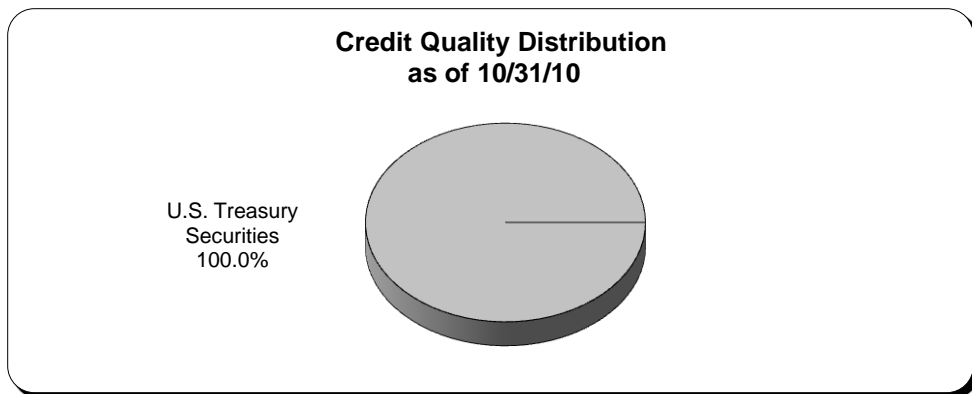
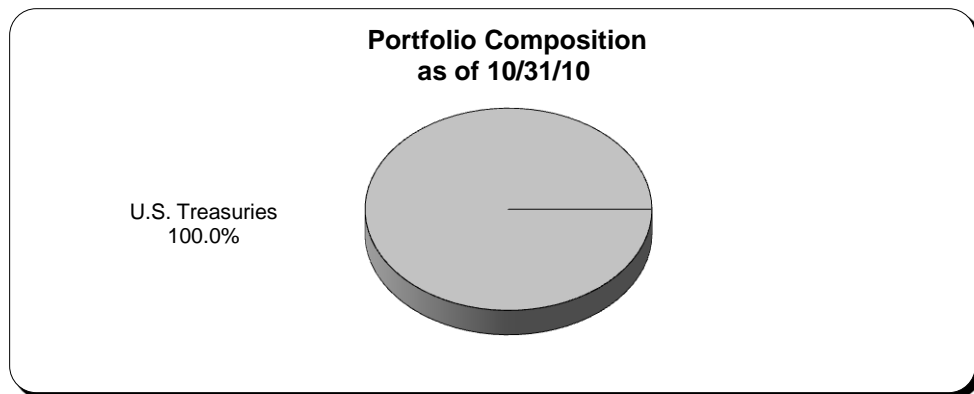


Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Joint Purpose Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

<u>Security Type¹</u>	<u>October 31, 2010</u>	<u>% of Portfolio</u>	<u>July 31, 2010</u>	<u>% of Portfolio</u>
U.S. Treasuries	\$35,997	100.0%	\$35,998	100.0%
Federal Agencies	\$0	0.0%	\$0	0.0%
Commercial Paper	\$0	0.0%	\$0	0.0%
Municipal Obligations	\$0	0.0%	\$0	0.0%
Mortgaged-Backed Securities	\$0	0.0%	\$0	0.0%
Totals	\$35,997	100.0%	\$35,998	100.0%



Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Section C – Market Commentary



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Fixed-income portfolios generated strong total returns in the third quarter ending October 31, 2010, as interest rates across the yield curve declined to new record lows. All but the shortest duration benchmarks significantly outperformed money market instruments, which continued to offer near-zero yields. Longer duration benchmarks generally performed the best due to larger interest rate declines for longer maturities.

For the quarter ending October 31, 2010 our approach to duration was cautious, conservatively positioning portfolio durations short of benchmark durations to guard against the negative effect rising interest rates would have on portfolio market values.

Although the short bias of this strategy sacrificed some return, value-added management techniques including strategic yield curve placement and active sector management, worked to produce returns roughly even with benchmarks.

The Federal Reserve has acknowledged a slowing recovery in recent statements, pledging to “provide additional accommodation if needed to support economic recovery and to return inflation, over time, to levels consistent with its mandate.” This “additional accommodation” would almost certainly come in the form of further quantitative easing – a process by which the central bank purchases large amounts of government securities in the open market over a period of months in an effort to push interest rates down and support economic expansion.

With a slower pace of economic growth and the Fed’s renewed focus on easing, it is likely that rates will remain at recent levels for months, opening a window for us to extend durations closer to those of benchmarks.

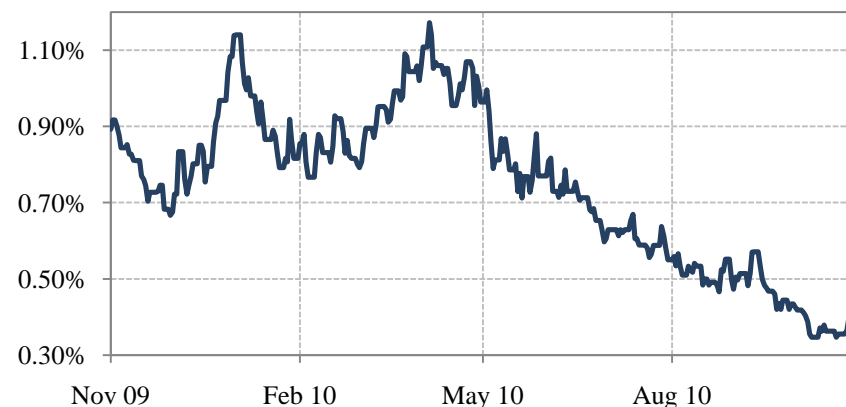
Thus our strategy for the upcoming quarter is built around somewhat longer durations to take advantage of the steep yield curve. Despite the sharp decline in long term rates through October, by historic standards, the spread between 2-year and 10-year Treasuries remains wide. With the prospect of low growth and low inflation over the next several quarters, extensions to the range of 90% to 95% of benchmark durations are designed to earn somewhat higher income and benefit

from (somewhat diminished) yield curve roll-down, as the Fed signals readiness to push down rates across the yield curve.

Interest Rates and Returns

Interest rates continued to decline steadily throughout the third quarter ending October 31, 2010, as shown in the chart below, in response to weaker-than-expected economic data. On August 1, a 2-year U.S. Treasury note offered a yield of 0.55%, but by October 31 it was yielding only 0.34% – a new all-time low.

2-Year U.S. Treasury Note Yield
November 1, 2009 through October 31, 2010



Source data: Bloomberg Markets

While short-term rates declined considerably through October, the decline in rates was most dramatic in longer-term securities, where diminishing inflation expectations and the prospect of Fed intervention had a stronger effect. 5- and 10-year Treasury yields fell 25 to 45 basis points between August and October.

The table on the next page shows quarter-end yields for various U.S. Treasury securities, changes in the quarter, and changes for the past 12 months.

Summary of U.S. Treasury Security Yields

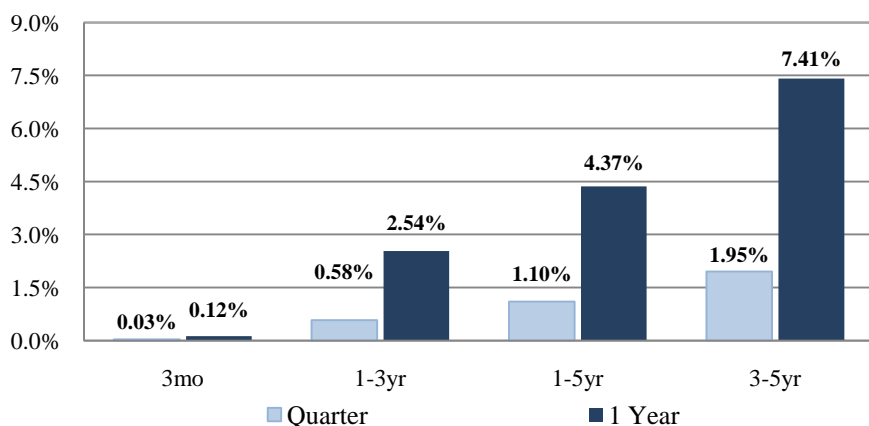
Date	3M	6M	1Y	2Y	3Y	5Y	10Y
October 31, 2010	0.10%	0.15%	0.20%	0.34%	0.49%	1.17%	2.62%
July 31, 2010	0.14%	0.19%	0.27%	0.55%	0.84%	1.64%	2.96%
Change over Quarter	-0.04%	-0.04%	-0.07%	-0.21%	-0.35%	-0.47%	-0.34%
October 31, 2009	0.04%	0.15%	0.36%	0.91%	1.42%	2.33%	3.41%
Change over Year	0.06%	0.00%	-0.16%	-0.57%	-0.93%	-1.16%	-0.79%

Source data: Bloomberg

With the decline in interest rates, the market values of fixed-income portfolios increased considerably, both quarter-over-quarter and year-over-year. As the chart below illustrates, portfolios with longer durations outperformed those with shorter durations.

The 1- to 3-year U.S. Treasury benchmark returned 0.58% (2.31% annualized), while the 3- to 5-year U.S. Treasury benchmark returned 1.95% (7.97% annualized). The duration of the 3- to 5-year U.S. Treasury benchmark was 3.81 years, versus 1.85 years for the 1- to 3-year U.S. Treasury benchmark.

Total Returns of Merrill Lynch U.S. Treasury Indices
Quarterly and 12-Month Total Return as of October 31, 2010

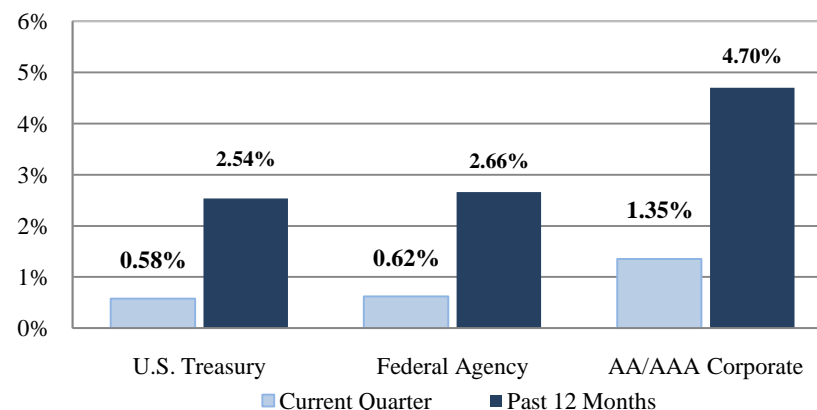


Source data: Bank of America Merrill Lynch; Bloomberg Markets

The yield curve flattened sharply, reducing the benefit of roll-down. Short-term rates remain near zero, intermediate rates have fallen to record lows, and longer rates have fallen 40 to 60 basis points from their August highs. During the quarter ending October 31, 2010, the difference between 2- and 10-year U.S. Treasury yields was as high as 2.40% in August and as low as 1.95% in early September.

The spread between U.S. Treasury and Federal Agency rates fluctuated within a narrow range during the quarter ending October 31, 2010, though it remained tight by historic standards, reflecting a perception of reduced risk and increased liquidity for agency debt. For example, the spread on 2-year maturities ranged between 15 and 23 basis points, and the spread on 5-year maturities ranged between 11 and 28 basis points, all well below historical averages.

Duration Adjusted Returns of Merrill Lynch 1-3 Year Indices
Quarterly and 12-Month Total Return as of October 31, 2010



Source data: Bank of America Merrill Lynch; Bloomberg Markets
Duration-adjusted return incorporates an adjustment to the market value return (but not the income return) of each benchmark to account for their varied durations, making it easier for investors to assess the relative risk and return of benchmarks of different lengths.

Spreads between Treasuries and corporate securities narrowed in response to improving corporate balance sheets and greater investor appetite for risk, contributing to the strong performance of the corporate sector. As the chart above illustrates, on a duration-adjusted

basis, Treasury and Agency benchmarks performed roughly in line with one another, while corporate benchmarks significantly outperformed.

As corporate spreads continued to narrow in through October, we generally increased corporate holdings, selectively purchasing the securities of highly-rated issuers on our approved list. In many portfolios we incorporated commercial paper, which offered some additional value over short-dated Treasury bills, Agency discount notes, and money market instruments.

Economic Outlook

Economic data was generally weak in the third quarter ending October 31, 2010, pointing toward a slowing recovery and uncertain prospects for future growth. The final measurement of second quarter GDP was an anemic 2.4% and economist estimates call for third quarter ending September 30, 2010 growth of under 2.0%.

Economic conditions remain subject to considerable uncertainty, with the most likely scenario being modest growth and little-to-no inflation for the foreseeable future. The current pace of expansion is insufficient to make a real dent in unemployment, with nearly 8 million jobs lost since 2008. Unemployment remains persistently high, near 10%, with most businesses still hesitant to add new employees.

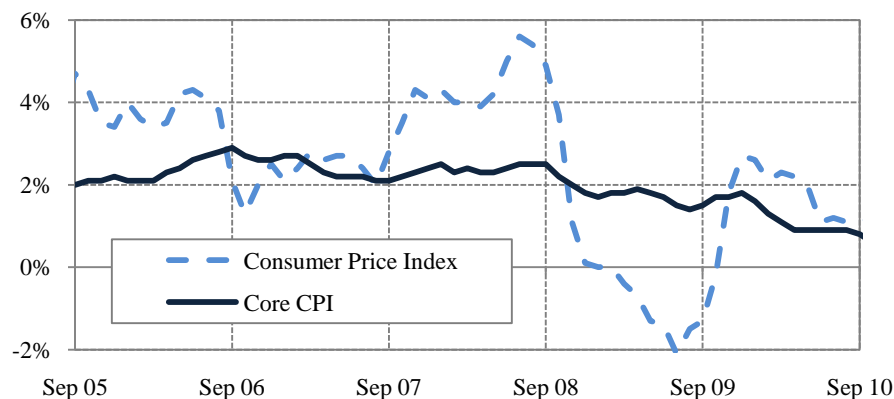
The housing sector remains weak, with housing starts, building permits, and sales relatively unchanged in recent months, and housing prices showing no signs of recovery. The pace of manufacturing activity has accelerated, but is hardly booming, as evidenced by only small upticks in factory orders, stable manufacturing employment, and continued low rates of capacity utilization. Retail sales, though positive year-over-year, are not strong enough to provide significant fuel to recovery.

Global economies, particularly in Asia and emerging markets, are outpacing the U.S. The dollar weakened significantly in the quarter (from \$1.26 to \$1.40 versus the Euro by quarter end October 31, 2010), as

fears of a European meltdown diminished and growth picked up in Western Europe. Oil and commodity prices have risen based on the prospect for stronger global demand. These developments should ultimately aid U.S. export sectors and large, global businesses based in the U.S., but do little to aid small, domestic firms.

The Federal Reserve has become increasingly focused on inflation—or, more properly, the lack thereof. As the following chart shows, though underlying price data show modest inflation, the majority of Fed governors have signaled support for a new round of quantitative easing that would involve the central bank purchasing \$1 trillion of government securities in an effort to push long-term interest rates even lower, ultimately encouraging modest price increases that would help debtors and, perhaps, stimulate spending.

Core and Non-Core Consumer Price Index
September 2005 through September 2010



Source data: U.S. Department of Labor, Bureau of Labor Statistics

Investment Strategy

Given the increased likelihood that low interest rates will persist over the next several quarters, we plan to manage portfolios slightly closer to those of their respective benchmarks. This cautious duration extension should offer an opportunity to add value, while providing enough flexibility to respond to changing interest rate scenarios. We

remain concerned that when interest rates rise from their record lows, as they surely will, longer duration investments will experience market value declines that will lead to strongly negative returns for an extended period. We believe the best defense is to keep portfolios somewhat shorter; even though such a strategy may give up some return in the short run, it will mitigate the effects of a rise in rates. With rates at record lows, even a slight increase has the potential to more than offset interest income, resulting in a negative total return.

We also plan to maintain or increase holdings of assets other than Treasuries because, although credit spreads are generally narrow, strong government and central bank action to promote economic growth and keep interest rates low should aid these types of investments.