The Hugh L. Carey Battery Park City Authority

Annual Report

Pursuant to Public Authorities Law Section 2800

January 31, 2011

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Operations and Accomplishments

For more than 40 years, Battery Park City has exceeded expectations for urban development and over the last decade has stood at the forefront of urban design and sustainable development. Fiscal Year 2010 was no exception. With completion of several significant public amenities and substantial progress on several other major projects, this year marks an important time in BPCA's history. As we near completion of the Master Plan, BPCA stands committed to our mission to create a community where people can work, play and raise their families comfortably.

Public Amenities:

BPCA continues its commitment to public amenities through a program which requires developers to deed space to the Authority that is in turn made available for public purposes. In 2010, the following projects were brought on line or saw significant progress.

The Battery Park City School (PS 276) - September 2010 saw the opening a very important public amenity when the doors to Battery Park City's third school were opened. BPCA partnered with the School Construction Authority to build the City's first Green School. This K-8 school was designed to have photo-voltaics as part of its structure, not only to generate power, but as an on-site enhancement to the curriculum which will highlight environmental issues.

New York Public Library Branch – March 2010 saw the opening of a long awaited public library branch. The Battery Park City Branch is the New York Public Library's first green LEED certified branch in Manhattan. The bright 10,000 square-foot branch houses a collection of over 23,000 items, separate reading areas for children, young adults and adults as well as a multipurpose programming space while offering access to 36 computers and a wide range of services for the community.

Poet's House – While this facility opened in 2009 it was not fully completed until the Spring of 2010. Poet's House is located at Ten River Terrace, another green building at BPC. Founded in 1985 by the late Stanley Kunitz, two-time poet laureate if the United States, and arts administrator Elizabeth Kray, Poet's House is a national literary center and poetry library. With more than 50,000 volumes of poetry, the library is the premier independent poetry library in the United States. It is free and open to the public.

Teardrop Park South - This public park is located in the courtyard of the Riverhouse building and is adjacent to Teardrop Park North. The park is a Michael Van Valkenburgh design which includes water features, an amphitheatre for community events, and granite that mimics natural rock formations. Largely shaded by surrounding high rises, the park is the first outdoor space in the nation to be illuminated by heliostats, which sit atop a neighboring rooftop and reflect sunlight in the park.

Battery Park City Community Center – Construction commenced on the 55,000 square foot community center housed on the first three floors of the residential buildings on Site 23/24 being constructed by the Milsteins. The Center will be home to two swimming pools, a gym, a locker room, classrooms, a teaching kitchen and a café among its services. Asphalt Green, which operates a similar facility uptown was selected through an RFP process in conjunction with representatives of the Community Board. The center is expected to open in 2011.

Ballfield Renovation – One of Battery Park City's most significant and heavily-used public amenities are the ballfields. The continuing demand for the fields and the need for increasing access to open space led the BPCA to explore the installation of artificial turf on the fields. Community leaders were invited to participate in the decision-making process which has led to the design of a sustainable (green) astro-turf field to be installed between little league season in the Spring of 2011 and soccer season in the fall of 2011.

Ice Skating Rink – For the first time in the history of BPCA, an ice skating rink was erected on the ballfield facility during the winter months of 2010. A rink operator was selected through an RFP process and operated a rink on a pilot basis. The community will assess the continuation of the rink in the future.

Pedestrian Managers – The Lower Manhattan Development Corporation (LMDC) partnered with BPCA to provide funding for pedestrian managers to four separate crossing locations on West Street. The rise in commuter foot traffic, due in large part by the opening of the Goldman Sachs Headquarters, coupled with concerns for safety, prompted the decision to procure the services of pedestrian managers through an RFP process. Sam Schwartz engineering was selected and began service in the July 2010.

Downtown Connection – BPCA provided funding to the Downtown Alliance to provide free commuter bus services to residents, guests and visitors to Battery Park City and lower Manhattan.

<u>Commercial Construction:</u>

Goldman Sachs Headquarters (Site 26)- In 2005, in conjunction with the Governor and Mayor, BPCA entered into an agreement with Goldman Sachs for construction of a new headquarters, thus cementing lower Manhattan's future as the nation's financial center. This new LEED Gold building was completed and opened in the Spring of 2010, adding 10,000 more commuters to BPC. Goldman Sachs paid a lump sum land rent of $160 million to the BPCA.

Site 25 – Goldman Sachs purchased site 25 (assuming the lease and mortgage from Forrest City Ratner), formerly an Embassy Suites Hotel which also housed numerous restaurants and a movie theatre. The hotel is being rebranded as a Conrad Hilton and several new restaurants to be operated by Danny Meyer will be opened on the site. The lease further requires the operation of the movie theatre. BPCA continues to work with Goldman Sachs on design issues associated with the repurposing of this Hotel including exterior modifications, public art requirements and construction permits.

Battery Park City Parks Conservancy (BPCPC) Headquarters – Of BPC's 92 acres, 36 are dedicated for parks. Until this year, the BPCPC operated outdoors with some staff housed indoors in leased space. As the last sites have been designated for construction, BPCPC operations had to consolidate operations into a new headquarters, bringing many outdoor functions indoors for the first time. Their headquarters and maintenance facility is now located at Site 3, the Visionaire, whose developer was responsible for building the core and shell of the 45,000 square foot facility. Interior and fit-out was completed by BPCA. In July 2010, BPCPC moved into the new LEED platinum which contains an indoor compost facility, paint and welding rooms as well as a geothermal well for heating.

Pier A – Located at the southern tip of BPC, Pier A is the last of the enclosed piers that once defined the lower Manhattan waterfront. It is a landmarked structure that has remained empty and deteriorating for many years. New York City recently leased Pier A to BPCA on a long term basis, allocating $30 million of capital funds from the NYC Economic Development Corporation (EDC) to restore this important City building. BPCA reached substantial completion on Phase I and Phase II of the Pier A green, historic rehabilitation. Included in these Phases was the replacement of the Pier deck and interior demolition of items not deemed historically significant. Phase III, Core and Shell work, was also initiated. Further, an RFQ for a potential tenant was issued.

Extensive interviews were conducted with BPCA EDC in conjunction with the Community Board. A tenant will be announced in early 2011.

Residential Construction:

Site 23/24: One June 24, 2006 Milstein Properties was designated by the Authority as the developer of Sites 23 and 24. As part of the Milstein lease agreement, it was agreed that the developer would build the core and shell for the Battery Park City Community Center at their base. The towers include the 32-story Liberty Luxe and the 22- story Liberty Green and will add 590 LEED certified units to BPC when they become available for purchase in early 2011.

Environmental Initiatives:

Existing Building Survey – In its continuing commitment to build a sustainable community, BPCA commissioned a study of ways that the older buildings in BPC might be able to retrofit and be green. These buildings include most of the buildings in the South neighborhood that were constructed prior to the adoption of BPCA's green guidelines which applied only to new construction. Results and recommendations from this study are expected in 2011.

Financial Highlights:

Joint Purpose Fund (JPF)– A portion of BPCA's revenue, roughly corresponding to the proportion of revenues that derive from ground rent, are allocated to the Joint Purpose Fund, which can only be spent upon the joint approval of the BPCA Board, the Mayor, and the NYC Comptroller. In January 2010, these three parties signed an agreement (2010 Agreement) to distribute $861 million of excess revenues held by BPCA in the JPF. The City and the State were each allocated $200 million to be distributed in a pari passu basis. After meeting that $400 million obligation, an additional amount of up to $200 million is to be distributed by BPCA to a City 421-a affordable housing fund, followed by a $261 million distribution to a City pay-as-you-go capital fund. All funds are to be paid as available in the JPF and there is no time limit or minimum for the amount that needs to be paid or accrued over time. Pursuant to the 2010 Agreement, on March 30, 2010, BPCA paid out all funds, $267.6 million, available in the JPF to the City and the State. The balance of the $400 million due to both the City and the State, $66.2 million each or a total of $132.4 million, will be paid out of the JPF. In addition, an estimated payment of $38 million under the 2010 Agreement is expected to be paid for the City 421-a fund. With payment of these FY 2010 Excess Revenues, BPCA will have contributed $2.2 billion to the City.

MWBE Participation:

BPCA continues to be a leader in MWBE participation and has historically been in the Upper Tier of State agencies and authorities with regard to MWBE participation. Fiscal Year 2010 was no exception with an average of 18% of contract dollars for MWBE enterprises. Although Article 15-A does not apply to projects on property leased or purchased from the State, BPCA has taken the position that it will apply robust standards to all developers. As a result, since 2004, over $450,000,000.00 in MWBE contracts have been awarded by developers doing business with BPCA and in 2010 the number was over $30,000,000.00

Corporate Actions:

At its July 2010 Board Meeting, the Board adopted new policies regarding contributions to non-governmental entities, seasonal Authority events, Non-fraternization and meal allowances.

Financial Reports

Receipts and Disbursements
(Revenues and Expenses)

Summary Schedule of Revenues, Expenses, and Changes in Net Deficit

Below is a summary of the Organization's revenues, expenses, and changes in net deficit for the fiscal years ended October 31, 2010 and 2009:

	October 31		2010 vs
	2010	**2009**	**2009**
Operating revenues:			
Revenues from ground leases:			
Base rent	$ 63,738,711	58,732,238	5,006,473
Supplemental rent	926,609	772,225	154,384
Payments in lieu of real estate taxes	150,034,795	146,254,564	3,780,231
Civic facilities payments and others	14,815,792	18,220,364	(3,404,572)
Total operating revenues	229,515,907	223,979,391	5,536,516
Operating expenses:			
Wages and related benefits	13,863,618	13,992,092	(128,474)
OPEB - Authority	1,074,653	1,304,346	(229,693)
OPEB - Conservancy	7,630,939	—	7,630,939
Other operating and administrative	18,609,574	24,440,520	(5,830,946)
Depreciation and amortization	10,303,892	8,965,328	1,338,564
Total operating expenses	51,482,676	48,702,286	2,780,390
Operating income	178,033,231	175,277,105	2,756,126
Nonoperating revenues (expenses):			
Interest and other income	10,159,892	16,790,117	(6,630,225)
Other revenue	233,446	581,405	(347,959)
Interest expense, net	(39,465,012)	(41,472,997)	2,007,985
Provision for transfer to the Port Authority of NY & NJ	—	(13,438,007)	13,438,007
Provision for transfer to the City of New York	(110,215,449)	(90,537,000)	(19,678,449)
Provision for transfer to the City of New York - 2010 Agreement	(238,238,243)	—	(238,238,243)
Provision for transfer to the State of New York - 2010 Agreement	(200,000,000)	—	(200,000,000)
Total nonoperating expenses, net	(577,525,366)	(128,076,482)	(449,448,884)
Change in net assets	(399,492,135)	47,200,623	(446,692,758)
Net deficit, beginning of year	(255,526,267)	(302,726,890)	47,200,623
Net deficit, end of year	$ (655,018,402)	(255,526,267)	(399,492,135)

Operating Revenues

Overall operating revenues for the year ended October 31, 2010 totaled $229.5 million, approximately $5.5 million higher than the year ended October 31, 2009. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased a net $5 million primarily due to a one time revenue recognition of accrued deferred revenues from Site 1 in the amount of $6.6 million along with scheduled rent increases from other leases. These increases were offset by the reduction in monthly payments, per the lease agreement, collected from American Express, which were lower by $2.6 million period over period. This reduction was offset by an increase in base rent amounts of $140 thousand and $394 thousand recognized on Goldman and Site 3, respectively. PILOT revenue totaling approximately $150 million (approximately 65% of the total operating revenues for the fiscal year ended October 31, 2010), increased by $3.8 million over the fiscal year ended October 31, 2009 and relates to increased PILOT revenue recognized in the current year on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites. Additionally, civic facility and other revenues decreased $3.4 million from $18.2 million in fiscal year 2009 and relates to approximately $2.5 million in lower transaction fees received from the sale of units on Site 16/17 and reduced retail and percentage rents.

Operating Expenses

Operating expenses totaled approximately $51.5 million for the fiscal year ended October 31, 2010, representing a $2.8 million increase compared to the fiscal year ended October 31, 2009. The expenses include: wages and related benefits; OPEB; operating and administrative expenses such as security, insurance, rent, maintenance, transportation, legal, financial, and promotional; planning/design expenditures; and depreciation and amortization.

Wages and related benefits totaling $13.9 million were commensurate with the prior fiscal year ended October 31, 2009.

OPEB expenses for the Authority decreased for the fiscal year ended October 31, 2010 by $230 thousand. This was due to the new triennial valuation report, which determined that the Authority is entitled to an ARC amortization credit. The decreased costs were offset somewhat by higher valuations for the normal and interest costs. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45.

The Conservancy adopted an OPEB plan effective February 1, 2010. In order to recognize the initial cost of the plan the Conservancy recognized an expense of $7.6 million. In addition the Conservancy recognized the normal and interest costs for the plan for the fiscal year ended October 31, 2010. These total costs amounted to $793 thousand. OPEB costs represent a pro rata share of annual interest and normal costs for postemployment medical benefits for all eligible current employees in accordance with GASB Statement No. 45.

Other operating and administrative expenses decreased approximately $5.8 million and primarily relate to a one-time recognition of $6 million PILOT credit due on the Goldman lease during the fiscal year ended October 31, 2009. The terms of the lease require that the Authority provide Goldman with up to $6 million in PILOT credits against future PILOT. A one-time $6 million expense was recorded during fiscal year ended October 31, 2009 and none for fiscal year ended October 31, 2010. Additionally, the lease provides for interest earnings on the unused credit at a rate of 7.75% to be paid by the Authority; $290 thousand was recorded for the fiscal year ended October 31, 2010. Increased legal fees and community relations costs for fiscal year 2010 year over year were offset by decreases in security, rents and parks maintenance cost during the year.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2010 of approximately $10.3 million increased approximately $1.3 million due to the added depreciation of the community center.

Non-operating Revenues (Expenses)

Total non-operating expenses, of approximately $577.5 million for the fiscal year ended October 31, 2010 were approximately $449.4 million higher than the fiscal year ended October 31, 2009. A provision for a transfer to the City of $110.2 million in excess revenues was charged for the fiscal year ended October 31, 2010, an increase of approximately $19.7 million from the fiscal year ended October 31, 2009. In addition provisions of $200 million each for the City and State were incurred per the 2010 Agreement. Of those amounts $133.8 million each was paid to the City and State in March 2010. Those amounts are expected to be one-time payments. Also pursuant to the 2010 Agreement a provision for transfer to the City for a 421-A affordable housing fund in the amount $38.2 million was charged for the fiscal year ended October 31, 2010. Investment and other income decreased by $6.6 million primarily due to lower interest rates, the reduction in balances held and the composition of assets held during the fiscal year ended October 31, 2010 compared to 2009. Other revenue decreased $348 thousand and primarily relates to lower insurance proceeds collected for costs associated with the South Bridge extension and other improvements by the amount of $240 thousand along with a reduction in collection of $118 thousand of other revenue from not-for-profit entities. Net interest expense related to outstanding bonds decreased $2 million compared to the fiscal year ended October 30, 2009 and relates to significantly lower interest rates paid on the 2003 variable-rate Revenue Bonds, approximately $1.7 million, as a result of failed auctions and a decrease in the 30-day LIBOR. LIBOR averaged 1% for the fiscal year ended October 31, 2009, while the current year experienced a 0.24% average. This decrease is offset by $1.4 million in payments of bond issuance costs related to the newly-issued 2009 Revenue Bonds and a $1.1 million decrease in monthly earnings on the six interest-rate swap agreements entered into in 2003. The counterparties pay the Authority 65% of LIBOR.

Change in Net Assets

The total net deficits at October 31, 2010 and 2009 were $655 million and $255.5 million, respectively.

Assets and Liabilities

The summary schedule of net assets presents the financial position of the Organization at the end of the fiscal year. Net assets (deficit) are the difference between total assets and total liabilities. A summarized comparison of the Organization's assets, liabilities, and net deficit at October 31, 2010 and 2009 is as follows:

	October 31		2010 vs 2009 Increase (decrease)
	2010	2009	
Assets:			
Bank deposits, investments, and rents and other receivables	$ 6,544,951	21,488,317	(14,943,366)
Bond resolution restricted assets (current and noncurrent)	513,504,899	286,619,196	226,885,703
Battery Park City project assets, net	470,207,028	461,548,193	8,658,835
Other current and noncurrent assets	236,004,948	442,332,826	(206,327,878)
Total assets	$ 1,226,261,826	1,211,988,532	14,273,294
Liabilities:			
Current liabilities	$ 369,026,727	193,177,302	175,849,425
Long-term liabilities	1,512,253,501	1,274,337,497	237,916,004
Total liabilities	1,881,280,228	1,467,514,799	413,765,429
Net assets (deficit):			
Invested in capital assets, net of related debt	7,208,862	9,354,597	(2,145,735)
Restricted	103,592,326	378,935,643	(275,343,317)
Unrestricted	(765,819,590)	(643,816,507)	(122,003,083)
Total net deficit	(655,018,402)	(255,526,267)	(399,492,135)
Total liabilities and net deficit	$ 1,226,261,826	1,211,988,532	14,273,294

Assets

At October 31, 2010, the Organization maintained total assets of approximately $1.23 billion, approximately $14.3 million higher than total assets of $1.21 billion at October 31, 2009.

Bank deposits, investments, and rents and other receivables held at October 31, 2010 decreased approximately $14.9 million due to a $2.2 million decrease in investments and a $12.7 million decrease in rents and other receivables. The decrease in investments primarily relates to the transfer of $4 million of unpledged revenues received in 2009 to the residual fund and a decrease in the collection of transaction and administrative payments in 2010 held in the Unpledged Fund. The decrease in rents and other receivables primarily relates to a the collection of payment of a $1 million upfront lease payment from Site 3 representing the last of a series of upfront lease payments and a collection of $10.5 million relating to rent due on a lease with Goldman Sachs Headquarters LLC (Goldman) which was a receivable at October 31, 2009. In addition, decreases in receivables due the Authority on the Pier A restoration ($331 thousand), the bridge insurance proceeds ($250 thousand), bond issuance costs ($512 thousand) and Goldman ($201 thousand) totaled approximately $1.3 million, contributed to the reduction.

Bond Resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions, approximately $513.5 million at October 31, 2010, $226.9 million higher than the investment fair value of assets held at October 31, 2009, $286.6 million. Funds held in the Pledged Revenue Fund (PRF) at October 31, 2010 were approximately $146.3 million more than funds held at October 31, 2009 attributable a net increase in cash receipts year over year primarily due to a lump sum payment of ground rent in the amount of $168.8 million received from Goldman.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2010 were approximately $1.7 million lower due to additional excess revenues generated for the fiscal year ended October 31, 2010 compared to 2009 due to a reduced budget and timing differences of transfers. Funds held in the Residual Fund for the benefit of the City were also $1.7 million lower at October 31, 2010.

Funds held under the resolution for project infrastructure and certain other asset costs were $67.8 million as of October 31, 2010, as a result of the 2009 Revenue bond issue in December 2009 to raise new capital funds for project costs. In addition, funds held in the Debt Service Funds and the debt service Reserve Fund were approximately $16.2 million higher at October 31, 2010 compared to 2009.

Project Assets

At October 31, 2010, the Authority's investment in project assets, net of accumulated depreciation was approximately $470.2 million, an increase of $8.7 million over October 31, 2009.

The Battery Park City project (Project) consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's current plan of development includes approximately 35 acres of parkland and open spaces and provides for the construction by private developers of approximately 10.2 million square feet of office space, a 502,000-square-foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, community and cultural facilities, three public schools, a public library, condominium units and approximately 8,500 residential units. Approximately 2.2 million square feet of commercial space, representing the Goldman Sachs headquarters located on Site 26, and a public school were completed. A total of 471 residential units in two residential buildings on Sites 23 and 24 are currently under construction.

The Authority's project assets include land, site improvements, and a residential building constructed by the Authority on Site 22. Additionally, condo units owned by the Authority on Sites 1, 16/17, 3, and a community center on Sites 23 and 24, and related infrastructure improvements are included in project assets. The balances at October 31, 2010, and 2009 are as follows:

	October 31		2010 vs
	2010	2009	2009
Land	$ 83,015,653	83,015,653	—
Site improvements	365,965,372	357,580,295	8,385,077
Residential building and condominium units	106,086,327	98,364,135	7,722,192
	555,067,352	538,960,083	16,107,269
Less accumulated depreciation	(84,860,324)	(77,411,890)	(7,448,434)
Total Battery Park City project assets	$ 470,207,028	461,548,193	8,658,835

At October 31, 2010, the increase to site improvements over October 31, 2009 of approximately $8.4 million, relates to improvements to infrastructure surrounding the Goldman building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The $7.7 million increase in residential building and condominium units over October 31, 2009 principally relates to $4.7 million for the build out of a community center and ballfield maintenance facility at Sites 23 and 24; $45 thousand for the build out and improvements for Mercy Corps and Poet's House at site 16/17; coupled with costs relating to the build out of a maintenance facility to be used by the Conservancy at Site 3, of approximately $3 million.

Other Current and Noncurrent Assets

Other current and noncurrent assets at October 31, 2010 and 2009 are as follows:

		October 31		2010 vs
		2010	2009	2009
Residential lease required funds	$	19,691,803	18,992,184	699,619
Corporate-designated, escrowed and OPEB funds		97,134,530	326,354,351	(229,219,821)
Deferred costs:				
Bond issuance costs, net		37,605,986	36,468,774	1,137,212
Costs of leases, net		3,733,935	3,798,078	(64,143)
Total deferred costs, net		41,339,921	40,266,852	1,073,069
Accumulated decrease in fair value of interest rate swap		72,595,808	50,694,831	21,900,977
Other assets		5,242,886	6,024,608	(781,722)
Total other current and noncurrent assets	$	236,004,948	442,332,826	(206,327,878)

Total other current and noncurrent assets decreased approximately $206.3 million from $442.3 million at October 31, 2009 to $236 million at October 31, 2010.

Residential lease required funds increased $700 thousand from $19 million at October 31, 2009 to $19.7 million at October 31, 2010 and relates to security deposits received from ground lease tenants; $631 thousand from Site 3 coupled with interest earned on all residential funds held. The increases in interest were offset by $58 thousand reclaimed from a building security deposit fund for deficient payments.

Overall, corporate-designated, escrowed and OPEB funds decreased approximately $229.2 million from October 31, 2009. The decrease is attributable to a net decrease in the Joint Purpose Fund of approximately $216.7 million; $267.7 million of the decrease relates to amounts paid under the 2010 Agreement offset by a $51 million increase relating to excess revenues retained by the Authority from the fiscal year ended October 31, 2009. A payment of $13.4 million was made in December 2009 to the PANYJ from the Special Fund. An amount of $3.4 million was paid for the construction of the public library. An amount of approximately $5.3 million was drawn down from corporate reserve funds to finance capital projects and costs of 2009 bond issuance. Deposits into the Authority and Conservancy OPEB funds of $1.5 million and $7.6 million respectively, as well as interest earnings on all funds held offset decreases to the overall balance.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the Swaps, determined the swaps to be effective and recorded the negative fair market value of approximately $72.6 million, $50.8 million, and $33.3 million at October 31, 2010, 2009, and 2008, respectively, as an asset and liability for the accumulated decrease in the fair market value of the interest rate swap agreements.

Bond issuance costs increased by a net $1.1 million. Bond issuance costs increased by $2.6 million due to costs incurred in issuing the 2009 Senior Revenue Bonds. This increase was offset by the ongoing amortization expense of $ 1.5 million for the 2003 and 2009 Revenue Bonds. Costs of leases decreased $64 thousand and reflect the amortization expense for the year. Other assets decreased by $782 thousand primarily due to depreciation and amortization offset by purchases of office improvements and computer equipment for the new Site 3 maintenance facility.

Liabilities

Total liabilities at October 31, 2010 and 2009 are as follows:

	October 31		2010 vs
	2010	2009	2009
Current liabilities:			
Accrued interest on bonds	$ 18,950,389	16,732,457	2,217,932
Accounts payable and other liabilities	9,307,850	11,305,786	(1,997,936)
Due to the City of New York	110,215,449	90,537,000	19,678,449
Due to the City of New York-2010 Agreement	104,413,243	—	104,413,243
Due to the State of New York-2010 Agreement	66,175,000	—	66,175,000
Due to the Port Authority of NY & NJ	—	13,438,007	(13,438,007)
Deferred revenue	40,325,453	39,040,950	1,284,503
Security and other deposits	299,343	3,693,102	(3,393,759)
2003 Revenue Bonds	19,095,000	18,430,000	665,000
2009 Revenue Bonds	245,000	—	245,000
Total current liabilities	369,026,727	193,177,302	175,849,425
Noncurrent liabilities:			
Deferred revenue	328,076,513	191,144,394	136,932,119
Security and other deposits	20,248,187	19,879,295	368,892
Other Post Employment Benefits - Authority	16,869,575	16,032,763	836,812
Other Post Employment Benefits - Conservancy	7,630,939	—	7,630,939
Fair value of interest rate swaps	72,595,808	50,694,831	21,900,977
Bonds outstanding:			
2003 Revenue Bonds	1,004,611,571	1,024,880,309	(20,268,738)
2009 Revenue Bonds	88,738,637		88,738,637
Unamortized loss on extinguishment	(26,517,729)	(28,294,095)	1,776,366
Total noncurrent liabilities	1,512,253,501	1,274,337,497	237,916,004
Total liabilities	$ 1,881,280,228	1,467,514,799	413,765,429

The Organization's total liabilities increased approximately $413.8 million from $1.47 billion at October 31, 2009 to $1.88 billion at October 31, 2010.

Total liabilities comprise amounts due to the City, accrued interest on bonds, deferred revenue, security and other deposit, OPEB, outstanding bonds, and accounts payable and accrued expenses.

The $413.8 million increase in total liabilities is due to:

- a $2.2 million increase in accrued interest payable on bonds from $16.7 million at October 31, 2009 to $18.9 million at October 31, 2010 resulting from the accrued interest on the recently-issued 2009 Revenue Bonds of $2.5 million. This increase was offset by lower interest rates paid on the Authority's variable rate debt. A $2 million decrease in accounts payable and other liabilities from $11.3 million at October 31, 2009 to $9.3 million at October 31, 2010 primarily due to a PILOT credit due on the Goldman lease. The terms of the lease require the Authority to provide Goldman with up to $6 million in credits against future PILOT. A $6 million liability was recorded in fiscal year 2009 and is offset by PILOT revenue earned during each period. As of October 31, 2010 the credit balance was $3.1 million, a $1.5 million decrease from the balance on October 31, 2009. Additionally, the lease provides for interest earnings on the unused credit at a rate of 7.75% to be paid by the Authority; $290 thousand was recorded for the fiscal year ended October 31, 2010. In addition to the decrease in Goldman liability, accounts payable and accrued expenses decreased from October 31, 2009 by $790 thousand.
- a $110.2 million provision was recorded for the fiscal year ended October 31, 2010 representing fiscal 2010 excess revenues to be transferred to the City. On March 30, 2010, the Authority paid the City and the State $133.8 million each pursuant to the 2010 Agreement. The balance of the $200 million due to both the City and the State, $66.2 million each, was charged to operations as a provision for the fiscal year ended October 31, 2010. These amounts are expected to be available for payment in February 2011. In addition a provision in the amount of $38.2 million was charged to operations for the fiscal year ended October 31, 2010 as an estimated expected payment under the 2010 Agreement for the City 421-A fund.
- a $138.2 million increase to $368.4 million in deferred revenue from $191.1 million at October 31, 2009 primarily due to a $168.8 million upfront payment received from Goldman in January 2010, increasing the deferred revenue by $156 million at October 31, 2010. The above increases are offset by funds received and used for the repair of the north streets and revenue recognized on these and other upfront lease payments received during prior years.
- a $3 million decrease in security and other deposits to $20.5 million at October 31, 2010 relating to the use of funds from prior deposits received for the public library and school, totaling approximately $3.7 million. The above decreases were offset by a security deposit received from Site 3 of $664 thousand and interest earnings on funds held.
- a net $837 thousand increase in OPEB for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. In accordance with GASB Statement No. 45, a $16.9 million net accrued postretirement medical benefit liability for all eligible current and retired employees was recorded during the fiscal year ended October 31, 2010. The annual required OPEB obligation is increased by normal costs for current employees and interest expense and offset by an amortization credit and the actual cost of retiree benefits paid during the year.
- a $7.6 million increase in OPEB for the Conservancy relating to the initial recognition of a liability, as the plan became effective on February 1, 2010, the annual normal cost incurred for current employees and interest
-

expense. In accordance with GASB Statement No. 45, a $7.6 million net accrued postretirement medical benefit liability for all eligible current and retired employees was recorded during the fiscal year ended October 31, 2010. The annual required OPEB obligation is increased by normal costs for current employees and interest expense.

- a $69.4 million increase in bonds outstanding relating to the issuance of 2009 Revenue Bonds in the amount of $89 million, including the unamortized premium. The offset to this increase was due to $18.5 million in principal payments on the 2003 Series A and Series C bonds in November 2009, $13 million and $5.5 million, respectively, and a $1.2 million decrease due to the amortization of the net bond premium offset by a $1.8 million decrease relating to the amortization of the loss on extinguishment of debt. The loss is being amortized over the maturity period of the retired debt. On October 16, 2003, the Authority issued $1.07 billion for the 2003 Revenue Bonds. Principal payments on these debt obligations began November 2008. Principal payments on the 2009 Revenue Bonds obligations are set to begin in November 2011.

- In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of the Swaps, determined the swaps to be effective and recorded the negative fair market value of approximately $72.6 million at October 31, 2010 and negative $50.8 million as of October 31, 2009, as a liability for the accumulated decrease in the fair market value of the interest rate swap agreements. The change from October 31, 2009 to October 31, 2010 increased the negative fair market value of swaps by $21.9 million.

Net Assets (Deficit)

The net deficits at October 31, 2010 and 2009 were $655 million and $255.5 million, respectively. Net assets invested in capital assets, net of related debt, was $7.2 million and $9.4 million at October 31, 2010 and 2009, respectively. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since capital assets cannot be used to liquidate these liabilities. The Organization's $103.6 million and $378.9 million of restricted net assets at October 31, 2010 and 2009, respectively, represent resources that are subject to various external restrictions on how they may be used. These assets are generally restricted under bond resolutions and other agreements and for debt service. The remaining balance is classified as an unrestricted deficit totaling approximately $765.8 million at October 31, 2010 resulting primarily from debt issued for noncapital purposes, approximately $556 million, and upfront lease payments and deferred PILOT revenue, which are transferred to the City annually or held in the Joint Purpose Fund as restricted assets.

The change in total net assets from October 31, 2009 represents a negative change in the deficit position of approximately $399.5 million from $255.5 million at October 31, 2009 to $655 million at October 31, 2010.

Mission Statement and Measurement Report

MISSION STATEMENT

The Hugh L. Carey Battery Park City Authority ("BPCA") is a New York State public benefit corporation whose mission is to plan, create, co-ordinate and maintain a balanced community of commercial, residential, retail, and park space within its designated 92-acre site on the lower west side of Manhattan. There is recognition that, as development of new parcels is completed, the importance of maintenance within the mission will become more significant.

PUBLIC BENEFIT

All decisions will reflect the public interest and support a public benefit to our stakeholders, the City of New York, tenants of BPCA, residents and workers in Battery Park City, the downtown community, and tourists/visitors to Battery Park City, in the development of properties, creation of spaces, and in the provision of opportunity to the M/WBE community to share in the economic growth of the Battery Park City community. As an integral part of the lower Manhattan fabric, the Authority will seek to cooperate with and support both public and private sector entities whose missions are in concert with that of the Authority, and whose efforts directly benefit furtherance of same.

THE MISSION WILL BE ACCOMPLISHED BY FOLLOWING THESE CORE VALUES:

PUBLIC PRIVATE PARTNERSHIPS

Public-private partnerships will continue to be the model for private sector development utilizing a competitive public bid process to optimize value.

BALANCE AND ESTHETICS

New development will continue according to the approved Master Plan utilizing adaptable and sustainable quality design to create a model mixed use development which exemplifies excellence in architecture and urban planning.

ENVIRONMENTAL RESPONSIBILITY

All new development, as well as maintenance of parks, public spaces, and other property under Authority stewardship, will employ the latest high-performance environmental designs and techniques available.

PERFORMANCE MEASURES

1. Complete development of office buildings in Battery Park City (BPC).

    BPCA has completed development of the office buildings on its site.

2. Complete development of residential buildings in BPC.

    BPCA's developer Milstein is nearing completion of the last residential building on site, located at Sites 23/24.

3. Complete development of public buildings in BPC.

Pursuant to an agreement with New York City, BPCA is working on the development of Pier A, and will be announcing the selection of a developer for the historic site shortly. BPCA has completed the substructure and core and shell renovation while adhering to its "green" construction standards and preserving the landmarked historic features of the pier. Additionally, BPCA has opened a branch of the NYC Public Library in Site 16/17, as well as having commenced construction on its Community Center in Sites 23/24.

4. Complete construction of the BPC park system.

Although the park system is largely built out, there is a continuing need for infrastructure maintenance. BPCA annually reviews the maintenance and construction needs of the park system and updates it maintenance and its construction plans accordingly.

5. Maximize revenues/ collect rents and PILOTs due under leases, etc.

BPCA has been reviewing and continues to review its commercial core leases to ensure that all revenues due to it under these leases are being collected, including periodic audits of leases. Also, it is currently pursuing arbitration to ensure that lease provisions are interpreted in such a way as to maximize these revenue streams.

6. Advance sustainable development/operation of BPC.

BPCA's Green Guidelines were utilized in the development of Pier A and of the Community Center, which is located in the base of the residential buildings on sites 23/24. The construction of these buildings is being accomplished in accordance with BPCA's "green' design and construction guidelines. Additionally, BPCA is analyzing methods to retrofit older buildings (built before the green guidelines were adopted).

7. Adapt operations/build environment to changing needs of community/tenants/residents.

As BPCA plans for the future, one of its foremost considerations is the evolving needs of the BPC community, commercial tenants and residents. BPCA works closely with Community Board 1 and its Battery Park City subcommittee to keep abreast of the concerns and aspirations of the community as an example, our ballfields are being converted to a green astro-turf to maximize usefulness to the community in accordance with its desire for longer playing seasons.

8. Maximize opportunities for M/WBE participation in BPCA contracts and development projects.

In 2009, BPCA exceeded its M/WBE 18% participation goals by achieving a 21% participation rate. In 2010, BPCA is on track to exceed its 18% M/WBE overall goal once again.

Schedule of Outstanding Bonds and Notes

Bonds, Notes, and Refinancing

The 2003 Revenue Bonds, issued in October 2003, totaling $1.07 billion, included $433 million (including a net premium) of senior lien and $635 million of junior lien debt obligations. At October 31, 2010, the Authority was responsible for debt service on the 2003 Revenue Bonds of $1.02 billion.

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2003 Series Senior A Bonds	$ 398,118,440	AAA	Aaa	AAA
2003 Series Junior B Bonds *	235,000,000	AA	Aa3	AA+
2003 Series Junior C Bonds *	390,588,131	AA	Aa3	AA+

* The junior lien debt obligations are insured and also carry underlying Fitch, S&P and Moody's ratings of AA, AA+ and Aa3, respectively.

The 2009 Revenue Bonds, issued in December 2009, totaling $89 million, included $56.6 million of federally taxable build America bonds and $32.5 million (including a net premium) of tax-exempt bonds. At October 31, 2010, the Authority was responsible for debt service on the 2009 Revenue Bonds of $89 million.

	Outstanding debt	Fitch	Moody's	Standard & Poor's (S&P)
2009 Senior Revenue A Bonds	$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	32,383,637	AAA	Aaa	Not rated

Requests for Information – This financial report is designed to provide a general overview of the Organization's finances for all persons with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President, Community Relations/Press, One World Financial Center, 24th Floor, New York, NY 10281. The Authority's Web site is: www.batteryparkcity.org.

At October 31, 2010, the 2003 Series A Bonds consist of the following serial bonds:

	Coupon rates	Principal amounts	Interest
Year ended October 31:			
2011	2.625% – 5.00%	$ 13,645,000	19,085,929
2012	3.00% – 5.50%	14,375,000	18,556,439
2013	3.40% – 5.50%	15,205,000	17,915,983
2014	3.50% – 5.50%	16,140,000	17,147,958
2015	3.625% – 5.25%	17,165,000	16,322,558
2016 – 2020	3.75% – 5.25%	103,310,000	67,122,818
2021 – 2025	4.25% – 5.25%	134,935,000	37,211,086
2026 – 2027	4.625% – 5.00%	64,025,000	4,828,124
Totals		$ 378,800,000	198,190,895

The Authority issued certain of the 2003 Series A Bonds at a discount and others at a premium, resulting in an overall net premium of approximately $27 million, which is being amortized on a straight-line basis, over the lives of the 2003 Series A Bonds. At October 31, 2010 and 2009, the unamortized net bond premium was approximately $18.7 million and $19.9 million, respectively.

The 2003 Series A Bonds maturing after November 1, 2013 are subject to redemption, in whole or in part, at any time on or after November 1, 2013 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of October 31, 2010, principal and interest payments due on the 2003 Series B Bonds and the 2003 Series C Bonds are as follows:

	Junior B		Junior C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ended October 31:						
2011	$ —	1,213,422	5,450,000	1,831,759	5,450,000	3,045,181
2012	—	1,213,422	5,450,000	1,991,815	5,450,000	3,205,237
2013	—	1,213,422	5,450,000	1,963,330	5,450,000	3,176,752
2014	—	1,213,422	5,450,000	1,935,232	5,450,000	3,148,654
2015	—	1,213,422	5,450,000	1,906,747	5,450,000	3,120,169
2016 – 2020	—	6,067,111	27,300,000	9,109,746	27,300,000	15,176,857
2021 – 2025	—	6,067,111	30,825,000	8,368,640	30,825,000	14,435,751
2026 – 2030	—	6,067,111	144,225,000	6,742,757	144,225,000	12,809,868
2031 – 2035	35,925,000	5,971,263	161,575,000	1,565,716	197,500,000	7,536,979
2036 – 2040	199,075,000	2,650,488	—	—	199,075,000	2,650,488
Total	$ 235,000,000	32,890,194	391,175,000	35,415,742	626,175,000	68,305,936

The 2003 variable-rate Junior Revenue Bonds were issued as Auction Rate Securities (ARS) and the principal and interest are insured by municipal bond insurance policies. Interest rates on these bonds are reset periodically through an auction process in the secondary market. The 2003 Series B Bonds reset on a 7-day auction cycle and the 2003 Series C Bonds reset on a 35-day auction cycle.

Interest in the above table is based on actual auction rates in effect closest to October 31, 2010, which were 0.510%, 0.510%, and 0.508% for Series B1, B2 and B3 of the 2003 Series B Bonds, respectively; and 0.512%, 0.514%, 0.512%, 0.512%, and 0.510% for Series C1, C2, C3, C4 and C5 of the 2003 Series C Bonds, respectively.

The 2003 Series B Bonds in entirety and $100 million of the 2003 Series C Bonds are insured by Assured Guaranty Municipal Corporation (AGMC). The remaining $300 million of the 2003 Series C Bonds are insured by AMBAC Assurance Corporation (AMBAC).

In February 2008, the auctions for the Authority's ARS in the secondary market began to fail intermittently due to insufficient investor orders to support the product resulting in higher interest rates paid on the 2003 Series B and C Junior Revenue Bonds (variable-rate subordinate debt). On any failed auction date, the reset rate is set at a percentage of the 30-day London Interbank Offered Rate (LIBOR) based on the prevailing rating of the series bonds. The rates applied to the 30-day LIBOR on the 2003 Series B and C Bonds are 175%, 200%, or 225% for bonds rated AAA/AAA/Aaa, AA/AA/Aa, and A/A/A, respectively, depending on the prevailing rating of the series of bonds outstanding. The reset rates on auctions that settled from November 1, 2009 through October 31, 2010 ranged from a low of 0.456% to a high of 0.708% on the 2003 Series B Bonds and from a low of 0.456% to a high of 0.708% on the 2003 Series C Bonds.

On October 2, 2003, the Authority executed Swaps with three counterparties. The Swaps were executed in conjunction with the Authority's issuance of $400 million of its 2003 Series C Bonds (the Bonds). The total notional amount of the Swaps was $400 million. The effective date for the Swaps was October 16, 2003, which coincided with the delivery date of the Bonds. The Authority executed the Swaps in order to effectively convert the variable-rate Bonds to a net fixed rate. Based on the Swaps, the Authority owes interest calculated at a fixed rate of 3.452% to the counterparties that is paid semiannually. In return, the counterparties owe the Authority floating-rate interest equal to 65% of 30-day LIBOR, which is paid to the Authority on a monthly basis. The amortization schedules of the total amount of the Swaps and the Bonds are identical, with each having a final amortization of November 1, 2033.

		2003 Series C Bonds	Interest-rate swaps		
		Principal	**Payment**	**Receipts**	**Net payment**
Year ended October 31:					
2011	$	5,450,000	(13,409,294)	642,097	(12,767,197)
2012		5,450,000	(13,221,160)	633,025	(12,588,135)
2013		5,450,000	(13,033,026)	623,952	(12,409,074)
2014		5,450,000	(12,844,892)	614,880	(12,230,012)
2015		5,450,000	(12,656,758)	605,808	(12,050,950)
2016 – 2020		27,300,000	(60,460,917)	2,892,870	(57,568,047)
2021 – 2025		30,825,000	(55,517,222)	2,651,538	(52,865,684)
2026 – 2030		144,225,000	(44,217,964)	2,012,271	(42,205,693)
2031 – 2034		161,575,000	(10,211,449)	357,941	(9,853,508)
Totals	$	391,175,000	(235,572,682)	11,034,382	(224,538,300)

The above table includes payments based on the Authority's fixed-rate Swap payment obligation at an interest rate of 3.452% while the receipts are based on the floating rate equal to 65% of 30-day LIBOR on October 31, 2010 (65% of 0.2561% or 0.1665%), which the counterparties are obligated to pay the Authority on a monthly basis. Receipts are projected based on the latest interest rate at October 31, 2010, but will vary monthly.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments for state and local governments. In accordance with GASB No. 53, effective for fiscal years beginning after June 15, 2009, the Authority evaluated the effectiveness of Swaps, determined the Swaps to be effective and recorded the negative fair market value of approximately $72.6 million at October 31, 2010 and negative $50.8 million as at October 31, 2009 as an asset and liability for the accumulated decrease in the fair market value of the interest rate swap agreements. The fair market value was provided by the Authority's financial advisor and derived from financial models based upon reasonable estimates about relevant market conditions at the time. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each Swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the Swaps.

The Authority is exposed to a limited degree of counterparty credit risk associated with the Swaps. However, each of the counterparties carries a rating in the "A" or higher category from at least one of the nationally recognized credit rating agencies. The counterparties are required to post collateral to the extent that they experience an appreciable decline in credit rating and the Swaps have positive fair value for the Authority.

The Swaps expose the Authority to basis risk should its interest payments on the variable-rate Bonds significantly exceed the 65% of LIBOR receipts.

Debt service on the Senior 2003 and 2009 Bonds and the Junior 2003 Bonds is secured by and payable, after satisfaction of certain administrative, operating, and maintenance obligations of the Authority, solely from certain pledged lease revenues and Swap receipts which are required to be deposited and maintained in the PRF established under the 2003 General Bond Resolution. The PRF, including income and earnings on investments thereof, has been pledged and assigned to a trustee for the benefit of the owners of the 2003 and 2009 Senior Bonds and the 2003 Junior Bonds and certain other beneficiaries, as their respective interest may appear. In addition, the Bonds, and certain swap payments and reimbursement obligations, are secured by the Reserve Fund established under the 2003 General Bond Resolution. The rights to payment of the 2003 and 2009 Senior Bonds, senior swap payments, and senior reimbursement obligations from amounts in the PRF and the Reserve Fund are senior to the rights to payment of the 2003 Junior Bonds, junior swap payments, and junior reimbursement obligations from such amounts. As of each November 1, amounts in the PRF in excess of funding requirements for project operating expenses and certain other amounts will be transferred into an unpledged Residual Fund and may be used by the Authority for other purposes.

In September 2003, the Authority entered into an agreement with the City, which supplemented the Settlement Agreement, to provide for the custody of the Special Fund. The Authority established a new Special Fund to the credit of which shall be deposited approximately $46 million. The Special Fund was funded from the proceeds of the former Special Fund created pursuant to a former 1993 Master Revenue Resolution upon the dissolution of such existing Special Fund in connection with the 2003 refunding of outstanding Authority bonds. The Special Fund may only be used by the Authority, as necessary: (i) to pay debt service obligations of the Authority on its bonds, or (ii) for purposes that are jointly agreed upon between the City and the Authority, as the same may be amended from time to time. Neither the Special Fund nor the monies on deposit from time to time therein may be pledged to secure any obligation pursuant to any Resolutions authorizing additional bonds or other bonds or debt obligations of the Authority. Income and earnings actually received by or for the account of the Authority from investments of monies on deposit from time to time in the Special Fund shall be treated as revenues.

2009 Revenue Bonds

On December 22, 2009, the Authority issued $56,600,000 of fixed-rate Senior Revenue Bonds (federally taxable – Build America Bonds), Series A (the 2009 Series A Bonds) and $30,635,000 ($32,446,008 inclusive of net premium) of various fixed-rate Senior Revenue Bonds, Series B (the 2009 Series B Bonds), for a total of $89,046,008. The bonds were issued for the following purposes:

- A total of $85,000,000 of bonds (including $55,000,000 of the 2009 Series A Bonds, $30,000,000 of the 2009 Series B Bonds) were issued to finance certain infrastructure and other capital improvements.

Funds aggregating $1,544,849, representing the net proceeds of the bond issues after payment of underwriting fees, other issuance cost and allocation of funds to infrastructure and other capital improvements accounts, were deposited into a reserve fund.

The payment of principal commences in November 2032 on the 2009 Series A Bonds, while payment on the 2009 Series B Bonds commences in November 2010.

The 2009 Series A Bonds were issued as "Build America Bonds" (BABs) under section 54AA of the U.S. Tax Code for which it expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable by the Authority on the bonds. For the fiscal year ended October 31, 2010, the Authority received a payment from the U.S. Treasury in the amount of $452,535 pursuant to the subsidy. The Authority can give no assurances about future legislation or changes that may affect the availability, amount or receipt of such subsidy payments.

At October 31, 2010, the 2009 Series A Bonds consist of the following term bonds:

	Coupon rates	Principal amounts	Interest	BABs subsidy	Interest (net of BABs subsidy)
Year ended October 31:					
2011	6.375%	$ —	3,608,250	(1,262,888)	2,345,362
2012	6.375%	—	3,608,250	(1,262,888)	2,345,362
2013	6.375%	—	3,608,250	(1,262,888)	2,345,362
2014	6.375%	—	3,608,250	(1,262,888)	2,345,362
2015	6.375%	—	3,608,250	(1,262,888)	2,345,362
2016 – 2020	6.375%	—	18,041,250	(6,314,438)	11,726,812
2021 – 2025	6.375%	—	18,041,250	(6,314,438)	11,726,812
2026 – 2030	6.375%	—	18,041,250	(6,314,438)	11,726,812
2031 – 2035	6.375%	13,290,000	17,769,356	(6,219,275)	11,550,081
2036 – 2040	6.375%	43,310,000	7,125,975	(2,494,091)	4,631,884
Totals		$ 56,600,000	97,060,331	(33,971,120)	63,089,211

The 2009 Series A Bonds maturing after November 1, 2019 are subject to redemption, in whole or in part, at any time on or after November 1, 2019 at the option of the Authority, at a redemption price of par plus interest to the redemption date.

As of October 31, 2010, principal and interest payments due on the 2009 Series B Bonds are as follows:

	Coupon rates		Principal amounts	Interest
Year ended October 31:				
2011	2.00%	$	255,000	1,432,056
2012	2.00%		115,000	1,426,956
2013	2.00%		310,000	1,424,656
2014	2.00%		310,000	1,418,456
2015	2.50%		315,000	1,410,706
2016 – 2020	2.50% - 3.50%		1,735,000	6,906,781
2021 – 2025	3.50% - 5.00%		1,955,000	6,512,356
2026 – 2030	4.00%		2,245,000	6,048,181
2031 – 2035	4.125% - 5.00%		23,150,000	3,258,800
Totals		$	30,390,000	29,838,948

The Authority issued certain of the 2009 Series B Bonds at a premium of approximately $1.81 million, which is being amortized on a straight-line basis, over the lives of the 2009 Series B Bonds. At October 31, 2010, the unamortized net bond premium was approximately $1.7 million.

Compensation Schedule
(of Employees Earning More than $100,000 per year)

Battery Park City Authority

Name	Title	Grade	Salary	Department
Baldwin, Daniel	Senior Development Counsel	N/A	$135,991	Legal
Dawson, Gwen	Director, Strategic Planning	N/A	$109,057	Strategic Planning
Druckman, Sidney	Director, Special Projects	N/A	$106,186	Special Events
Ford, Allyson	Special Counsel	N/A	$110,000	Legal
Garcia, Luis	Assistant Treasurer	N/A	$116,291	Finance
Gelb, Stephanie	Vice President, Architecture & Design	N/A	$120,534	Planning & Design
Horwitz, Gayle	CEO/President	N/A	$210,000	Executive
Holden, Robert	V.P. Human Resources/Admin. Ops.	N/A	$125,908	Human Resources
Jaffee, Carl	Senior Development Counsel	N/A	$138,609	Legal
Kimball, Wilson	Senior Vice President, Operations	N/A	$138,555	Operations
Koenig, Karl	Controller	N/A	$120,000	Finance
Miller, Lisa	Vice President, Internal Audit	N/A	$128,984	Internal Audit
Molinski. Stan	MIS Director	N/A	$123,900	MIS
Remauro, Leticia	V.P. Community Relations/Diversity/Press	N/A	$133,681	Community Relations
Serpico, Robert	Senior V.P. Finance/CFO	N/A	$179,871	Finance
Taylor, Phyllis	General Counsel, EVP, CAO	N/A	$205,000	Legal

	Battery Park City Parks Conservancy			
Name	Title	Grade	Salary	Department
Abigail Ehrlich	Director Parks Programming	N/A	$100,008.71	Parks Programming
Eric Fleisher	Director Horticulture	N/A	$100,016.05	Horticulture
Tessa Huxley	Executive Director	N/A	$133,041.09	Administration
Vincent McGowan	Assistant Director	N/A	$118,592.23	Administration
Bruno Pomponio	Director of Maintenance	N/A	$100,507.69	Maintenance

Biographical Information

Gayle M. Horwitz
President & CEO

Gayle M. Horwitz was appointed President & CEO of the Battery Park City Authority in October 2010; prior to that she served as Chief Operating Officer. From 2007 to 2010 she served as First Deputy Comptroller for the New York City Comptroller Office. As First Deputy Comptroller, Ms. Horwitz was responsible for managing the daily operations of the Comptroller's office, which included a staff of more than 720 employees, a $66 million operating budget, a $36.5 million capital budget and a pension portfolio of more than $100 billion. From 2002 to 2007, Ms. Horwitz served as Deputy Comptroller and Chief of Staff. Before her tenure in the City Comptroller's office, Ms. Horwitz served as Special Assistant to the President of the New York City Board of Education, Assistant Vice President at National Westminster Bancorp, and Director of Operations for the New York City Department of General Services. She was an Adjunct Assistant Professor at New York University's Robert F. Wagner Graduate School of Public Service in the 2002-2003 academic year. Ms. Horwitz received her Master's Degree in Public Administration from NYU, graduating first in the Class of 1990. She received an AB degree from Mount Holyoke College and graduated from The Taft School in Connecticut.

Daniel Baldwin, Esq.
Senior Development Counsel

Mr. Baldwin is a real estate and corporate lawyer with experience in law firm practice, as in-house counsel, and in a corporate investigative firm, as well as in his current government position with BPCA. He is a Member of the Bar of the States of New York and New Jersey. He received his J.D. from Columbia Law School and his B.A. at Yale University.

Gwen Dawson, Esq.
Director, Strategic Planning

Gwen Dawson began her professional career practicing law in Denver, Colorado, focusing on real estate and business law. She later transitioned to full-time real estate planning and development with a focus on large-scale public-private development projects in urban settings. Prior to joining Battery Park City Authority, Ms. Dawson worked with the Mayor’s Office of the City and County of Denver and the Colorado Community College System.

Sidney Druckman
Director, Special Projects

Sidney has been BPCA’s Director Special Projects for 24 years. During that time, she has managed all aspects of public arts and events for the BPCA; from artist competitions/art installations to the creation of music festivals, annual reports, videos and brochures. She was a Founding Member of the World Financial Center Arts and Events Committee and has worked on that committee for 20 years. Additionally, she was a Founding Partner of the downtown River to River Festival, and has devoted 9 years to planning these annual festivals.

Allyson Ford, Esq.
Special Counsel

Ms. Ford is a seasoned attorney with 18 years of experience in both public and private sector. She served as Director of State Legislative Affairs, Director of Operations and Special Counsel at the NYC Department of Housing Preservation and Development for the past 11 years. Areas of expertise include: housing law, commercial litigation, labor law, collective bargaining, arbitration, legislative processes and issue resolution. Ms. Ford graduated with a BA from Wesleyan University in Middletown, Ct. She received her JD from Boston College Law School.

Luis Garcia
Assistant Treasurer

Mr. Garcia received his Bachelor's Degree in Accounting from Adelphi University Class and his Master's Degree in Computer Science from Pace University. He began working at BPCA in 1985 and held numerous positions over the years including Accountant, Senior Accountant, Director of Accounting, and Assistant Treasurer. From 2003-2007 he also served a Treasurer of the Battery Park City Parks Conservancy. Prior to coming to BPCA, Mr. Garcia working in the banking industry as an accountant and also as an Internal Branch Auditor.

Stephanie Gelb, FAIA, LEED AP
Vice President, Planning and Design

Stephanie Gelb is an architect and urban planner. As Vice President of Planning and Design at the Battery Park City Authority, Ms. Gelb was responsible for overseeing the planning and design of parks, playgrounds and schools and introducing guidelines for sustainable development. She received a professional architecture degree from the University of Washington and a Master of Urban Planning degree from the City University of New York.

Robert F. Holden, SPHR, IPMA-CP
Vice President, Human Resources & Administrative Operations

Mr. Holden is a Human Resources professional who received a Masters of Business Administration from Adelphi University, a BA from SUNY New Paltz, and a Human Resources Studies Certificate from Cornell University's School of Industrial and Labor Relations. Mr. Holden has been designated as a Certified Professional/Specialist by the International Public Management Association for Human Resources. Additionally, he is a certified Senior Professional in Human Resources (SPHR).

Carl Jaffee, Esq.
Senior Development Counsel

Mr. Jaffee is an attorney specializing in real estate matters. His experience includes private law firm practice in corporate matters and in real estate leasing and development matters, as in-house corporate counsel, and positions with governmental entities, including New York Urban Development Corporation, the City of New York and the Battery Park City Authority. Mr. Jaffee is a graduate of Harvard Law School and Harvard College.

Wilson Kimball, Esq., CPP
Senior Vice President, Operations

Wilson Kimball is an attorney with 14 years of public sector experience. Prior to coming to Battery Park City she was Executive Director of a not-for-profit international foundation and a Real Estate Professional in New York City. She is a former member of the NYS Board of Real Estate Appraisers. Ms. Kimball graduated with honors from Skidmore College and as a Stein Scholar from Fordham University School of Law. She is a Certified Protection Professional and Controls Specialist. Currently she is an MBA candidate.

Karl Koenig, CPA
Controller

Karl Koenig graduated Queens College with a triple concentration in German, Accounting, and Economics. He worked for 3 years as an auditor for the NYC Comptroller's Office where he passed the CPA exam. He spent 4 years at a midsize accounting firm performing various audits and prepared taxes for non-profit and for profit entities. He then spent 8 years as the director of Finance for a non-profit organization. He currently is the Controller for Battery Park City Authority.

Lisa Miller, Esq., CFE
Vice President, Internal Audit/Compliance

Lisa Miller is an attorney with 20 years of public sector legal experience. She has worked as an attorney in the New York City Law Department and has seven years of prosecutorial/investigative experience. She served as the Internal Control Officer at Battery Park City Authority for 5 years prior to assuming her current position. She is a Certified Fraud Examiner and a member of the Association of Inspectors General, the Institute for Internal Controls, and the New York State Internal Controls Association.

Stan Molinski
Director, Information Technology

In June of 2008 Mr. Molinski was hired as the Director of Information Technology at the Battery Park City Authority. Prior to BPCA, Mr. Molinski consulted for four years with SunGard IT Managed Services serving as Chief Information Officer at Saint Peter's College in Jersey City. Mr. Molinski also worked for 21 years in the corporate arena, with Empire Blue Cross Blue Shield, TIAA-CREF, Savin Corp. and Merrill Lynch. Mr. Molinski received his B.S. from Iona College.

Leticia Remauro
Vice President for Community Relations/Press and Diversity

Leticia Remauro is the Vice President for Community Relations/Press and Affirmative Action. Ms. Remauro's background is in small business and communications. Ms. Remauro entered into public service in 1994 as a member of the Community Assistance Unit for the Mayor of New York City. Following that, Ms. Remauro took a position as Regional Representative for the Governor of the State of New York. Both positions revolved around community, legislative and press relations. Ms. Remauro has served in her current position since December 2002.

Robert M. Serpico
Senior Vice President, Finance and Treasurer/CFO

Mr. Serpico has been with the Authority since June 1986 and has been chief financial officer since December 1987. In addition, Mr. Serpico has served as President and Chief Executive Officer of the Battery Park City Parks Conservancy, an Authority affiliate responsible for care of the parks in Battery Park City for 17 years and is now Treasurer. He was formerly Regional Controller for Continental Telecom, Inc. from 1983 through 1986 and prior 6 years was in private sector audit jobs including the Controllership Division of American Express Company. MBA, BS Syracuse University- Accounting, Finance, Operations.

Phyllis Taylor, Esq.
Chief Administrative Officer/Executive Vice President & General Counsel

Ms. Taylor is Executive Vice President and General Counsel of Battery Park City Authority. She is a former Vice President at Independent Fiduciary Services, Inc. in Washington, DC, a leading provider of customized investment consulting services for ERISA and non-ERISA-regulated defined benefit and defined contribution pension plans, where she specialized in fiduciary audits for public and private sector institutional clients, pension plan governance matters, and fiduciary training and education for institutional clients. Among other positions, she has also served as Deputy Comptroller for Legal Affairs/General Counsel to the New York City Comptroller and as General Counsel to the New York State Environmental Facilities Corporation. She is a graduate of Kirkland College (now Hamilton College) and Syracuse University Law School.

Battery Park City Parks Conservancy ("BPCPC")

Abigail M. Ehrlich
Director of Parks Programming, Battery Park City Parks Conservancy

Ms. Ehrlich received her B.A. from Connecticut College and a M.S. from the Bank Street Graduate School of Education. Prior to becoming Director of Parks Programming, Battery Park City Parks Conservancy in 1998, she managed School and Family Programs at the Museum of Television & Radio and the Whitney Museum of American Art. She was a museum educator at the University of Washington's Henry Art Gallery, The Brooklyn Museum and The Frick Collection, and program manager for Washington State Arts Commission's public art in public schools.

Eric "T" Fleisher
Director of Horticulture, Battery Park City Parks Conservancy

Mr. Fleisher is the Director of Horticulture at Battery Park City Parks Conservancy. A national leader in the field of sustainable horticulture, Fleisher has brought this 37-acre oasis of parkland on the Hudson River to the forefront as the only public garden space in New York City to be maintained completely organically. His methods are based on the development of balanced soil ecology, with an emphasis on composting, water conservation, and the use of nontoxic means of pest and disease control. A 2008 Loeb Fellow at Harvard University, Mr. Fleisher has a certificate in Advanced Environmental Studies and is continuing to develop protocols to help landscapes recover from the 20th century's chemical interventions.

Tessa Huxley
Executive Director, Battery Park City Parks Conservancy

Tessa Huxley has been Executive Director of the Battery Park City Parks Conservancy for twenty-two years. She holds a degree in Horticulture from Hampshire College and was a Loeb Fellow in Environmental Design at the Harvard University Graduate School of Design. A founder of the American Community Gardening Association, she worked in the community greening movement for over ten years before being asked to take the idea of BPCPC and turn it into a reality.

Vincent McGowan
Assistant Executive Director, Battery Park City Parks Conservancy

Mr. McGowan received his B.S. from Fordham University. He is a licensed real-estate broker in New York State. Prior to coming to BPCPC, he served as Chief Operating Officer of The Hudson River Park Conservancy. Additionally, he was employed as the Athletic Director at Camp Winaukee, Center Harbor, N.H. His retail experience includes being the owner/ operator of 4 retail businesses in NYC.

Bruno Pomponio
Director of Maintenance, Battery Park City Parks Conservancy

Mr. Pomponio joined Battery Park City Parks Conservancy in 1997 as a plumber. In 1998 he was promoted to foreman of the Maintenance Department, and in 1999 to Director of the Maintenance Department. He is certified by U.S. Department of Labor Occupational Safety and Health Administration (OSHA) to conduct training in occupational safety and health standards, and received accreditation in Construction Project Management from New York University. Prior to joining Battery Park City Parks Conservancy, he was employed by New York Public Library as a plumber.

Projects Undertaken in FY 2010

Revenue & Budget

- The Authority funded $7 million less than the $77 million budgeted for FY10 to meet the 2003 and 2009 Bond Resolution funding requirements to pay debt service for the 2011 bond year and to fund a portion of the 2011 estimated bond requirements for the new debt structure.

- Total FY10 estimated Operating Budgets of approximately $28.6 million ($27.1 million was funded in FY10 in accordance with the bond resolution) is expected to be commensurate with actual expenditures for FY10 of $28.5 million

- FY10 total excess revenues from operations were budgeted at $264.8 million. Actual results, however, were favorable in both projected revenues and funded debt service and operations expenses. Actual total excess revenues, $280.7 million, were $15.9 million higher when compared to the budgeted expectation.

MWBE

- A total of $4,494,731.00 was expended for the 1st quarter.
- MWBE utilization was $1,223,344.00 for the quarter.
- A total of $3,527,382.00 was expended for the 2nd quarter.
- MWBE utilization was $617,107.98 for the quarter.
- A total of $4,471,151.00 was expended for the 3rd quarter.
- MWBE utilization was $462,314.00 for the quarter.
- Since 2004, BPCA developers have paid more than $450,000,000 to MWBE firms.
- In 2010, BPCA developers paid more than $30,000,000 to MWBE firms.

Note: BPCA's M/WBE goals are 8% MBE and 10% WBE respectively.

Operations

- Pier A: Foundation repair completed and deck reconstruction began on $30 million project to restore and reopen this landmarked structure.

Development/Construction

- Community Center- BPCA is constructing a 55,000 square foot community center, containing a gym, swimming pools, theater, and classroom/meeting room facilities.
- Goldman Sachs -This new LEED Gold building is now complete, and has l officially opened. The new Goldman Sachs building will provide workspace for 11,000 Goldman Sachs employees. BPCA completed numerous site improvements and roadway reconfigurations in 2009 to accommodate the addition of this new office building. Goldman Sachs paid BPCA a lump sum land rent of $160 million.

- School- BPCA partnered with the School Construction Authority to build New York City's first Green School, located in Battery Park City. This K-8 school has photo-voltaics as part of the structure, not only to generate power, but as an on-site enhancement to a curriculum that will highlight environmental issues. The school opened in September 2010.

Real Property Listing

Real Property valued at More than $15,000 Acquired or Disposed of in FY 2010)

No real property valued at more than $15,000 was acquired or disposed of in FY 2010.

Authority Code of Ethics

(as Contained in the Employee Handbook)

V. GUIDELINES REGARDING CONFLICTS OF INTEREST AND ETHICAL STANDARDS

As a public entity, the Authority has a responsibility for maintaining the highest level of honesty, ethical conduct, and public trust in all of its activities. To meet this responsibility, this Conflict of Interest Policy has been adopted concerning important aspects of ethical conduct.

This policy states in specific form the Authority's position on conflicts of interest. Personal integrity is the cornerstone of this policy. Each employee has the primary responsibility for avoiding financial and other interests, which create a conflict or the appearance of a conflict with his or her job.

When an employee, regardless of level or job assignment, is in a position where his or her financial interest or involvement in a transaction may present a conflict of interest or the appearance of such a conflict, the employee must immediately notify the Ethics Officer and disqualify himself or herself from participation in the transaction until advised in writing that he or she may continue to participate in the transaction.

Any person who has a question as to whether a prospective personal or business transaction, or relationship with a contractor, vendor, or consultant, may be a violation of this policy or of the Public Officers Law should consult with the Ethics Officer and may also request in writing, where appropriate, a formal or informal opinion of the State Ethics Commission.

Each State agency has an obligation under the Public Officer's Law, to appoint an Ethics Officer (the E.O.). The E.O. has numerous duties such as, providing agency personnel with opinions regarding ethical issues, the acceptance of gifts, invitations, etc. The E.O. is responsible for ensuring that all employees required to do so file their financial disclosure forms with the State Ethics Commission. The E.O. must also inform the State Ethics Commission of all new hires at the agency who are required to file financial disclosure forms. In addition to this, the E.O. reviews all applications for outside activities/employment and makes recommendations to the President/CEO about whether such activity/employment should be allowed pursuant to Ethics Commission Rules and Regulations. The E.O is also required to report the receipt of honoraria by employees to the State Ethics Commission.

Violations of any provisions of this policy may be cause for disciplinary action up to and including termination, as well as criminal prosecution and/or fines up to ($10,000) ten thousand dollars.

A. Application

1. Public Officers Law

   The Authority guidelines, as they relate to employees, are divided into three basic categories:

   - General ethical standards;
   - Issues arising during the course of employment; and
   - Issues arising in connection with termination of employment and post-employment activities.

The guidelines in these areas are drawn from and based on Sections 73 and 74 of the Public Officers Law. While the guidelines in some instances may go further than the underlying statutory provisions, the statute is paramount and controlling to the extent, if any, that it is more limiting or restrictive than the guidelines. In view of the strong identification of the guidelines with the statute, staff should also be aware of the possibility that in violating the guidelines, a statutory provision may be violated as well, with potentially serious consequences, because the legislation creating the Authority makes its officers and employees subject to Section 73 and 74 of the Public Officers Law. Moreover, certain employees are subject to the financial disclosure and reporting requirements of Section 73-a of the Public Officers Law. Copies of these sections of the Public Officers Law may be obtained from the Human Resources Department. Any questions that arise regarding the Public Officers Law should be addressed to the Authority's Ethics Officer.

B. Guidelines

1. Guidelines of General Application

   a. No employee should have any interest, financial or otherwise, direct or indirect, or engage in any activity, including any business transaction, professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his or her duties in the public interest, whether such conflicts be real or apparent, existing or potential.

   b. Each employee should pursue a course of conduct, which will avoid encouraging the public to assume or believe that he or she is likely to engage in acts that would violate his or her trust.

2. Ethical Standards

   It shall be a breach of ethical standards for any employee to:

a. Use his or her position as an employee of the Authority to secure unwarranted privileges or exemptions for him or herself or another.

b. Disclose, or use to further his or her personal interest or the interest of another (including, without limitation, the purchase or sale of property or securities), information acquired by him or her during the course of his or her official duties, which would not otherwise be a matter of public knowledge or information.

3. Issues During Employment

a. General Standards

In connection with any activities outside of the performance of the employee's official duties at the Authority, no outside activity whether or not for compensation (including any such activity for or before any public agency) should be undertaken nor should any employee engage in any conduct, which would:

i. Impair or appear to impair the independent judgment of the employee in the exercise of his or her duties;
ii. Require an allocation of an amount of time sufficient to impair the performance of the employee's obligation to the Authority;
iii. Result in an identification of the employee's outside activities with those of the Authority;
iv. Result in transaction as representative of the Authority with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties;
v. Create the impression, reasonably inferable, that any person may improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank position or influence of any party or person.

b. Investment Guidelines

No employee should have any:

i. Direct or indirect financial interest which conflicts or appears to conflict with his or her responsibilities to the Authority; or
ii. Financial interest, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his or her duties in the public interest.

Investments in municipal bonds or other governmental obligations, including obligations of the Federal government, the State, or any of their agencies or subdivisions, including the Authority, are permitted. Caution must be exercised in making such investments where the employee is privy to information by reason of his or her employment activities, which is not public information at the time of his or her investment, in order to avoid possible infractions of Federal Securities laws.

For the purpose of determining whether an indirect investment exists, employees are urged to disclose any financial interests or investments held by members of their families on their Financial Disclosure form, so that the facts may be analyzed to ascertain whether it is of sufficient magnitude to require preventive action.

C. Outside Employment and Activities

Employees should be aware that as a condition of their employment they are expected to devote full business time to their official responsibilities at the Authority. While outside activities are not precluded (see part 930 and part 932 of the regulations of the State Ethics Commission), employees should take care to avoid any outside employment or activity, which would:

iii. Require or induce the employee to disclose confidential information gained from Authority employment;

iv. Involve the employee on behalf of parties who have a substantial business relationship with the Authority, or should have any business relationship with the Authority where the performance of the employee's duties directly involves him or her in such relationship;

v. Result in the engagement of the employee to perform regular and substantial outside consulting or professional activities, including serving as , regular teaching, any business other than a passive investment activity, or any legal practice, or result in the maintenance of any publicly-listed place of business;

vi. Lead the public to associate the personal business or activities of the employee with the Authority, rather than the employee individually. In performing personal business activities, care should be exercised to avoid the implication of any endorsement of such activities on the part of the Authority. Authority stationery should not be used in conducting the personal affairs or business of any employee, nor should office space be used to such end.

An employee may attend and participate in political functions without violating Section 3.a. (iii) or 3.c. (iv) above provided that he or she makes a good faith effort to make it clear that he or she is doing so in his or her personal capacity and not on behalf of the Authority and mere mention of or reference to his or her affiliation or title with the Authority will not of itself constitute a violation of those sections.

c. **Gifts and Outside Compensation**

All employees are prohibited from accepting gifts or gratuities of more than nominal value where the circumstances would permit the inference that: (a) the gift was intended to influence the individual in the performance of official business; or (b) the gift constituted a tip, reward, or sign of appreciation for any official act by the employee. This prohibition shall apply notwithstanding Public Officers Law § 73(5), which provides that gifts up to $75 may be allowed in certain circumstances.

d. Political Activity Policy

While Authority employees are free to participate in the political process on their own time, there must be a clear separation between political activities and the discharge of their duties as Authority employees. No Authority employee is to conduct political activities during work hours. Any political activity must be performed after normal work hours or while on vacation or personal leave. In addition, Authority equipment, vehicles and office space are to be used for official Authority business only.

e. Receipt of Honorarium

The receipt of honorarium or outside speaking fees must be approved in advance by the President and Chief Executive Officer and a fee cannot be received from an organization, which is regulated by or negotiates with Authority employees acting in their official capacity. A fee cannot be received by an Authority employee from an individual or organization, which attempts to influence Authority positions or actions. An employee receiving approvals to accept such a fee cannot also be paid by the Authority for delivering a speech or rendering a service. Authority personnel, equipment and time cannot be used to prepare for delivery of a speech or to render a service for which an honorarium is to be received unless the honorarium is paid to the Authority. No honorarium is permitted when the Authority sends an employee as its representative to an event to make a speech or perform a service. If an employee is required to file a Financial Disclosure form under the Ethics in Government Act, he or she must disclose the receipt of honorarium in excess of $1,000 from any source.

4. Post Authority Employment

a. Pre-departure Negotiations – No employee, while involved in dealings with a private firm on the Authority's behalf, may discuss with representatives of that firm possible future employment with the firm, nor should employees participate in any activity on behalf of the Authority with respect to an entity with which they are negotiating or have made arrangements for post-Authority employment. All employees should immediately notify the Ethics Officer of the Authority of any understanding or arrangement for employment upon leaving the Authority as promptly as possible after such arrangement is made.

b. Two-year Prohibition – No person who has served as an Authority officer or employee shall for a period of two years after the termination of such service or employment appear or practice before the Authority or receive compensation for any services rendered by such former officer or employee on behalf on any person, firm corporation or association in relation to any case, proceeding application, or other matter before the Authority. The only exception to this law is that former Authority employees may become employees (not consultants) to federal, state or local government entities.

c. Lifetime Prohibition – No person who has served as an Authority officer or employee shall after the termination of such service or employment appear, practice, communicate or otherwise render services before any state agency or receive compensation for any such services rendered by such former officer or employee on behalf of any person, firm, corporation or other entity in relation to any case, proceeding, application or transaction with respect to which such person was directly concerned and in which he or she personally participated during the period of his or her services or employment, or which was under his or her active consideration.

C. Administrative Procedures

1. Administrative Responsibility

a. Subject to the power of the President and Members ultimately to determine all matters encompassed by these guidelines and to designate any other or further officers of the Authority to administer same, the officer of the Authority responsible for administering these guidelines shall be the:

- Ethics Officer, in consultation with the General Counsel

Such officer is hereby authorized, in consultation with the General Counsel, to establish appropriate procedures to implement these guidelines, including procedures for disclosure of actual or potential problems and appropriate review of such problems by individuals designated by him or her.

b. It is recognized that the guidelines set forth herein are, by their nature, general in scope and do not take account of the many factual circumstances which can arise and to which their application may be unclear or, in some case, inappropriate. At the same time it is also recognized that disclosure of potential conflicts or ethical problems to the Ethics Officer of the Authority and the State Ethics Commission is occurring or, at least, that their effects are limited. In view of the foregoing, it shall be the obligation of each employee to bring any circumstances believed to present a potential violation of these guidelines (including any circumstances to which the employee is unsure whether or not the guidelines apply) to the attention of the Ethics Officer and obtain the advice of the State Ethics Commission where there may be a violation of the Public Officers Law.

2. Administrative Remedies

In addition to any remedies, civil or otherwise, which the Authority may have against any employee who shall breach these guidelines, and any applicable penalties under the Public Officers Law, the Authority may impose any one or more of the following:

a. Oral or written warnings;

b. Suspension with or without pay for a specified period of time;

c. Termination of employment

XLII. TELEPHONE USAGE/ USE OF STATE PROPERTY

Authority telephones may not be used for non-governmental long-distance calls except for toll-free calls, collect calls, and calls billed to a personal telephone number. Authority telephones may be used for incidental and necessary personal local calls that are of limited number and duration and do not conflict with the proper exercise of the duties of the employee. Authority employees who do not live within the five boroughs of New York City may make brief, incidental and necessary personal calls to their home area code which are of limited number and duration and do not conflict with the proper exercise of the duties of the State employee.

In addition, the Authority retains the right to, and may monitor any and all incoming or stored phone or electronic transmissions.

All employees are required to submit their most current phone/voicemail password to the Administration department, so that voicemail messages can be retrieved in the event that the employee is absent.

XLIV. COMPUTER AND E-MAIL USAGE/ USE OF STATE PROPERTY

Computers, computer files, the e-mail system, and software furnished to employees are Authority property intended for business use. Employees cannot load personal software or use outside programs, use a password, access a file, or retrieve any stored communication without authorization. To ensure compliance with this policy, computer and e-mail usage may be monitored or accessed. All Authority employees are required to submit their most current computer password(s) to the MIS unit so that computers (Authority property) can be accessed in the event that the employee is not present.

Authority computers may be used for incidental and necessary personal purposes, such as sending personal electronic mail messages, provided that such use is in a limited amount and duration and does not conflict with the proper exercise of the duties of the employee.

The Authority strives to maintain a workplace free of harassment and sensitive to the diversity of its employees. Therefore, the Authority prohibits the use of computers and the e-mail system in ways that are disruptive, offensive to others, or harmful to morale.

For example, the display or transmission of sexually explicit images, messages, and cartoons is not allowed. Other such misuse includes, but is not limited to, ethnic slurs, racial comments, off-color jokes, or anything that may be construed as harassment or showing disrespect for others.

E-mail may not be used to solicit others for commercial ventures, religious or political causes, outside organizations, or other non-business matters. E-mail must not be used to supplant the use of the phone especially in urgent or emergency situations.

The Authority purchases and licenses the use of various computer software for business purposes and does not own the copyright to this software or its related documentation. Unless authorized by the software developer and the Authority, employees do not have the right to reproduce such software for use on more than one computer.

Employees may only use software on local area networks or on multiple machines according to the software license agreement. The Authority prohibits the illegal duplication of software and its related documentation. The installation, alteration, and removal of any software without authorization is strictly prohibited. Employees should notify their immediate supervisor, the Human Resources Department or any member of management upon learning of violations of this policy. Employees who violate this policy will be subject to disciplinary action, up to and including termination of employment. Any unauthorized software will be uninstalled without prior notification. MIS resources will not be used to support any non-Authority equipment. This includes home PCs, software, printers, internet connections, PDA, etc. Consultation with MIS personnel regarding non-Authority computers matters is also prohibited.

MIS service level agreement covers Authority related computing services only during normal business hours unless in the case of mission critical outages.

LII. PROHIBITION AGAINST THE USE OF STATE PROPERTY

Battery Park City Authority supplies, equipment, computers, personnel and other resources may not be utilized for non-governmental purposes, including for personal purposes or for outside activities of any kind. This prohibition includes but is not limited to the following:

a. Official stationery may not be used for non-governmental purposes, nor may Authority resources be used to mail personal correspondence. The designation "personal' on Authority stationary means only that the contents are meant for the personal viewing of the addressee and not that the sender is acting unofficially. All letters and other written materials printed on such official stationery are considered official, and thus the designation "unofficial" has no meaning and may not be used.

b. Under no circumstances may Authority mail, postage, internal office mail, or inter-city couriers be used for non-governmental purposes.

c. Authority vehicles shall be used for only official business or incidental use associated with official business away from an employee’s work station. Individuals who are authorized to use an Authority vehicle for personal purposes shall keep records of such use, and the value of such personal use shall be calculated and reported as personal income to such individual for tax purposes.

LIII. PROHIBITION AGAINST NEPOTISM IN HIRING AND CONTRACTING

No employee may take part in any hiring or employment decision relating to a family member. If a hiring or employment matter arises relating to a family member, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

No employee may take part in any contracting decision: (i) relating to a family member; or (ii) relating any entity in which a family member is an officer, director or partner, or in which a family member owns or controls 10% or more of the stock of such entity.

If a contracting matter arises relating to a family member, then the employee must advise his or her supervisor of the relationship, and must be recused from any and all discussions or decisions relating to the matter.

For the purposes of this paragraph, the term “family member" shall mean any person living in the same household as the employee, and any person related to the employee within the third degree of consanguinity or affinity.

Assessment of Internal Control Structure and Procedures

BPCA views risk as a probability that an event or action will adversely affect the organization. The primary categories of risk include errors, omissions, delays and fraud. In order to achieve goals and objectives, management must effectively balance risk and controls, decreasing risk to a level at which management may reasonably choose to accept the exposure. To achieve this balance, internal control procedures must be developed and should be proactive, value-added, cost-effective and directly responsive to various types of risk. By performing this balancing act, reasonable assurance can be attained and a comprehensive framework can be formulated to manage and/or mitigate risks and enhance the effectiveness of the internal controls.

BPCA's internal controls are contained in written policies and procedures manuals and guidelines maintained companywide and by individual departments. These internal controls are routinely monitored by both internal (IA, the ICO and the Internal Control Working Group) and external (our independent auditors and the Office of the State Comptroller) entities. The Finance Department, as well as the Operations Department, updates significant internal control policies (e.g. investment guidelines, prompt payment policy, procurement policy, etc) and presents them to the Board for approval.

As indicated above, BPCA has designated an individual as the Internal Control Officer. The ICO works with appropriate personnel within the agency or authority to coordinate the internal control activities and to help ensure that the internal control program meets the requirements established by BPRM Item B-350. Although the ICO evaluates the adequacy of the internal control reviews performed by agency or authority staff, program and line managers are primarily responsible for conducting reviews to assure adherence to controls and analyzing and improving control systems. The ICO acts on behalf of the agency head in implementing and reviewing the agency's internal control program. With a broad knowledge of agency operations, personnel and policy objectives at BPCA, the Senior Vice President of Operations serves as the Authority's Internal Control Officer ("ICO").

BPCA conducts annual risk assessments each year and for Fiscal Year 2010 the annual risk assessments/reviews commenced March 29, 2010. Each department conducted its risk assessment which is overseen by the IA Department and the ICO. Each department is responsible for identifying the risk associated with their major functions and tracking the process by which those risks are minimized with adequate controls. The IA and the ICO review the final report and areas of note are monitored and used as an aid in generating the following year's internal audit plan.

Several measures were taken in Fiscal Year 2010 to sustain the effectiveness of the internal control program. These include new policies, procedures and updates to the Employee handbook, Procurement Guidelines and MIS policies and procedures.

Of particular note in Fiscal Year 2010 was the establishment of the Committee on Change Orders (COCO). The rules and regulations governing COCO were codified in the Procurement Guidelines. The purpose of COCO is to review all proposed change orders in order to verify necessity and reasonableness from perspectives of planning and design, construction and economic impacts to each project and the BPCA budget overall, making sure that all interested parties have weighed in on the need for the change and resulting expenditure. After each meeting, a list of recommendations is presented to the President for approval before being disseminated to the appropriate department heads.

The President & CEO also held regular meetings regarding Internal Controls if and when issues came to his attention. Staff is encouraged to speak with the Board, the Audit Committee, the Internal Audit Department, the Internal Control Officer or the President & CEO through an open-door policy routinely referenced in All-staff meetings and reiterated in the Employee Handbook. Staff can also leave suggestions, comments or issues anonymously in a staff suggestion box in the staff kitchen. Any writing left in the box is read by the President to the entire staff at the all-staff meeting and addressed by the appropriate department.

Issues of compliance are posted by Human Resources on the Authority bulletin board. New internal control policies are also included by Human Resources in the Employee Handbook and MIS policies and procedures manual. New employees must read and attest to reviewing both documents: The Employee Handbook is read and signed by every staff member on an annual basis. Audit Committee and regular Board meetings, in which new policies and procedures are discussed and adopted (Procurement Guidelines) are broadcast in compliance with Executive Order 3 and the Open Meetings Law. All material is available either on the employee intranet or on the Authority's public website.

A top priority in the new fiscal year is to perform a comprehensive review of internal controls focusing on achieving the highest levels of integrity and personal and professional standards; a leadership philosophy and operating style which promote internal control throughout the organization; and assignment of authority and responsibility.

As one of the first steps, BPCA’s external auditor shared a presentation to our Board regarding Audit Committee Best Practices including organizational, operational and internal control practices. They will meet with the audit committee to review this presentation in greater detail. Additionally, the President has convened a staff procurement working group to review current procurement practices. The group will focus on streamlining the contracting process, developing and instituting appropriate control management protocol and ensuring proper safeguards are in place to protect the integrity of the contracts. The working group will provide a full report to the Board including recommendations for changes to the procurement guidelines which will be presented to the Board for approval.

Enabling Legislation

Public Authorities Law

§ 1971. Statement of legislative findings and purposes. It is hereby found and declared that there exists on the lower West side of the county of New York, North of Battery Park and on and adjacent to the Hudson River, a blighted area, defined in this title as the Battery Park project area, marked by substandard, insanitary, deteriorated and deteriorating conditions, in which area there exists obsolete and dilapidated buildings and structures, including piers, of defective construction and outmoded design, lacking proper sanitary facilities and adequate fire and safety protection, and with insufficient light and ventilation and inadequate maintenance; buildings or structures abandoned or not utilized in whole or in part; obsolete systems of utilities; poorly or improperly designed street patterns and intersections with inadequate access to areas; traffic congestion; and obsolete street widths, sizes and shapes, all of which hamper and impede the proper and economic development of such area and of the city of New York and of the state as a whole.

It is further found and declared that such area is no longer suitable or useful for piers or for facilities appurtenant to the loading and unloading of commercial cargo, and that retaining piers in such area creates a blighting effect on such area and on surrounding areas and is detrimental to the development of such area and to the growth and prosperity of the county and city of New York and of the state as a whole.

It is hereby declared that the improvement of such area, the elimination of pier facilities and of the present structures therein, and the replanning, reconstruction and redevelopment of such area including the filling of the Hudson River at such area up to the present pierhead line, the preparation of the resulting land for development, and the creation in such area, in cooperation with the city of New York and the private sector, of a mixed commercial and residential community, with adequate utilities systems and civic and public facilities such as schools, open public spaces, recreational and cultural facilities, is necessary for the prosperity and welfare of the people of the city of New York and of the state as a whole, and is a public use and public purpose for which tax exemptions may be granted, and that the powers and duties of battery park city authority as hereinafter recited are necessary and proper for the purpose of achieving such ends.

It is hereby further found and declared that there continues to exist throughout the city of New York a seriously inadequate supply of safe and sanitary dwelling accommodations for persons and families of low income. This condition is contrary to the public interest and threatens the health, safety, welfare, comfort and security of the people of the state. The ordinary operations of private enterprise cannot provide an adequate supply of safe and sanitary dwelling accommodations at rentals which persons and families of low income can afford. In order to encourage the investment of private capital and provide such dwelling accommodations, provision should be made for mortgage loans at low interest rates to housing companies which, subject to regulations as to rents, profits, dividends and disposition of their property, supply such dwelling accommodations and other facilities incidental or appurtenant thereto to such persons and families.

Therefore, it is hereby found and declared that Battery Park city authority, through the issuance of bonds and notes to the private investing public, by encouraging maximum participation by the private sector of the economy, including the sale or lease of the authority's interest in projects at the earliest time deemed feasible, and through participation in programs undertaken by the state, its agencies and subdivisions, and by the federal government, may provide or obtain the capital resources necessary to provide dwelling accommodations for persons and families of low income, and facilities incidental or appurtenant thereto, and, where necessary, to carry out the clearance, replanning, reconstruction and rehabilitation of such substandard and insanitary areas.

It is hereby further found and declared that the acquisition and construction of adequate, safe and sanitary dwelling accommodations for persons and families of low income and such facilities as may be incidental or appurtenant thereto, are public uses and public purposes for which public money may be loaned and private property may be acquired and tax exemptions granted, and that the powers and duties of battery park city authority or its subsidiaries as hereinafter recited are necessary and proper for the purpose of achieving the ends here recited.

§ 1973. Battery park city authority. (1) There is hereby created the battery park city authority which shall be a body corporate and politic, constituting a public benefit corporation. Its membership shall consist of seven members to be appointed by the governor with the advice and consent of the senate. One of the members first appointed shall serve for a term ending four years from January first next succeeding his appointment; one of such members shall serve for a term ending five years from such date; and one of such members shall serve for a term ending six years from such date. Provided, however, that two board members first appointed on or after the effective date of the chapter of the laws of two thousand five which amended this subdivision shall serve an initial term of two years; provided further that two other board members first appointed on or after the effective date of the chapter of the laws of two thousand five which amended this subdivision shall serve an initial term of four years. Their successors shall serve for terms of six years each. Members shall continue in office until their successors have been appointed and qualified and the provisions of section thirty-nine of the public officers law shall apply. In the event of a vacancy occurring in the office of a member by death, resignation or otherwise, the governor shall appoint a successor with the advice and consent of the senate to serve for the balance of the unexpired term.

(2) The members shall elect the chairman of the authority from among their number. The members shall serve without salary or other compensation, but each member shall be entitled to reimbursement for

actual and necessary expenses incurred in the performance of his or her official duties. Anything to the contrary contained herein notwithstanding, any member who serves as an employee of the authority shall be entitled to receive such salary as the members may determine for services as such employee.

(3) Such members other than those serving as employees of the authority may engage in private employment, or in a profession or business. The authority, its members, officers and employees shall be subject to the provisions of sections seventy-three and seventy-four of the public officers law.

(4) Notwithstanding any inconsistent provision of law, general, special or local, no officer of the state or of any civil division thereof shall be deemed to have forfeited or shall forfeit his office or employment by reason of his acceptance of membership on the authority created by this section.

(5) The governor may remove any member for inefficiency, neglect of duty or misconduct in office after giving him a copy of the charges against him and an opportunity to be heard, in person or by counsel, in his defense, upon not less than ten days notice. If any such member shall be removed, the governor shall file in the office of the department of state a complete statement of the charges made against such member and his findings thereon, together with a complete record of the proceedings.

(6) The authority in its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the authority shall have bonds, notes and other obligations outstanding, unless adequate provision has been made for the payment thereof in the documents securing the same. Upon termination of the existence of the authority, all its rights and properties shall vest in the state.

(7) A majority of the members of the authority shall constitute a quorum for the transaction of any business or the exercise of any power or function of the authority. The authority may delegate to one or more of its members, or to its officers, agents or employees, such powers and duties as it may deem proper.

§ 1974. Powers of the authority. The authority shall have power:

1. To sue and be sued;

2. To have a seal and alter the same at pleasure;

3. To acquire, lease, hold, mortgage and dispose of real property and personal property or any interest therein for its corporate purposes;

4. To acquire, construct, improve, enlarge, operate and maintain a project within the project area as defined herein and all other structures, appurtenances and facilities necessary or convenient in connection therewith, provided, however, that all contracts for construction let by the authority shall be let in conformity with the provisions of section one hundred thirty-five of the state finance law, except that contracts for construction let by subsidiaries of the authority shall be governed instead by the applicable provisions of the private housing finance law;

5. To appoint officers, agents and employees, prescribe their qualifications and duties and fix their compensation;

6. To make by-laws for the management and regulation of its affairs, and, subject to agreements with bondholders, for the regulation of the projects;

7. With the consent of the city to use agents, employees and facilities of the city, paying to the city its agreed proportion of the compensation or cost;

8. To make contracts and to execute all necessary or convenient instruments, including leases and subleases, evidences of indebtedness, negotiable or non-negotiable;

9. To engage the services of consultants on a contract basis for rendering professional and technical assistance and advice;

10. To accept grants, loans or contributions from the United States, or the state or the city, or any agency or instrumentality of any of them, or from any other source and to expend the proceeds for any corporate purpose;

11. To fix, establish and collect rates, rentals, fees and other charges for the use of the project, subject to and in accordance with such agreements with bondholders and noteholders as may be made as hereinafter provided;

12. To create subsidiaries pursuant to section nineteen hundred seventy-four-a of this title;

13. To lend or donate monies, whether secured or unsecured, to any subsidiary, and to purchase, sell or pledge the shares, bonds or other obligations or securities thereof, on such terms and conditions as the authority may deem advisable;

14. To make loans secured by a first mortgage, and to make temporary loans or advances, to any housing company organized to provide housing within the Battery Park city project area pursuant to and subject to the provisions of article two, article four or article eleven of the private housing finance law, including any subsidiary of the authority, and to undertake commitments therefor. Any such commitments or loans may contain such terms and conditions not inconsistent with the provisions of this title as the authority may deem necessary or desirable to secure repayment of its loan, the interest, if any, thereon and other charges in connection therewith;

15. Subject to the provisions of any contract with noteholders or bondholders, to sell, at public or private sale, any mortgage or other security for a mortgage loan made by the authority;

16. In connection with the making of mortgage loans and commitments therefor, to make, fix or establish and collect such fees and charges, including but not limited to reimbursement of all costs of financing by the authority, service charges and insurance premiums, as the authority shall determine to be reasonable subject to the provisions of any contract with noteholders or bondholders;

17. To procure or agree to the procurement of insurance or guarantees from the federal government of the payment of any bonds or notes, mortgages or any other evidences of indebtedness issued by the authority or its subsidiaries, including the power to pay premiums on any such insurance;

18. Subject to the provisions of any contract with noteholders or bondholders, to consent to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, security or any other term, of any mortgage, mortgage loan, mortgage loan commitment, contract or agreement of any kind to which the authority is a party;

19. In connection with any property on which the authority has made a mortgage loan, to foreclose on any such property or commence any action to protect or enforce any right conferred upon the authority by any law, mortgage, contract or other agreement, and to bid for and purchase such property at any foreclosure or at any other sale, or acquire or take possession of any such property; and in such event the authority may complete, administer, pay the principal of and interest on any obligations incurred in connection with such property, and dispose of, and otherwise deal with, such property, in such manner as may be

necessary or desirable to protect the interests of the authority therein;

20. To manage any project, whether or not then owned or leased by the authority, and to enter into agreements with the state or any municipality or any agency or instrumentality thereof, or with any person, firm, partnership or corporation, either public or private, for the purpose of causing any project to be managed;

21. To procure insurance against any loss in connection with its property and other assets and operations in such amounts and from such insurers as it deems desirable;

22. Notwithstanding the provisions of this title or of any other law, general, special or local, whenever the authority shall find that the maximum rentals charged tenants of the dwellings in any project financed by the authority in whole or in part shall not be sufficient, together with all other income of the mortgagor, to meet within reasonable limits all necessary payments to be made by the mortgagor of all expenses including fixed charges, sinking funds, reserves and dividends, to request the mortgagor to make application to vary the rental rate for such dwellings so as to secure sufficient income, and upon failure of the mortgagor to take such action within sixty days after receipt of written request from the authority to do so, to vary such rental rate by action of the authority.

23. To do all things necessary or convenient to carry out the powers expressly given in this title.

24. To borrow money and issue negotiable bonds, notes or other obligations and to provide for the rights of the holders thereof;

25. To carry out its powers and responsibilities with respect to the chapter of the laws of nineteen hundred ninety which enacted this subdivision.

Description of Authority and Board Structure

Battery Park City Authority is a Public Benefit Corporation, established in 1969 to create, develop and maintain a balanced community of commercial, residential, retail, and park space within its designated 92-acre site located in the southwestern tip of Manhattan. In order to meet this mandate, the State Legislature empowered the Authority to plan, create, co-ordinate and maintain a balanced community of commercial, residential, retail, and park space within its designated 92-acre site on the lower west side of Manhattan.

It has a board consisting of seven members who serve without compensation. The board members are: William C. Thompson, Jr., Frank J. Branchini, David B. Cornstein, Fernando A. Mateo, Robert J. Mueller, Andy Shenoy. There is currently one vacancy. The board has four committees: Audit Committee, Compensation Committee, Finance Committee, Governance Committee. The members of each committee are:

Audit Committee Members:
Robert J. Mueller, Chair
David B. Cornstein
William C. Thompson, Jr.

Compensation Committee Members:
Fernando A. Mateo, Chair
Frank J. Branchini
David B. Cornstein

Finance Committee Members:
Frank J. Branchini, Chair
Fernando A. Mateo
Andy Shenoy

Governance Committee Members:
David B. Cornstein, Chair
Andy Shenoy
William C. Thompson, Jr.

List of Board meetings and attendance for calendar year 2010:

BOARD MEETINGS 2010

December 1, 2010
Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member (via telephone)
David B. Cornstein, Member
Fernando A. Mateo, Member

Robert J. Mueller, Member

October 26, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Fernando A. Mateo, Member

October 14, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Fernando A. Mateo, Member
Robert J. Mueller, Member (via telephone)
Andy K. Shenoy, Member

September 14, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Fernando A. Mateo, Member
Robert J. Mueller, Member
Andy K. Shenoy, Member

July 21, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Robert J. Mueller, Member (by telephone)
Andy K. Shenoy, Member
Fernando A. Mateo, Member

June 15, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Robert J. Mueller, Member
Andy K. Shenoy, Member
Fernando A. Mateo, Member

May 11, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Robert J. Mueller, Member
Evelyn K. Rollins, Member
Andy K. Shenoy, Member (by telephone)

March 29, 2010

Members Present
William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
Robert J. Mueller, Member
Evelyn K. Rollins, Member
Andy K. Shenoy, Member

February 23, 2020

Members Present
Charles J. Urstadt, Vice Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Robert J. Mueller, Member
Evelyn K. Rollins, Member
Andy K. Shenoy, Member (by telephone)

January 27, 2010

Members Present
James F. Gill, Chairman
Charles J. Urstadt, Vice Chairman
Frank J. Branchini, Member
David B. Cornstein, Member
Robert J. Mueller, Member
Evelyn K. Rollins, Member
Andy K. Shenoy, Member

January 12, 2010

Members Present
James F. Gill, Chairman
Frank J. Branchini, Member (by telephone)
David B. Cornstein, Member
Evelyn K. Rollins, Member
Andy K. Shenoy, Member

AUDIT COMMITTEE MEETINGS 2010

December 1, 2010

Audit Committee Members Present
Robert J. Mueller, Chairman
David B. Cornstein, Member
William C. Thompson, Jr.

May 3, 2010

Audit Committee Members Present
Frank J. Branchini, Chairman
Robert J. Mueller, Member
William C. Thompson, Jr., Member

March 29, 2010

Audit Committee Members Present
Frank J. Branchini, Chairman
Robert J. Mueller, Member
William C. Thompson, Jr., Member

BPCA has currently has 54 full time employees and 2 part-time employees.

In addition to managing and supervising the infrastructure and site development for the commercial and residential planned community, one of the Authority's key responsibilities under the Act is to operate, maintain and repair the parks and open spaces in and around Battery Park city's residential areas. This function has been delegated by the Authority to the Battery Park City Parks Corporation ("BPCPC"), an affiliate not-for-profit arm of the Authority, through a written management agreement. BPCPC is organized into four departments: Administration/Finance Department; Maintenance Department, Horticulture Department and Programming Department. Each Department is responsible for a discreet programmatic area relating to parks operations and maintenance. For example:

- Maintenance: The Maintenance Department is responsible for maintaining and repairing park features and structures including playgrounds, pavements, cobblestones bands, park benches, irrigation systems, restrooms, lightings, water features, public art, fencing, stone walls, and dog runs, for the benefit of residents and visitors to Battery Park City parks and open spaces.
- Horticulture: The Horticulture Department is responsible for maintaining the landscaping and horticultural features throughout Battery Park City for the benefit of all residents and visitors to Battery Park City parks. All horticulture is managed organically without the use of toxic pesticides, herbicides or fungicides; and

- Parks Programming: The Programming Department is responsible for providing public programs and events to connect people of all ages and interest with Battery Park City Parks.
- Administration/Finance: The Administration/Finance Department is responsible for the management of the business operations of the BPCPC.

BPCPC has 78 full-time employees and 42 seasonal hourly employees.

Material Changes in Operations and Programs in FY 2010

Financial Highlights:

Joint Purpose Fund (JPF)– A portion of BPCA's revenue, roughly corresponding to the proportion of revenues that derive from ground rent, are allocated to the Joint Purpose Fund, which can only be spent upon the joint approval of the BPCA Board, the Mayor, and the NYC Comptroller. In January 2010, these three parties signed an agreement (2010 Agreement) to distribute $861 million of excess revenues held by BPCA in the JPF. The City and the State were each allocated $200 million to be distributed in a pari passu basis. After meeting that $400 million obligation, an additional amount of up to $200 million is to be distributed by BPCA to a City 421-a affordable housing fund, followed by a $261 million distribution to a City pay-as-you-go capital fund. All funds are to be paid as available in the JPF and there is no time limit or minimum for the amount that needs to be paid or accrued over time.
Pursuant to the 2010 Agreement, on March 30, 2010, BPCA paid out all funds, $267.6 million, available in the JPF to the City and the State. The balance of the $400 million due to both the City and the State, $66.2 million each or a total of $132.4 million, will be paid out of the JPF. In addition, an estimated payment of $38 million under the 2010 Agreement is expected to be paid for the City 421-a fund.
With payment of these FY 2010 Excess Revenues, BPCA will have contributed $2.2 billion to the City.

In addition, FY10 total excess revenues from operations were $280.7 million, $15.9 million higher than the budgeted expectation.

Commercial Construction

Pier A – Located at the southern tip of BPC, Pier A is the last of the enclosed piers that once defined the lower Manhattan waterfront. It is a landmarked structure that has remained empty and deteriorating for many years. New York City recently leased Pier A to BPCA on a long term basis, allocating $30 million of capital funds from the NYC Economic Development Corporation (EDC) to restore this important City building. BPCA reached substantial completion on Phase I and Phase II of the Pier A green, historic rehabilitation. Included in these Phases was the replacement of the Pier deck and interior demolition of items not deemed historically significant. Phase III, Core and Shell work, was also initiated. Further, an RFQ for a potential tenant was issued. Extensive interviews were conducted with BPCA EDC in conjunction with the Community Board. A tenant will be announced in early 2011.

Battery Park City Parks Conservancy (BPCPC) Headquarters – Of BPC's 92 acres, 36 are dedicated for parks. Until this year, the BPCPC operated outdoors with some staff housed indoors in leased space. As the last sites have been designated for construction, BPCPC operations had to consolidate operations into a new headquarters, bringing many outdoor functions indoors for the first time. Their headquarters and maintenance facility is now located at Site 3, the Visionaire, whose developer was responsible for building the core and shell of the 45,000 square foot facility. Interior and fit-out was completed by BPCA. In July 2010, BPCPC moved into the new LEED platinum which contains an indoor compost facility, paint and welding rooms as well as a geothermal well for heating.

Site 25 – Goldman Sachs purchased site 25 (assuming the lease and mortgage from Forrest City Ratner), formerly an Embassy Suites Hotel which also housed numerous restaurants and a movie theatre. The hotel is being rebranded as a Conrad Hilton and several new restaurants to be operated by Danny Meyer will be opened on the site. The lease further requires the operation of the movie theatre. BPCA continues to work with Goldman Sachs on design issues associated with the repurposing of this Hotel including exterior modifications, public art requirements and construction permits.

Public Amenities:

Battery Park City Community Center – Construction commenced on the 55,000 square foot community center housed on the first three floors of the residential buildings on Site 23/24 being constructed by the Milsteins. The Center will be home to two swimming pools, a gym, a locker room, classrooms, a teaching kitchen and a café among its services. Asphalt Green, which operates a similar facility uptown was selected through an RFP process in conjunction with representatives of the Community Board. The center is expected to open in 2011.

Pedestrian Managers – The Lower Manhattan Development Corporation (LMDC) partnered with BPCA to provide funding for pedestrian managers to four separate crossing locations on West Street. The rise in commuter foot traffic, due in large part by the opening of the Goldman Sachs Headquarters, coupled with concerns for safety, prompted the decision to procure the services of pedestrian managers through an RFP process. Sam Schwartz engineering was selected and began service in the July 2010.

Teardrop Park South - This public park is located in the courtyard of the Riverhouse building and is adjacent to Teardrop Park North. The park is a Michael Van Valkenburgh design which includes water features, an amphitheatre for community events, and granite that mimics natural rock formations. Largely shaded by surrounding high rises, the park is the first outdoor space in the nation to be illuminated by heliostats, which sit atop a neighboring rooftop and reflect sunlight in the park.

Ballfield Renovation – One of Battery Park City's most significant and heavily-used public amenities are the ballfields. The continuing demand for the fields and the need for increasing access to open space led the BPCA to explore the installation of artificial turf on the fields. Community leaders were invited to participate in the decision-making process which has led to the design of a sustainable (green) astro-turf field to be installed between little league season in the Spring of 2011 and soccer season in the fall of 2011.

Ice Skating Rink – For the first time in the history of BPCA, an ice skating rink was erected on the ballfield facility during the winter months of 2010. A rink operator was selected through an RFP process and operated a rink on a pilot basis. The community will assess the continuation of the rink in the future.

Environmental Initiatives:

Existing Building Survey – In its continuing commitment to build a sustainable community, BPCA commissioned a study of ways that the older buildings in BPC might be able to retrofit and be green. These buildings include most of the buildings in the South neighborhood that were constructed prior to the adoption of BPCA's green guidelines which applied only to new construction. Results and recommendations from this study are expected in 2011.

MWBE Participation:

BPCA continues to be a leader in MWBE participation and has historically been in the Upper Tier of State agencies and authorities with regard to MWBE participation. Fiscal Year 2010 was no exception with an average of 18% of contract dollars for MWBE enterprises. Although Article 15-A does not apply to projects on property leased or purchased from the State, BPCA has taken the position that it will apply robust standards to all developers. As a result, since 2004, over $450,000,000.00 in MWBE contracts have been awarded by developers doing business with BPCA and in 2010 the number was over $30,000,000.00.

Corporate Actions:

At its July 2010 Board Meeting, the Board adopted new policies regarding contributions to non-governmental entities, seasonal Authority events, Non-fraternization and meal allowances.

Bylaws

BYLAWS
OF
BATTERY PARK CITY AUTHORITY
(As amended through December 1, 2010)

ARTICLE I - THE AUTHORITY

Section 1. Name of Authority. The name of the Authority shall be the "Battery Park City Authority."

Section 2. Seal of Authority. The seal of the Authority shall be in the form of a circle and shall bear the name of the Authority and the year of its creation.

Section 3. Office of the Authority. The office of the Authority shall be located at One World Financial Center, (200 Liberty Street), in the City of New York, State of New York, or at such other location as the Members of the Authority may determine. The Authority may have offices at such other place or places within The City of New York as it may from time to time designate by resolution.

ARTICLE II - OFFICERS

Section 1. Officers. The officers of the Authority shall be a Member who shall serve as Chairman; a Member who shall serve as Vice Chairman; five other Members; a President and Chief Executive Officer; an Executive Vice President and General Counsel; a Chief Operating Officer; a Senior Vice President, Finance and Treasurer/Chief Financial Officer; a Senior Vice President, Operations; a Vice President, Community Relations/Affirmative Action; a Vice President, Human Resources; a Vice President, Planning and Design; a Vice President, Construction; a Vice President , Safety and Site Management; a Vice President, Internal Audit and Compliance; a Vice President, Strategic Planning; a Deputy General Counsel; one or more Senior Development Counsels; one or more Associate General Counsels; one or more Assistant General Counsels; a Controller; a Corporate Secretary and Assistant

Corporate Secretaries and such other officers as may be designated by resolution of the Authority; and any officer may hold more than one of these offices.

Section 2. Chairman. The Chairman of the Authority shall be elected from among the Members of the Authority and shall hold office until his/her successor is elected and qualified. The Chairman of the Authority shall preside at all meetings of the Members of the Authority and shall have such other duties as the Members may direct. In the event of the absence or disability of the President, or of a vacancy in the office of the President, the Chairman or his/her designee shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The performance of any such duty by the Chairman shall be conclusive evidence of the power to act.

Section 3. Vice Chairman. The Vice Chairman of the Authority shall be elected from among the Members of the Authority at each annual meeting of the Authority, and shall hold office until the next annual meeting or until his/her successor is elected and qualified. Upon written designation of the Chairman from time to time and for the period specified in any such designation, the Vice Chairman of the Authority shall serve as acting Chairman of the Authority, except insofar as the Chairman is empowered to perform the duties of the President. In the absence of the Chairman from a meeting of the Members of the Authority the Vice Chairman shall preside thereat. The Vice Chairman shall have such other duties as the Members may direct.

Section 4. President and Chief Executive Officer. The President and Chief Executive Officer of the Authority (hereinafter referred to as the "President") shall be designated by the Chairman with the approval of the other Members of the Authority. The President shall be the chief executive officer of the Authority and, subject to the policies established by the Authority, shall have general responsibility for the conduct of the affairs of the Authority, including the initiation, planning and carrying out of the projects, programs and other activities of the Authority. The President shall have the power to delegate authority and assign duties to employees of the Authority. At each meeting of the Members of the Authority the President shall submit such recommendations and information as he/she may consider proper concerning the business, duties and affairs of the Authority. The President shall have supervision over and be in administrative charge of the activities of the Authority. He/She shall transmit to the officers and employees of the Authority the resolutions of the Members, and coordinate the functions of the personnel of the Authority in effectuating the purposes of such resolutions. The President is authorized to requisition monies of the Authority, and to sign vouchers, requisitions and other instruments made by the Authority. The President shall have such other powers and duties pertaining to his/her office as are prescribed by law or in these bylaws or as may be assigned to him/her from time to time by the Authority.

Section 5. Chief Operating Officer. The Chief Operating Officer, under the direction of the President, shall perform all the duties incident to his/her position and office and such other duties as shall from time to time be assigned to him/her by the President. The Chief Operating Officer is authorized to requisition monies of the Authority, and to sign vouchers, requisitions and other instruments made by the Authority. Notwithstanding anything to the contrary in these bylaws, in the event of the absence or disability of the President and the Chairman, or of a vacancy in the offices of the President and the Chairman, the Chief Operating Officer shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The performance of any such duty by the Chief Operating Officer shall be conclusive evidence of the power to act.";

Section 6. Executive Vice President and General Counsel. The Executive Vice President and General Counsel, under the direction of the President, shall perform all the duties incident to his/her position and office and such other duties as shall from time to time be assigned to him/her by the President. The Executive Vice President and General Counsel is authorized to requisition monies of the Authority, and to sign vouchers, requisitions and other instruments made by the Authority. The performance of any such duty by the Executive Vice President and General Counsel shall be conclusive evidence of the power to act.

Section 7. Senior Vice President, Finance and Treasurer/Chief Financial Officer; Controller. The Senior Vice President, Finance and Treasurer/Chief Financial Officer, under the direction of the President, shall be the chief fiscal officer of the Authority. He/She shall be in charge of the books and accounts of the Authority and have supervision of the accounting procedures and fiscal operations of the Authority and shall perform such other duties of his/her office and position as shall from time to time be assigned to him/her by the President. The Controller, under the direction of the Senior Vice President, Finance and Treasurer/Chief Financial Officer, shall perform all the duties incident to his/her position and office and such other duties as shall from time to time be assigned to him/her by the Senior Vice President, Finance and Treasurer/Chief Financial Officer.

Section 8. Senior Vice Presidents and Other Vice Presidents. The Senior Vice President, Operations, the Vice President, Community Relations/Affirmative Action, the Vice President, Planning and Design, the Vice President, Construction, the Vice President, Strategic Planning, the Vice President, Site Safety and Management, the Vice President Human Resources, under the direction of the President, and the Vice President, Internal Audit and Compliance, under the direction of the Members, shall perform all the duties incident to their respective positions and offices and such other duties as shall from time to time be assigned to them respectively by the President.

Section 9. Other Officers. Other Officers, as may be designated from time to time by resolution of the Authority, shall perform all the duties incident to their respective positions and offices and such other duties as shall from time to time be assigned to them by the President.

Section10. Deputy General Counsel, Senior Development Counsels, Associate General Counsels and Assistant General Counsels. The Deputy General Counsel, in the absence of the General Counsel, or if there shall be a vacancy in the office of General Counsel, shall perform the services and duties incident to the position or office of General Counsel as directed by the President, and shall undertake such other duties as from time to time may be assigned to him/her by the President. The Senior Development Counsels, the Associate General Counsels, and Assistant General Counsels shall undertake such duties as may from time to time be assigned to them by the General Counsel.

Section 11. Corporate Secretary and Assistant Corporate Secretaries. The Corporate Secretary, under the direction of the President, shall be the recorder of the Authority and shall keep in safe custody the records, files and seal of the Authority and shall have power to affix such seal to all contracts, documents, bonds or other obligations and other instruments to be executed by the Authority and attest the same and shall certify, when required to, copies of the records, proceedings and documents of the

Authority and shall perform such other duties as shall from time to time be assigned to him/her by the President. The Assistant Corporate Secretaries, under the direction of the President, shall have power to affix the seal of the Authority to all contracts, documents, bonds or other obligations and other instruments to be executed by the Authority and attest the same and shall certify, when required to, copies of all records, proceedings and documents of the Authority and shall perform such other duties as shall from time to time be assigned to them by the President.

Section 12. Election or Appointment. All officers of the Authority (other than the Chairman, Vice Chairman, and Member(s)) shall be appointed by the Chairman or the President with the advice and consent of the Chairman, in either case subject to the approval of the Members, and may be removed, either with or without cause, at any time by action of the Chairman or by the President with the advice and consent of the Chairman. Any person appointed as an officer of the Authority shall have such term as may be fixed.

Section 13. Additional Personnel. The Authority may from time to time employ such personnel as it may deem necessary to exercise its powers, duties and functions prescribed by law.

Section 14. Employment Policy. It shall be the policy of the Authority to provide to the officers and employees of the Authority, to the extent permissible under the law, all the privileges and benefits provided to officers and employees of the State of New York under the provisions of the Retirement and Social Security Law, particularly Chapter 1006 of the Laws of 1966, Chapter 414 of the Laws of 1968 and Chapter 371 of the Laws of 1969, as said Acts are presently or hereafter amended. The Authority shall also continue to provide health insurance coverage for its employees and retirees, and their eligible dependents as follows: (a) the Authority will continue to pay 100% of the health insurance coverage costs for all retirees and their eligible dependents for all current employees ad for those retirees currently receiving this benefit; (b) current employees earning $50,000 per year or more, will continue to pay $6.64 per paycheck for individual coverage or $27.28 per paycheck for family coverage, and the Authority shall pay the remaining cost of coverage; current employees earning between $35,001-$50,000 per year will continue to pay $5.75 per paycheck for individual coverage or $23.60 per paycheck for family coverage, and the Authority shall pay the remaining cost of coverage; current employees earning between$25,001-$35,000 per year will continue to pay $5.00 per pay check for individual coverage, or $20.00 per paycheck for family coverage and the Authority shall pay the remaining cost of coverage; for current employees earning between $0-$25,000 per year, the Authority will continue to pay the entire cost of health insurance coverage for individual or family coverage.

ARTICLE III - MEETINGS

Section l. Annual Meeting. The annual meeting of the Authority shall be held on the first day of November of each year at a place and time designated by the Chairman or such earlier or later day in each calendar year as the Chairman of the Authority may determine.

Section 2. Meetings. The Chairman of the Authority may, when he deems it expedient, and shall upon the request of any Member of the Authority or the President, call a meeting of the Authority. At any such meeting any and all matters may be considered and acted upon by the Members of the Authority present, whether or not such matters were specified in the call. Meetings shall be held in facilities that permit barrier-free physical access to the physically handicapped, as defined in subdivision five of section fifty of the public buildings law. The call for a meeting specifying the time and place of the meeting shall be delivered in person or mailed to the business or home address of each Member of the Authority at least three days prior to the date of such special meeting. If the office of the Chairman is vacant or if the Chairman is unable to perform such duties by reason of illness, disability or absence and has not designated in writing the Vice Chairman to perform such duties at such time, any Member may call a meeting of the Authority. Public notice of the time and place of a meeting scheduled at least one week prior thereto shall be given to the news media and shall be conspicuously posted in one or more designated public locations at least seventy-two hours before such meeting. Public notice of the time and place of every other meeting shall be given, to the extent practicable, to the news media and shall be conspicuously posted in one or more designated public locations at a reasonable time prior thereto. Notice of any meeting of the Authority need not be given to a Member if waived in writing by him/her either before or after such meeting, or if he/she shall be present at such meeting. No notice need be given of any meeting if all the Members then in office shall be present thereat. Notice of an adjourned meeting need not be given to any Member present at the time of the adjournment. The President shall be given notice of and be permitted to attend all meetings of the Authority.

Section 3. Quorum. At all meetings of the Authority, a majority of the whole number of the Members shall constitute a quorum and not less than a majority of the whole number of Members may perform and exercise the powers authorized and provided in the Public Authorities Law of the State of New York. For the purposes of this Section, the words “whole number” shall be construed to mean the total number of Members which the Authority would have were there no vacancies and were none of the Members disqualified from voting.

Section 4. Order of Business. At the regular meetings of the Authority the Chairman shall determine the order of business.

Section 5. Resolutions. All resolutions adopted by the Authority shall be recorded in or attached to a journal of the proceedings of the Authority.

Section 6. Manner of Voting. The voting on all questions of the meetings of the Authority shall be by roll call if requested by two of the Members, and wherever a resolution has been unanimously adopted it may be recorded as such. The yeas and nays shall be entered upon the minutes of such meeting only in the event of an abstention or a negative vote by any Member; except that the election of officers may be by majority vote without the necessity of recording the individual votes upon the minutes.

Section 7. Approval of Resolutions Without Meeting. Resolutions which the Chairman or the President desires to be considered by the Members of the Authority without holding a meeting thereon may be delivered in person or mailed to the business or home address of each Member, and upon the written approval of such resolutions by two or more of the Members the same shall become effective as if introduced and passed at a meeting of the Members duly called and held.

Section 8. Participation in Meeting by Telephone. Notwithstanding anything elsewhere contained in these bylaws, any one or more Members of the Authority may participate in a meeting of the Authority by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting of the Authority.

Section 9. Certification of Resolutions. Each Member of the Authority and each officer of the Authority is authorized to certify, when required, the records, proceedings, documents for resolutions of the Authority and the Members and to affix the seal of the Authority to all contracts, documents and instruments to be executed by the Authority.

ARTICLE IV – COMMITTEES

Section 1. Audit Committee. There shall be an audit committee which shall consist of three Members designated by the Chairman, one of whom the Chairman shall appoint as Chair of the Committee. The Chairman shall be an additional non-voting member of the committee, provided that if there shall be any vacancy or vacancies in the whole number of the Members as prescribed by law, the Chairman may serve as a voting member of the committee. The Each member of the committee shall be an "independent member," as defined in Public Authorities Law § 2825 (2). Members of the committee shall possess the necessary skills to understand the duties and functions of the committee and shall be familiar with corporate financial and accounting practices. The duties and responsibilities of the committee shall be: (a) to recommend to the Board the hiring of a certified independent accounting firm for the Authority; (b) establish the compensation to be paid to such firm; and (c) to provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purposes.

Section 2. Governance Committee. There shall be a governance committee which shall consist of three Members designated by the Chairman, one of whom the Chairman shall appoint as Chair of the committee. The Chairman shall be an additional non-voting member of the committee, provided that if there shall be any vacancy or vacancies in the whole number of the Members as prescribed by law, the Chairman may serve as a voting member of the committee. Each member of the committee shall be an "independent member," as defined in Public Authorities Law § 2825 (2). Members of the committee shall possess the necessary skills to understand the duties and functions of the committee. The duties and responsibilities of the Committee shall be: (a) to keep the board informed of current best governance practices; (b) to review corporate governance trends; (c) to recommend updates to the Authority's corporate governance principles; (d) to advise appointing authorities on the skills and experiences required of potential board members; (e) to examine ethical and conflict of interest issues; (f) to perform board self-evaluations; and (g) to recommend bylaws which include rules and procedures for conduct of board business.

Section 3. Compensation Committee. There shall be a compensation committee which shall consist of three Members designated by the Chairman, one of whom the Chairman shall appoint as Chair of the committee. The Chairman shall be an additional non-voting member of the committee, provided that if there shall be any vacancy or vacancies in the whole number of the Members as prescribed by law, the Chairman may serve as a voting member of the committee. Each member of the committee shall be an "independent member" as defined in Public Authorities Law § 2825(2). Members of the committee shall possess the necessary skills to understand the duties and functions of the committee The duties and responsibilities of the Committee shall be (a) to consider policies regarding the payment of salaries, compensation and reimbursement of expenses for the chief executive and senior management; and (b) to make such other recommendations regarding compensation as it may deem appropriate.

Section 4. Finance Committee. There shall be a finance committee which shall consist of three Members designated by the Chairman, one of whom the Chairman shall appoint as Chair of the committee. The Chairman shall be an additional non-voting member of the committee, provided that if there shall be any vacancy or vacancies in the whole number of the Members as prescribed by law, the Chairman may serve as a voting member of the committee. Each member of the committee shall be an "independent member," as defined in Public Authorities Law § 2825 (2). The duties and responsibilities of the committee shall be: to review proposals for the issuance of debt by the authority and to make recommendations.

ARTICLE V - FISCAL YEAR.

Section l. Fiscal Year. The fiscal year of the Authority shall commence November 1 of each calendar year and conclude October 31 of the following calendar year.

Article VI - CODE OF CONDUCT

Section 1. This Code of Conduct applies to the Members of the Authority. This Code of Conduct may be amended by majority vote of the Members without vacancy.

Section 2. In addition to the requirements of Sections 73(3)(b), 73-a and 74 of the Public Officers Law, Members shall comply with the following specific rules governing conflicts of interest and outside activities:

a. No Member or firm or association of which the Member is a part, or corporation, ten percent of more of the stock of which is owned or controlled directly or indirectly by such Member, shall sell any goods or services having a value in excess of twenty-five dollars to the Authority unless such goods or services are provided pursuant to an award or contract let after public notice and competitive bidding or a competitive request for proposals process;

b. No Member shall directly or indirectly, solicit, accept, or receive any gift having a value of seventy-five dollars or more whether in the form of money, service, loan, travel, entertainment, hospitality, thing or promise, or in any other form whatsoever, under circumstances in which it could be reasonably inferred that the gift was intended to influence the Member or could reasonably be expected to influence the Member in the performance of his or her official duties of the Authority, or was intended as a reward for any official action on the Members part;

c. No Member, other than in the proper discharge of his or her official duties of the Authority, or firm or association in which the Member is a part, shall receive, directly or indirectly, or enter into any agreement, express or implied, for any compensation, in whatever form, for the appearance or rendition of services by himself or another in relation to any case, proceeding, application or other matter before the Authority;

d. No Member shall, within a period of two years after the termination from the Authority, appear or practice before the Authority or receive any compensation for any services rendered on behalf of any person, firm, corporation, or association in relation to any matter before the Authority;

e. No Member, after termination from the Authority, shall appear, practice, communicate or otherwise render services before any State agency or receive any compensation for services rendered on behalf of any person, firm, corporation or other entity with respect to any case, proceeding, application or transaction in which such Member was directly concerned and in which the Member personally participated during the period of service or which was under the Member's active consideration;

f. Notwithstanding the above, no Member of the Authority should have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature which is in actual, potential, or apparent conflict with the proper discharge of the Member’s duties. The Member shall be under an ongoing obligation to disclose any actual, potential, or apparent conflict of interest and shall take appropriate steps to eliminate or abate the conflict, including recusal;

g. Unless otherwise provided by law, no contract or other transaction between the Authority and any other corporation, firm or association or other entity in which one or more of its Members or officers are directors or officers or have a substantial financial interest, or between the

Authority and any state instrumentality, including any state agency, trust fund or public benefit corporation other than the Authority with which one or more of its Members are affiliated as a state officer or employee, shall be either void or voidable for this reason alone or by reason alone that such Member or Members are present at the meeting of Members which approves such contract or transaction: (1) if the material facts as to such Member's interest in such contract or transaction and as to any such common directorship, officership, financial interest or affiliation are disclosed in good faith or known to the Members; and (2) if the Members approve such contract or transaction by a vote sufficient for such purpose or if the votes of the disinterested Members are insufficient to constitute an act of the Authority under the Bylaws, by unanimous vote of the disinterested Members. Common interested or affiliated Members may be counted in determining the presence of a quorum at a meeting of the Members which authorizes such contract or transaction. Common, interested or affiliated Members may not participate in any decision of the Authority approving or affecting such contract or transaction. If a Member serves as a director or officer of the Battery Park City Parks Corporation, the Minority Developer Assistance Corporation or a subsidiary of the Authority, such service in and of itself does not void or make voidable a contract or transaction between the Authority and such corporation or create any actual, potential or apparent conflict of interest.

ARTICLE VII - INDEMNIFICATION

Section l. Purpose and Definitions. The purpose of this Article is to provide for and regulate indemnification of Members, officers and employees of the Authority. In this Article, the following terms shall have the meanings indicated below, except where the context clearly requires otherwise.

(1) "action or proceeding" means any civil action or other civil judicial proceeding, any proceeding by or before an administrative agency or official investigatory body, any appeal from or judicial review of actions taken in any of the foregoing proceedings, and includes any such proceeding which is threatened, but does not include any criminal action or proceeding;

(2) "party to an action or proceeding" means a person made, or threatened to be made, a defendant or respondent or otherwise a party in any action or proceeding, and includes a person called upon, voluntarily or by subpoena, to give testimony, produce documents or respond to interrogatories in connection with an action or proceeding;

(3) "Member" means each Member of the Authority appointed or serving ex officio;

(4) "officer" means the Chairman, the Vice Chairman, Board Member(s) and the President and Chief Executive Officer of the Authority and each person who has held or who holds from time to time any of the following positions in the Authority: Chief Operating Officer, Executive Vice President and General Counsel; Executive Vice President, Operations; Senior Vice President, Finance and Treasurer/Chief Financial Officer; Senior Vice President, Project Development and Management; Vice President, Community Relations/Affirmative Action; Vice President, Planning and Design; Vice President, Construction; Vice President, Internal Audit ; Deputy General Counsel; Senior Development Counsels; Associate General Counsels; Assistant General Counsels; Controller; Corporate Secretary; Assistant Corporate Secretary; or any other position expressly designated by the Members to be thereafter treated as that of an officer for the purpose of this article;

(5) "employee" means each employee of the Authority who is not also a Member or officer;

(6) "subsidiary or affiliate" includes each subsidiary of the Authority;

(7) "Member", "officer" and "employee" of the Authority each includes persons who formerly served in such capacity and the estates of deceased persons who had served in such capacity; and each such term includes persons serving or who formerly served ex officio or by designation of the Authority as a director, officer or employee of any subsidiary or affiliate of the Authority, and the estates of deceased persons who had served in such capacity, provided that insofar as this Article distinguishes between Members or officers of the Authority, on the one hand, and employees, on the other, the status with respect to indemnification of a person who served in any capacity with a subsidiary or affiliate and who concurrently was a Member or officer of the Authority shall be that of a Member or officer, and the status of all other such persons shall be that of an employee of the Authority; and

(8) "applicable standard of conduct" means:

(i) with respect to an action or proceeding in which it is alleged that physical harm was caused to the person or property of a complainant or any harm was caused to his/her reputation, that such harm did not result from the willful and wrongful act or gross negligence of the Member, officer or employee seeking to be indemnified hereunder, or

(ii) with respect to any other action or proceeding, that the Member, officer or employee seeking to be indemnified hereunder acted in good faith for a purpose which he/she reasonably believed to be in the best interests of the Authority and had reasonable cause to believe his/her conduct was lawful.

Section 2. <u>General Scope of Indemnification.</u> The Authority shall, to the fullest extent permitted by law, indemnify any person who becomes a party to an action or proceeding by reason of the fact that he/she is or was a Member, officer or employee of the Authority against judgments, penalties, amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and necessarily incurred as a result thereof, unless the conduct of such Member, officer or employee in the matters at issue in such action or proceeding is found, in the manner prescribed in this Article, not to have met the applicable standard of conduct.

Section 3. Representation of Persons Indemnified. The Authority may, either by its own staff counsel or by outside counsel of its choice, assume the representation of any person who becomes a party to the action or proceeding, except in situations in which (i) choice of counsel is governed by statute, or (ii) the Authority's counsel determines that it is inappropriate or inadvisable for such person to be represented by counsel chosen by the Authority. In the event the Authority does not assume such representation, such person shall have the right to engage private counsel of his choice and the Authority shall have the obligation of indemnification for the reasonable fees and expenses of such private counsel as provided in this Article; provided, however, that the Authority as a condition to such indemnification for the cost of private counsel may, and where the Attorney General has so required as a condition to indemnification by the State of New York pursuant to statute shall, require appropriate groups of persons to be represented by the same counsel.

Section 4. Advances of Expenses. (a) A Member or officer who becomes a party to an action or proceeding may request that the Members authorize the Authority to advance expenses pending the final disposition of such action or proceeding. Upon such request: (i) if there is a quorum of Members who are not parties to such action or proceeding, the Members shall make a tentative finding as to whether it then appears that the requesting Member or officer has met the applicable standard of conduct; or (ii) if such a quorum of Members is not obtainable with due diligence, the Members shall obtain an opinion in writing of outside legal counsel as to whether it then appears that such standard of conduct has been met by the requesting Member or officer. If a quorum of Members makes such findings or outside legal counsel gives such opinion, the Members shall authorize the Authority to pay, and the Authority shall pay, from time to time in advance of the final disposition of the action or proceeding, reasonable expenses as described in Section 2 incurred by such Member or officer in connection with such action or proceeding.

(b) Reasonable expenses as described in Section 2 incurred by an employee who becomes a party to an action or proceeding shall be paid by the Authority from time to time pending the final disposition of such action or proceeding without necessity for any authorization, findings, or other action by the Members prior to the making of such advances; provided, however, that the Members (i) may make a tentative finding at any time prior to the final disposition of such action or proceeding that it then appears that an employee has clearly not met the applicable standard of conduct, or may seek an opinion in writing of outside legal counsel with respect to that issue, and if such a tentative finding shall be made or a negative opinion on that issue shall be given, no further advances under this paragraph shall be made with respect to expenses of such employee, and (ii) may determine, or provide for the determination of, the reasonableness of expenses sought to be advanced.

(c) The Authority shall require each person receiving amounts advanced under paragraph (a) or (b) of this Section 4 to agree in writing that the same shall be repaid if the person receiving such advances is ultimately found not to be entitled to indemnification, or to the extent the expenses so advanced by the Authority exceed the indemnification to which he/she is ultimately found to be entitled.

Section 5. Indemnification on Final Disposition. (a) A person who has been wholly successful, on the merits or otherwise, in the defense of an action or proceeding shall be deemed to have met the applicable standard of conduct and shall be entitled to indemnification against reasonable expenses as described in Section 2, and the Authority shall make such indemnification without necessity for any authorization, findings or other action by the Members prior to such indemnification, except that the Members may determine, or provide for the determination of, the reasonableness of such expenses.

(b) A Member or officer who has not been wholly successful in the defense of an action or proceeding, or who was a party to an action or proceeding without being a defendant or respondent therein, may request indemnification from the Authority. Upon such request: (i) if there is a quorum of Members who are not and were not parties to such action or proceeding, the Members shall make a finding as to whether the requesting Member or officer has met the applicable standard of conduct; or (ii) if such a quorum of Members is not obtainable with due diligence, the Members shall obtain an opinion in writing of outside legal counsel as to whether such standard of conduct has been met by the requesting

Member or officer. If a quorum of Members makes such finding or outside legal counsel gives such opinion, the Members shall authorize, and the Authority shall make, indemnification as provided in Section 2, upon a determination by the Members (or a person or body designated by the Members) that expenses sought to be indemnified were reasonable and actually and necessarily incurred as a result of the action or proceeding, and that any amounts paid in settlement (unless approved by the Members prior to such settlement) were reasonable in the circumstances.

(c) An employee who has not been wholly successful in the defense of an action or proceeding, or who was a party to an action or proceeding without being a defendant or respondent therein, may request indemnification from the Authority. Upon such request: The President shall notify the Members in writing of such request and of the particulars submitted by such employee in support of it, and the President may submit to the Members any further information or comments he thinks appropriate. Within two weeks after the next meeting of the Members following such submission, the Authority shall make indemnification as provided in Section 2, unless the Members shall have found that such employee has not met the applicable standard of conduct, or shall have decided to seek an opinion in writing of outside counsel with respect to that issue (in which event indemnification shall be made within six weeks after such meeting unless a negative opinion on that issue shall have been given), or unless and to the extent that the Members (or a person or body designated by the Members) shall have determined that expenses sought to be indemnified were not reasonable or not actually and necessarily incurred as a result of the action or proceeding, or that amounts paid in settlement (unless approved by the Members prior to such settlement) were not reasonable in the circumstances.

Section 6. <u>Insurance</u>. The Authority may, to the fullest extent permitted by law, purchase and maintain insurance on behalf of any Member, officer or employee of the Authority to indemnify such person in instances in which he/she has the right of indemnification by the Authority under the provisions of this Article.

Section 7. <u>Applicability of this Article.</u> (a) The provisions of this Article shall inure only to Members, officers and employees of the Authority, as defined herein, shall not enlarge or diminish the rights of any other party to an action or proceeding, and shall not impair, limit or modify the rights and obligations of any insurer under any policy of insurance. This Article is to be construed liberally in favor of each Member, officer or employee, to the fullest extent permitted by law, and any ambiguity, uncertainty or reasonable doubt as to facts, interpretation or legal conclusions shall be resolved in favor of such Member, officer or employee.

(b) The provisions of this Article shall be in addition to and shall not supplant any indemnification by the State heretofore or hereafter conferred upon any Member, officer or employee by any statute, by Section 18 of the Public Officers Law, or otherwise; provided, however, that the Authority recognizes that its obligation to provide indemnification in accordance with this Article is primary and any obligation of the State to provide indemnification is secondary, in circumstances where both may be applicable.

(c) This Article shall be applicable, to the fullest extent permitted by law, to any claim for indemnification made after its adoption as a bylaw of the Authority, whether the action or proceeding to which such claim relates commenced, or the matters at issue therein occurred, before or after the adoption of this Article. It is contemplated that no subsequent amendment, supplement or repeal of this Article which deprives a Member, officer or employee of any substantial right or benefit conferred herein will be made applicable with respect to any claim for indemnification arising out of conduct of such Member, officer or employee occurring or alleged to have occurred after the adoption of this Article and prior to such amendment, supplement or repeal.

(d) Unless and until this Article shall be amended, supplemented or repealed in accordance with Article VIII, the provisions of this Article shall constitute a contract between the Authority and each Member, officer or employee for indemnification in accordance with the provisions of this Article. In the event that any Member, officer or employee shall be aggrieved by a determination of the Authority or the Members or outside counsel made under this Article, or by a failure of the Authority or the Members to act as provided herein, he/she shall be entitled to seek appropriate relief against the Authority in any court of competent jurisdiction within the State of New York in accordance with the standards for indemnification set forth herein.

ARTICLE VIII- AMENDMENTS

Section l. The bylaws may be amended by resolution duly adopted by unanimous vote of all the Members of the Authority at any meeting. Advance notice of motions to amend the bylaws need not be given.

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ARTICLE IX - SUSPENSION OF BYLAWS

Section l. Any and all of the provisions of the bylaws may be suspended by unanimous vote of all the Members of the Authority.

Four Year Financial Plan

BATTERY PARK CITY AUTHORITY: OPERATING & CAPITAL BUDGET SUMMARY*
For the Fiscal Years Ending October 31, 2010 thru 2014
(in 000s)

	Actual	Estimated	Approved	Projections (See Note 1 Below)		
	FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
OPERATING BUDGET						
Operating Revenues						
Sublease rentals	$208,694	$205,697	$210,983	$213,760	$227,529	$233,164
One-time payments from new leases	20,237	172,073	1,218	-	-	-
Other	-	-	-	-	-	-
	$228,931	$377,770	$212,201	$213,760	$227,529	$233,164
Non-Operating Revenues						
Investment Earnings						
SWAP payments received (65% of LIBOR)/BABs Subsidy	2,625	1,172	1,333	1,263	1,263	1,263
Interest earned	4,253	3,981	4,000	3,500	3,500	3,500
Other (Residual Fund)	6,200					
	13,078	5,153	5,333	4,763	4,763	4,763
Total Receipts:	$242,009	$382,923	$217,534	$218,523	$232,292	$237,927
EXPENDITURES						
Operating Expenditures						
Total operating expenses	$28,000	$28,511	$28,400	$28,968	$29,547	$30,138
Other non-operating expenditures (NYS Cost Recovery Fee)	4,800	4,800	4,800	5,000	5,250	5,513
	$32,800	$33,311	$33,200	$33,968	$34,797	$35,651
Non-Operating Expenditures						
Interest and Other Financing Charges						
Debt service on restructured debt	65,114	70,000	72,926	73,000	73,000	73,000
Swap agreement & auction agent fees	1,486	322	158	-	-	-
Total Debt Service:	$66,600	$70,322	$73,084	$73,000	$73,000	$73,000
Total Expenditures:	$99,400	$103,633	$106,284	$106,968	$107,797	$108,651
Excess Funds Subject to Settlement Agreement:	**$142,609**	**$279,290**	**$111,250**	**$111,555**	**$124,495**	**$129,276**
CAPITAL BUDGET						
Proceeds from Debt Issuance (beginning of yr balance)	10,523		67,400	19,330	7,330	0
Other capital inflows	14,783	3,854	-	-	-	-
Capital expenditures	25,306 **	21,454 **	48,070 **	12,000	7,330	
Proceeds from Debt Issuance		85,000 ***				
Capital funds remaining	$0	$67,400	$19,330	$7,330	$0	$0

*Budget summaries include all costs for Battery Park City Parks Conservancy
** Does not include Pier A, financed by NYC
*** $6 million of Bond proceeds used to replace corporate reserves

Note 1 - Estimated Projections 2012 to 2014 not presented to or approved by BPCA Board

Additional Information - The approved Fiscal Year 2011 Budget and Projections for Fiscal Years 2012 to 2014 are subject to change based on several factors many of which are not within BPCA's management control. Such factors include: the NYC real estate tax policy, additional bond proceeds required above the $100 million (net proceeds $85m) to finance infrastructure, market conditions effecting cost of capital, receipt of a onetime upfront base rent payments and the NYS cost recovery fee.

<u>**Board Performance Evaluation**</u>

(To be provided following review of discussion with the Board)

Total Assets Bought and Sold Without Competitive Bidding

Name of Vendor Providing Goods/Services	Procurement method	Status	Date of expiration	Remaining Balance	Total Contract Value
Alliance for Downtown New York, Inc.	Sole Source	N	12/31/2010	$0.00	$632,200.00
Manhattan Youth Recreation and Resources, Inc.	Sole Source	N	8/21/2011	$0.00	$224,563.00
Viridian Energy & Environment LLC	Sole Source	N	2/28/2011	$8,831.00	$26,124.00
Redsoft Technologies, Inc	Sole Source	N	7/30/2011	$8,344.00	$40,754.00
ABM Janitorial Services	Sole Source	N	12/31/2012	$92,139.00	$120,750.00
Dickstein Shapiro LLP	Single Source	N	4/15/2011	$5,507.00	$145,000.00
Hughes Hubbard & Reed LLP	Single Source	N	3/22/2011	$12,950.00	$240,000.00
Steptoe & Johnson, LLP	Single Source	N	4/21/2011	$3,958.00	$220,000.00
Stillman, Friedman & Shechtman, P.C.	Single Source	N	4/29/2011	$27,106.00	$50,000.00
Lankler & Carragher, LLP	Single Source	N	2/14/2011	$33,283.00	$150,000.00
Kobre & Kim LLP	Single Source	Y	7/6/2010	$5,124.00	$35,000.00
Reavis Parent Lehrer LLP	Single Source	N	1/31/2011	$12,232.00	$100,000.00
Hudson River Park Trust	Single Source	Y	11/30/2008	$0.00	$71,244.00
Otis Elevator	Single Source	N	8/31/2012	$10,443.00	$129,840.00
Fairway Golf Car Corporation	Single Source	Y	12/15/2009	$1,623.00	$29,649.00
Rogers Marvel Architects, PLLC	Single source	N	1/31/2011	$359,127.00	$918,000.00
Sam Schwartz Engineering, LLC	Single source	N	10/1/2011	$9,909.00	$100,000.00

Material Pending Litigation

Approximately 800 claims have been asserted against the Authority and others in State and Federal courts by individuals who worked in and around the World Trade Center site after the September 11th attack (such employees and their representatives hereinafter referred to as Plaintiffs, and such claims hereinafter referred to as 9/11 Claims). Some of the Plaintiffs were undertaking clean-up activities for ground lessees of the Authority and tenants of commercial and residential buildings in Battery Park City. Plaintiffs seek damages arising from the alleged failure of the Authority and others to adequately protect them against exposure to potential toxins. The Authority's ground leases provide for ground lessees to indemnify the Authority against certain claims. To date, Brookfield, Merrill Lynch and the lessee under the Gateway Plaza Sublease have agreed to assume the defense of the claims related to the premises that they control. The Authority is pursuing the tender of the remaining claims to its other ground lessees. Certain of the Authority's insurers have taken the position that their insurance policies for the applicable period do not provide coverage to the Authority for these claims. In November 2010, Plaintiffs reached the 95% opt-in requirement to effectuate the settlement of the City and the World Trade Center Captive (i.e., the insurance company created by the City of New York and funded by FEMA to cover risks assumed by the City and its contractors in claims resulting from work done subsequent to the September 11 attacks), and Judge Hellerstein has lifted the Stay preventing further action, which means that "off-site cases" (i.e. cases in the area surrounding the World Trade Center site, such as those in Battery Park City) can now proceed.

The Authority is engaged in arbitration with Brookfield on the proper computation of certain elements of rent for 1 WFC. At issue are $4-6 million in rent payments the Authority believes are due from Brookfield for prior years. The arbitration should conclude in the first 2011, with a decision of a 3-person panel.