

The Hugh L. Carey Battery Park City Authority

Annual Report

Pursuant to Public Authorities Law Section 2800

January 31, 2013

Operations and Accomplishments

For more than 40 years, Battery Park City has stood at the forefront of urban design and sustainable development. Fiscal Year 2012 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.

Hurricane Sandy caused the worst damage ever recorded in the 114 year history of the New York metropolitan area [Does the history of the New York metropolitan area really go back only 114 years?]. Although Hurricane Sandy impacted Battery Park City, Moody's reported the Battery Park City Authority, which has senior revenue bonds rated AAA and junior revenue bonds rated Aa3, has ample resources for recovery. It went on to report, "We expect that the Authority will have sufficient resources for repairs to community facilities, such as parks, playing fields and a community center, from its own insurance and corporate reserves. The Authority ground leases the office and residential structures in Battery Park City to private sector lessees, shifting responsibility for building maintenance to the lessees, who are also expected to maintain insurance."

Public Amenities:

The year 2012 saw significant progress in our objective to provide quality public amenities for all New Yorkers.

Battery Park City Community Center - Construction continued on the 55,000 square foot community center housed on the first three floors of the residential buildings on Sites 23/24. The Center will be home to two swimming pools, a gym, several classrooms and fitness studios, a teaching kitchen and a public auditorium. Asphalt Green, which operates a similar facility uptown was selected as the operator of the Community Center through an RFP process which involved representatives of the Community Board. Prior to Super Storm Sandy, the center was expected to open in December of 2012. However, due to significant repairs necessary as a result of the damage caused by the storm the opening has been delayed until summer 2013.

Ballfield Renovation - Among Battery Park City's most significant and heavily-used public amenities are the ballfields. The consistent demand for use of 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) synthetic turf field, which was installed between in the summer of 2011, between little league season and soccer season, and opened in September 2011. There was significant damage to the ballfields caused by unprecedented flooding from Super Storm Sandy necessitating a replacement of the ball field turf. The remediation work is underway.

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. The benefits of this investment were invaluable as it provided bus evacuation services during the mandatory evacuation order of Battery Park City.

Liberty View Ice Skating Rink

The Liberty View Ice Rink became an immediate part of the fabric of Lower Manhattan after its opening in December on the lawn of Wagner Park. A long-desired community amenity, the operator was chosen after a Request for Proposals was issued last summer. Its inaugural season will conclude in mid-March.

Intended to help build the local community as well as attract people who work in Battery Park City and those who live elsewhere, BPCA and the Battery Park City Parks Conservancy conduct an array of programming for free or modest cost within the parks, at interior space at 6 River Terrace and the community center housed in Stuyvesant High School.

Commercial Activity

Brookfield Renovations

- A glass-enclosed Pavilion will be located on the east side of the Winter Garden, near West Street/Route 9A. The 7,536 gross square foot Pavilion will provide a climate-controlled environment for pedestrians entering into, or exiting from, the underground Concourse, which in turn will connect to the Permanent WTC PATH Terminal.
- The east wall of the Winter Garden will be opened to allow for an unobstructed connection to the new Pavilion. One new escalator on the south side of the Winter Garden, a new corridor running south on the ground level of 2 WFC, and a new corridor running north on the second level to 3 WFC will be constructed.
- Existing space on the second level of the Winter Garden will be reconfigured to include a dining area, including a collection of diverse restaurants and balcony dining with approximately 500 seats overlooking the Hudson River.
- The Courtyard will be reconfigured and updated for active retail uses on both the ground and second floors. The second floor slab will be extended.

Goldman Sachs Improvements/North End Way

Behind the Goldman Sachs tower, a glass canopy-covered passageway that connects Vesey and Murray Streets was completed. The alley, called North End Way, is lined with restaurants and shops, making it an inviting space for socializing and relaxing during or after a workday.

Pier A – Located adjacent to the southern tip of BPC, Pier A is the last of the historic enclosed piers that once defined the lower Manhattan waterfront. It is a landmarked structure that remained empty and deteriorating for many years. New York City leased Pier A to BPCA on a long term basis in 2008, allocating funds from the NYC Economic Development Corporation (EDC) to be utilized for restoration of this important City building. Early phases of the Pier A restoration project were completed by BPCA in 2009 and 2010, and immediately prior to Super Storm Sandy, the third and final core and shell restoration phase was due to be completed by the end of December 2012. However, due to significant repairs necessary as a result of the damage caused by the storm, completion of the core and shell restoration has been delayed until summer 2013.

Financial Highlights:

- Hurricane Sandy Unlikely to Threaten Public Finance Issuers' Credit
Late Debt Service Payments During Storm Rapidly Cured
The following excerpt, found on pages 13-14 of the full report, regarding New York's Battery Park City, was cited in the Moody's Report (referenced above) on Hurricane Sandy.
Battery Park City Authority
Although Hurricane Sandy impacted Battery Park City in lower Manhattan, the Battery Park City Authority, which has senior revenue bonds rated Aaa and junior revenue bonds rated Aa3, is expected to have ample resources for recovery. We expect that the Authority will have sufficient resources for repairs to community facilities, such as parks, playing fields and a community center, from its own insurance and corporate reserves. The Authority ground leases the office and residential structures in Battery Park City to private sector lessees, shifting responsibility for building maintenance to the lessees, who are also expected to maintain insurance. The Authority's management has a strong record of disaster recovery and made a complete recovery from the 9/11 terrorist attacks. While the extent of damage from Hurricane Sandy has not yet been determined, it is not anticipated to rise to the level of impact experienced after 9/11.
- 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.
- A provision in the amount of \$37 million was charged to operations and recorded as a liability for the fiscal year ended October 31, 2011 and was paid in June 2012 under the 2010 Agreement to the City 421-A fund. A provision in the amount of \$46.1 million was charged to operations and recorded as a liability for the year ended October 31, 2012 for payment under the 2010 Agreement for the City 421-A fund.
- Twelve leases in the South Neighborhood were modified to provide for more gradual increases in ground rents over the first two reset periods or 30 years.
- With payment of these FY 2012 Excess Revenues, BPCA will have contributed \$2.4 billion to the City.

M/WBE Participation:

BPCA continues to be a leader in M/WBE participation and has historically been in the Upper Tier of State agencies and authorities with regard to M/WBE participation. Fiscal Year 2012 was no exception with an average of 23% or \$5,057,610 of contract dollars for M/WBEs. In addition, BPCA assisted in securing an additional \$14,000,000.00 for M/WBEs through its leases. 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.

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, 2012 and 2011:

	<u>October 31</u>		<u>2012 vs</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
Operating revenues:			
Revenues from ground leases:			
Base rent	\$ 61,394,256	59,153,949	2,240,307
Supplemental rent	1,738,401	1,764,977	(26,576)
Payments in lieu of real estate taxes	163,987,502	154,024,537	9,962,965
Civic facilities payments and other	<u>21,806,157</u>	<u>15,241,246</u>	<u>6,564,911</u>
Total operating revenues	<u>248,926,316</u>	<u>230,184,709</u>	<u>18,741,607</u>
Operating expenses:			
Wages and related benefits	12,491,397	13,374,134	(882,737)
OPEB - Battery Park City Authority	1,220,823	1,146,167	74,656
OPEB - Battery Park City Parks Conservanc	1,224,990	1,138,704	86,286
Other operating and administrative expenses	16,199,420	15,814,624	384,796
Community Center	1,958,577	167,389	1,791,188
Depreciation and amortization	<u>10,612,669</u>	<u>10,460,042</u>	<u>152,627</u>
Total operating expenses	<u>43,707,876</u>	<u>42,101,060</u>	<u>1,606,816</u>
Operating income	<u>205,218,440</u>	<u>188,083,649</u>	<u>17,134,791</u>
Nonoperating revenues (expenses):			
Interest and other income	5,213,030	5,562,709	(349,679)
Other revenue	2,471	367,427	(364,956)
Interest expense, net	(38,171,405)	(38,855,284)	683,879
Provision for transfer to NYC School Construction Authority	(1,898,808)	—	(1,898,808)
Provision for transfer to the Port Authority of NY & NJ	(3,801,977)	(20,656,496)	16,854,519
Provision for transfer to the City of New York	(103,283,763)	(87,623,785)	(15,659,978)
Provision for transfer to the City of New York - 2010 Agreement	<u>(46,142,978)</u>	<u>(37,014,444)</u>	<u>(9,128,534)</u>
Total nonoperating expenses, net	<u>(188,083,430)</u>	<u>(178,219,873)</u>	<u>(9,863,557)</u>
Change in net assets	17,135,010	9,863,776	7,271,234
Net deficit, beginning of year	<u>(645,154,626)</u>	<u>(655,018,402)</u>	<u>9,863,776</u>
Net deficit, end of year	<u><u>\$ (628,019,616)</u></u>	<u><u>(645,154,626)</u></u>	<u><u>17,135,010</u></u>

Operating Revenues

Overall operating revenues for the year ended October 31, 2012 totaled \$248.9 million, approximately \$18.7 million higher than the year ended October 31, 2011. Lease revenues consist primarily of base (land) rent and PILOT from long-term leaseholds.

Base rent increased \$2.2 million from \$59.2 million for the year ended October 31, 2011. PILOT revenue totaling approximately \$164 million (approximately 66% of the total operating revenues for the fiscal year ended October 31, 2012), increased by \$10 million over the fiscal year ended October 31, 2011, and relates to increased PILOT revenue recognized in the current period due to reduced PILOT credits on sites recently completed coupled with assessed value increases and tax rate increases for commercial and residential sites effective July 2011. The change in civic facility payments and other revenues is a \$6.6 million increase from \$15.2 million for the year ended October 31, 2011 to \$21.8 million in October 31, 2012 primarily due to a one-time payment from residential Site 16/17.

Operating Expenses

Operating expenses totaled approximately \$43.7 million for the fiscal year ended October 31, 2012, representing a \$1.6 million increase compared to the fiscal year ended October 31, 2011. 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 \$12.5 million decreased approximately \$883 thousand from the fiscal year ended October 31, 2011.

OPEB expenses for the Authority increased for the fiscal year ended October 31, 2012 by \$75 thousand. This was due to the higher normal and interest costs offset by an ARC amortization credit determined by the triennial valuation. 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 recognized the normal and interest costs of approximately \$1.2 million for the plan for the fiscal year ended October 31, 2012 which was approximately \$86 thousand higher than the OPEB expenses for the year ended October 31, 2011.

Other operating and administrative expenses increased approximately \$385 thousand.

Expenses relating to the community center at Site 23/24 increased by \$1.8 million from \$167 thousand for the fiscal year ended October 31, 2011.

Depreciation and amortization expenses recorded for the fiscal year ended October 31, 2012 of \$10.6 million was \$153 thousand higher than the year ended October 31, 2011.

Non-operating Revenues (Expenses)

Total nonoperating expenses, net, were approximately \$9.9 million lower for the year ended October 31, 2012 than the year ended October 31, 2011. A provision for a transfer to the City of \$103.3 million in excess revenues was charged to expense for the year ended October 31, 2012, an increase of approximately \$15.7 million from the year ended October 31, 2011. In addition, a provision for transfer to the City for a 421-A affordable housing fund of \$46.1 million was charged to expense for the year ended October 31, 2012, an increase of approximately \$9.1 million from the year ended October 31, 2011. A provision for transfer to the PANYNJ for \$3.8

million was charged to expense for the fiscal year ended October 31, 2012, a decrease of approximately \$16.9 million from fiscal year ended October 31, 2011.

Investment and other income decreased by \$350 thousand primarily due to the reduction in balances held and the composition of assets held during the year ended October 31, 2012 compared to 2011. Other revenue decreased \$365 thousand. Net interest expense related to outstanding bonds decreased \$684 thousand compared to the year ended October 31, 2011.

Change in Net Position (Deficit)

The total net deficits at October 31, 2012 and 2011 were \$628 million and \$645.2 million, respectively.

Assets and Liabilities

The summary statement of net position presents the financial position of the Organization. The net position (deficit) is the difference between total assets plus total deferred outflows of resources and total liabilities. A summarized comparison of the Organization's assets, deferred outflow of resources, liabilities, and net position (deficit) at October 31, 2012 and 2011 is as follows:

	<u>October 31</u>		2012 vs 2011
	<u>2012</u>	<u>2011 (Restated)</u>	Increase (decrease)
Assets:			
Bank deposits, investments, and rents and other receivables	\$ 30,598,979	9,248,838	21,350,141
Bond resolution restricted assets (current and noncurrent)	328,669,994	337,916,522	(9,246,528)
Battery Park City project assets, net	488,320,929	485,004,886	3,316,043
Other current and noncurrent assets	<u>145,668,250</u>	<u>165,944,217</u>	<u>(20,275,967)</u>
Total assets	<u>\$ 993,258,152</u>	<u>998,114,463</u>	<u>(4,856,311)</u>
Deferred Outflow of Resources:			
Accumulated decrease in fair value of interest rate swaps	\$ <u>106,703,964</u>	<u>92,948,044</u>	<u>13,755,920</u>
Total deferred outflow of Resources	<u>106,703,964</u>	<u>92,948,044</u>	<u>13,755,920</u>
Total assets and deferred outflow of resources	<u>\$ 1,099,962,116</u>	<u>1,091,062,507</u>	<u>8,899,609</u>
Liabilities:			
Current liabilities	\$ 239,088,552	232,275,470	6,813,082
Long-term liabilities	<u>1,488,893,180</u>	<u>1,503,941,663</u>	<u>(15,048,483)</u>
Total liabilities	<u>1,727,981,732</u>	<u>1,736,217,133</u>	<u>(8,235,401)</u>
Net Position (Deficit):			
Invested in capital assets, net of related debt	5,464,376	9,371,055	(3,906,679)
Restricted	88,095,527	90,083,490	(1,987,963)
Unrestricted	<u>(721,579,519)</u>	<u>(744,609,171)</u>	<u>23,029,652</u>
Total net deficit	<u>(628,019,616)</u>	<u>(645,154,626)</u>	<u>17,135,010</u>
Total liabilities and net deficit	<u>\$ 1,099,962,116</u>	<u>1,091,062,507</u>	<u>8,899,609</u>

Assets and Deferred Outflows of Resources

At October 31, 2012, the Organization maintained total assets and deferred outflows of resources of approximately \$1.1 billion, approximately \$9 million higher than total assets of \$1.09 billion at October 31, 2011.

Bank deposits, investments, and rents and other receivables held at October 31, 2012 increased approximately \$21.4 million. Bank deposits and investments increased a net \$8.7 million and rents and other receivables increased by approximately \$12.6 million. The increase in bank deposits and investments primarily relates to an increase in the collection of transaction and administrative payments in 2012 held in the Unpledged Revenue Fund offset by a decrease in bank deposits held by the Conservancy. Increases in rents and other receivables due the Authority of \$12.6 million primarily relates to amounts due from the City on Pier A restoration (\$11.9 million), Goldman Sachs Site 26 PILOT (\$627 thousand), and Site 2A PILOT (\$201 thousand). These increases were offset by reductions in receivables from the north cove licensee (\$236 thousand) and an increase in the allowance for doubtful accounts (\$288 thousand).

Bond resolution restricted assets are funds and accounts established in accordance with the 2003 and 2009 Revenue Bond resolutions. Such assets of approximately \$328.7 million at October 31, 2012 were \$9.2 million lower than the fair value of assets held at October 31, 2011 of \$337.9 million. Funds held in the Pledged Revenue Fund (“PRF”) at October 31, 2012 were approximately \$3.7 million more than funds held at October 31, 2011.

Funds held in the Project Operating Fund for payment of budgeted operating expenditures at October 31, 2012 were approximately \$1.2 million higher due to expected advance funding for certain projects to be reimbursed.

Funds held in the Residual Fund for the benefit of the City were also \$9 thousand lower at October 31, 2012.

Funds held under the resolution for project infrastructure and certain other asset costs were \$30.6 million as of October 31, 2012, approximately \$16.5 million less than funds held at October 31, 2011. In addition, funds held in the debt service funds were approximately \$2.4 million higher at October 31, 2012 compared to 2011.

Project Assets

At October 31, 2012, the Authority's investment in project assets, net of accumulated depreciation, was approximately \$488.3 million, an increase of \$3.3 million over October 31, 2011.

The Battery Park City project ("Project") consists of approximately 92 acres of landfill created, owned, and operated by the Authority. The Project's plan of development included 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 500,000 square foot commodities trading facility, retail space, a marina, two hotels, a multiplex cinema, museums, three public schools, a public library, and approximately 8,600 residential units..

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, 2012, 2011 and 2010 were as follows:

	October 31		2012 vs
	2012	2011	2011
Land	\$ 83,015,653	83,015,653	—
Site improvements	374,131,317	371,669,435	2,461,882
Residential building and condominium units	132,109,599	123,041,419	9,068,180
	589,256,569	577,726,507	11,530,062
Less accumulated depreciation	(100,935,640)	(92,721,621)	(8,214,019)
Total Battery Park City project assets	\$ 488,320,929	485,004,886	3,316,043

For the year ended October 31, 2012, the increase to site improvements of approximately \$2.5 million relates to improvements to infrastructure surrounding the Goldman Sachs building, park improvements in the north and south neighborhoods, the esplanade and restoration of piles, as well as other minor capital improvements.

The \$9.1 million increase in residential building and condominium units over October 31, 2011, primarily relates to the build out of a community center and ball field maintenance facility at Sites 23 and 24.

Other Current and Noncurrent Assets

Other current and noncurrent assets at October 31, 2012, and 2011 are as follows:

	October 31		2012 vs 2011
	2012	2011	
Residential lease required funds	\$ 21,994,938	20,588,758	1,406,180
Corporate-designated, escrowed and OPEB funds	80,046,105	101,022,346	(20,976,241)
Deferred costs:			
Bond issuance costs, net	34,529,971	36,067,978	(1,538,007)
Costs of leases, net	3,605,651	3,669,793	(64,142)
Total deferred costs, net	38,135,622	39,737,771	(1,602,149)
Other assets	5,491,585	4,595,342	896,243
Total other current and noncurrent assets	\$ 145,668,250	165,944,217	(20,275,967)

Total other current and noncurrent assets decreased approximately \$20.3 million from \$165.9 million at October 31, 2011 to \$145.7 million at October 31, 2012.

Residential lease required funds increased \$1.4 million from \$20.6 million at October 31, 2011 to \$22 million at October 31, 2012 primarily due to security deposits received from Site 3 and One Rector Park, coupled with interest earned and gains on investments on all residential funds held.

Overall, corporate designated, escrowed and OPEB funds decreased approximately \$21 million from October 31, 2011. Deposits and interest earnings on the Authority and Conservancy OPEB funds accounted for approximately a \$1.6 million increase. A payment of \$20.6 million was made in February 2012 to the Port Authority of New York & New Jersey ("PANYNJ") from the Special Fund. In addition, interest earnings on other funds were offset by approximately \$1.8 million in payments for the community center.

Bond issuance costs were amortized \$1.5 million for the fiscal year ended October 31, 2012. Costs of leases decreased \$64 thousand and reflect the amortization expense for the year. Other assets increased by \$896 thousand primarily due to depreciation and amortization offset by purchases of equipment, software, and other assets.

Liabilities

Total liabilities at October 31, 2012 and 2011 are as follows:

	October 31		2012 vs 2011
	2012	2011	
Current liabilities:			
Accrued interest on bonds	\$ 18,169,507	18,579,617	(410,110)
Accounts payable and other liabilities	5,200,281	6,384,999	(1,184,718)
Due to the City of New York	103,283,763	87,623,785	15,659,978
Due to the City of New York-2010 Agreement	46,142,978	37,014,687	9,128,291
Due to the NYC School Construction Authority	1,898,808	—	1,898,808
Due to the State of New York-2010 Agreement	—	—	—
Due to the Port Authority of NY & NJ	3,820,328	20,656,496	(16,836,168)
Deferred revenue	41,089,545	41,801,825	(712,280)
Security and other deposits	88,342	134,061	(45,719)
2003 Revenue Bonds	19,280,000	19,825,000	(545,000)
2009 Revenue Bonds	115,000	255,000	(140,000)
Total current liabilities	239,088,552	232,275,470	6,813,082
Noncurrent liabilities:			
Deferred revenue	304,341,304	316,208,835	(11,867,531)
Security and other deposits	22,367,627	21,099,455	1,268,172
Other Post Employment Benefits - Authority	18,463,988	17,633,427	830,561
Other Post Employment Benefits - Conservancy	9,974,257	8,769,643	1,204,614
Fair value of interest rate swaps	106,703,964	92,948,044	13,755,920
Bonds outstanding:			
2003 Revenue Bonds	961,784,095	983,612,833	(21,828,738)
2009 Revenue Bonds	88,222,941	88,410,789	(187,848)
Unamortized loss on extinguishment	(22,964,996)	(24,741,363)	1,776,367
Total noncurrent liabilities	1,488,893,180	1,503,941,663	(15,048,483)
Total liabilities	\$ 1,727,981,732	1,736,217,133	(8,235,401)

The Organization's total liabilities decreased approximately \$8.2 million from \$1.74 billion at October 31, 2011 to \$1.73 billion at October 31, 2012.

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

The \$8.2 million decrease in total liabilities is due to:

- a \$410 thousand decrease in accrued interest payable on bonds from \$18.6 million at October 31, 2011 to \$18.2 million at October 31, 2012, resulting primarily from accrued interest on less bonds outstanding offset by marginally higher interest rates on the Authority's variable rate debt.
- a \$1.2 million decrease in accounts payable and other liabilities from \$6.4 million at October 31, 2011 to \$5.2 million at October 31, 2012, primarily due to a decrease in amounts due to vendors of \$1.4 million.
- a \$103.3 million provision was recorded for the fiscal year ended October 31, 2012, representing fiscal 2012 PILOT related excess revenues to be transferred to the City, an increase of \$15.7 million from the prior fiscal year provision of \$87.6 million, which was paid in June 2012.

- a provision in the amount of \$46.1 million was recorded as a liability for the fiscal year ended October 31, 2012 for payment under the 2010 Agreement for the City 421-A fund, an increase of \$9.1 million over the \$37 million which was charged to operations for the fiscal year ended October 31, 2011 and paid in June 2012.
- a \$1.9 million amount was recorded as a liability for the fiscal year ended October 31, 2012 for amounts due to the New York City School Construction Authority for the completion of three green building components.
- a \$16.8 million decrease in amounts due to the PANYNJ relating to the Authority's agreement to pay up to \$40 million of Special Fund monies for the construction of a planned pedestrian concourse. The Authority paid \$20.6 million to the PANYNJ in February 2012 and recorded a liability for \$3.8 million at October 31, 2012.
- a \$12.6 million decrease to \$345.4 million in total deferred revenue from \$358 million at October 31, 2011 primarily due to revenue recognized on leases, such as the Goldman lease (\$2.7 million), sites 23 and 24 (\$2.3 million), site 22 (\$2.3 million) and to Site 16/17 (\$2.4 million), as well as other upfront lease payments received during prior years.
- a \$1.2 million increase in total security and other deposits to \$22.5 million at October 31, 2012, relating to security deposits received from Site 3 and One Rector Park, as well as interest earnings on funds held.
- a net \$831 thousand increase in OPEB liability for the Authority relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits paid. The Authority had a \$18.5 million OPEB liability at October 31, 2012. 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 \$1.2 million increase in OPEB liability for the Conservancy relating to the annual normal cost incurred for current employees and interest expense, offset by actual costs for retiree benefits. The Conservancy had a \$10 million OPEB liability at October 31, 2012. The annual required OPEB obligation is increased by normal costs for current employees and interest expense.
- a \$22.4 million decrease in 2003 Revenue Bonds outstanding relating to retirement of principal of \$21.2 million and a \$1.2 million decrease due to the amortization of the net bond premium.
- a \$328 thousand decrease in 2009 Revenue Bonds outstanding relating to retirement of principal of \$255 thousand and a \$73 thousand decrease due to the amortization of the net bond premium.
- 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.
- In accordance with GASB No. 53, the Authority evaluated the effectiveness of its Swaps, determined its Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million and \$92.9 million, respectively, at October 31, 2012 and October 31, 2011 as a liability. The change from October 31, 2011 to October 31, 2012 increased the negative fair value of the Swaps by \$13.8 million.

Net Position (Deficit)

The net deficits at October 31, 2012 and 2011 were \$628 million and \$645.2 million, respectively. Net position invested in capital assets, net of related debt, was \$5.5 million and \$9.4 million at October 31, 2012 and 2011, 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 \$88.1 million and \$90.1 million of restricted net position at October 31, 2012 and 2011, 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 \$721.6 million at October 31, 2012, resulting primarily from debt issued for noncapital purposes, approximately \$532.5 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 position from October 31, 2011 represents a positive change in the deficit position of approximately \$17.1 million from \$645.2 million at October 31, 2011 to \$628 million at October 31, 2012.

Mission Statement and Measurement Report

MISSION STATEMENT

The Hugh L. Carey Battery Park City Authority is a public benefit corporation created in 1968, by the New York State Legislature, to be responsible for planning, developing and sustaining the residential, commercial, parks and open space located along the Hudson River at the tip of Lower Manhattan in New York City. Home to 17,000 people, the work place of 40,000 more, and place visited by countless thousands of people a year, New York's Battery Park City is an asset to both the State and City.

According to the Battery Park City Master Plan of 1979, Battery Park City was envisioned not to be a self-contained community, but rather a neighborhood woven into the fabric of the great City of New York. Through its contributions, Battery Park City Authority is deeply committed to the mission of providing resources for the good of all neighborhoods throughout New York City.

The commitment to sustainability is deeply ingrained in both the Battery Park City Authority and its subsidiary, the Battery Park City Parks Conservancy. The Conservancy has implemented sustainable horticultural and maintenance practices throughout the parks system for decades. The first "Green Guidelines" for new residential construction were issued in 2000 to establish a process that is for the creation of environmentally responsible buildings.

Through its layout and geographic orientation, Battery Park City is an intentionally knitted extension of New York's streets and blocks. The names of streets heading east and west are purposely the same as those on the opposite side of West Street. Battery Park City was not an addition to New York City, but rather, a continuation of this dynamic City's development into the 21st century.

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

- Complete development of office buildings in Battery Park City (BPC).
 - BPCA has completed development of the office buildings on its site.
- Complete development of residential buildings in BPC.
 - BPCA's developer Milstein completed the last residential building on site, located at Sites 23/24.
- Complete development of public buildings in BPC.
 - Pursuant to an agreement with New York City, BPCA is redeveloping Pier A. BPCA will complete the Pier A restoration work in accordance with a design which adhere to its "green" construction standards while preserving the landmarked historic features of the pier.
- Complete Battery Park City Community Center –
 - The Center will be home to two swimming pools, a gymnasium, a fitness center, several classrooms, a teaching kitchen and a theater/auditorium. Asphalt Green, which operates a similar facility uptown, was selected by BPCA as the operator of the Community Center through an RFP process which involved representatives of the Community Board. The center is expected to open in summer 2013.
- Complete construction of the BPC park system.
 - The BPC park system is largely built out; however, there is a continuing need for infrastructure maintenance. BPCA annually reviews the maintenance and construction needs of the park system and updates its maintenance and its construction plans accordingly.
- 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.
- Advance sustainable development/operation of BPC.
 - The construction of Pier A and the Community Center is being accomplished in accordance with BPCA's "green" design and construction guidelines. Additionally, BPCA is reviewing the feasibility of incorporating additional updated sustainable technologies within existing BPC buildings.

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

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, 2012, the Authority was responsible for debt service on the 2003 Revenue Bonds of \$981 million.

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2003 Series Senior A Bonds	\$ 367,164,095	AAA	Aaa	AAA
2003 Series Junior B Bonds *	235,000,000	AA	Aa3	AAA
2003 Series Junior C Bonds *	378,900,000	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, 2012, the Authority was responsible for debt service on the 2009 Revenue Bonds of \$88.3 million.

	<u>Outstanding debt</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard & Poor's (S&P)</u>
2009 Senior Revenue A Bonds	\$ 56,600,000	AAA	Aaa	Not rated
2009 Senior Revenue B Bonds	31,737,941	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, 2012, the 2003 Series A Bonds consist of the following serial bonds:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>
Year ended October 31:			
2013	3.40% – 5.50%	\$ 15,205,000	17,531,970
2014	3.50% – 5.50%	16,140,000	16,735,257
2015	3.625% – 5.25%	17,165,000	15,880,183
2016	3.75% – 5.25%	18,255,000	14,964,501
2017	3.80% – 5.25%	19,400,000	13,985,208
2018 – 2022	3.90% – 5.25%	115,550,000	53,147,839
2023 – 2027	4.40% – 5.25%	149,065,000	19,345,576
Totals		\$ <u>350,780,000</u>	<u>151,590,534</u>

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, 2012 and 2011, the unamortized net bond premium was approximately \$16.4 million and \$17.6 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, 2012, 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:						
2013	\$ —	1,008,515	4,075,000	1,638,647	4,075,000	2,647,162
2014	—	1,008,515	5,450,000	1,615,190	5,450,000	2,623,705
2015	—	1,008,515	5,450,000	1,591,734	5,450,000	2,600,249
2016	—	1,008,515	5,450,000	1,568,277	5,450,000	2,576,792
2017	—	1,008,515	5,450,000	1,544,821	5,450,000	2,553,336
2018 – 2022	—	5,042,576	28,075,000	7,368,865	28,075,000	12,411,441
2023 – 2027	—	5,042,576	33,150,000	6,715,040	33,150,000	11,757,616
2028 – 2032	—	5,042,576	225,300,000	3,992,000	225,300,000	9,034,576
2033 – 2037	110,900,000	4,335,971	66,500,000	296,981	177,400,000	4,632,952
2038 – 2040	124,100,000	812,821	—	—	124,100,000	812,821
Total	\$ 235,000,000	25,319,095	378,900,000	26,331,555	613,900,000	51,650,650

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 seven-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, 2012, which were 0.424%, 0.424%, and 0.422% for Series B1, B2 and B3 of the 2003 Series B Bonds, respectively; and 0.438%, 0.428%, 0.424%, 0.422%, and 0.424% 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, 2011 through October 31, 2012 ranged from a low of 0.422% to a high of 0.592% on the 2003 Series B Bonds and from a low of 0.422% to a high of 0.592% 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			
	Principal	Interest-rate swaps		
	Payment	Receipts	Net payment	
Year ended October 31:				
2013	\$ 4,075,000	(13,033,026)	520,163	(12,512,863)
2014	5,450,000	(12,844,892)	512,600	(12,332,292)
2015	5,450,000	(12,656,758)	505,037	(12,151,721)
2016	5,450,000	(12,468,624)	497,474	(11,971,150)
2017	5,450,000	(12,250,490)	489,910	(11,760,580)
2018-2022	28,075,000	(58,553,256)	2,334,438	(56,218,818)
2023 – 2027	33,150,000	(53,309,236)	2,120,100	(51,189,136)
2028 – 2032	225,300,000	(31,487,418)	1,109,506	(30,377,912)
2033 – 2034	66,500,000	(2,308,525)	46,663	(2,261,862)
Totals	<u>\$ 378,900,000</u>	<u>(208,912,225)</u>	<u>8,135,891</u>	<u>(200,776,334)</u>

The above table includes payments based on the Authority's pay-fixed rate interest rate Swap payment obligation at an effective interest rate of 3.452% while the receipts are based on the floating rate equal to 65% of 30 day LIBOR on October 31, 2012 (65% of 0.2135% or 0.1388%), 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, 2012, but will vary monthly.

In accordance with the General Resolution, the Authority directed the Trustee to purchase \$1,375,000 aggregate principal amount of the 2003C-4 Bonds on October 5, 2012 for a purchase less than said aggregate principal amount plus accrued interest resulting in a \$116,875 gain for the Authority. The \$1,375,000 aggregate par amount purchased was due to be credited to the Sinking Fund installment due for the 2003C-4 Bonds on November 29, 2012.

In accordance with GASB No. 53, the Authority evaluated the effectiveness of the Swaps, determined the Swaps to be effective hedges and recorded the negative fair value of approximately \$106.7 million and \$92.9 million, respectively, at October 31, 2012 and October 31, 2011 as a liability and recorded a corresponding asset for the accumulated decrease in the fair value of the interest rate swap agreements (deferred outflows of resources per GASB No. 53). The fair 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 "Baa1" 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 would 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 is 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 costs 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 the Authority 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 years ended October 31, 2012 and 2011, the Authority received payments from the U.S. Treasury in the amount of \$1,262,888 and \$1,894,331, respectively, pursuant to the subsidy. BABs already issued will continue to receive subsidies. The Authority has no assurances about future legislation or changes that may affect the availability, amount, or receipt of such subsidy payments.

At October 31, 2012, 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:					
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	6.375%	—	3,608,250	(1,262,888)	2,345,362
2017	6.375%	—	3,608,250	(1,262,888)	2,345,362
2018 – 2022	6.375%	—	18,041,250	(6,314,438)	11,726,812
2023 – 2027	6.375%	—	18,041,250	(6,314,438)	11,726,812
2028 – 2032	6.375%	65,000	18,041,250	(6,314,438)	11,726,812
2033 – 2037	6.375%	33,480,000	16,186,284	(5,665,200)	10,521,084
2038 – 2040	6.375%	23,055,000	3,296,672	(1,153,835)	2,142,837
Totals		\$ 56,600,000	91,647,956	(32,076,789)	59,571,167

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, 2012, principal and interest payments due on the 2009 Series B Bonds are as follows:

	<u>Coupon rates</u>	<u>Principal amounts</u>	<u>Interest</u>
Year ended October 31:			
2013	2.00%	\$ 115,000	1,425,806
2014	2.00%	310,000	1,421,556
2015	2.50%	310,000	1,414,581
2016	2.50%	315,000	1,406,769
2017	3.00%	335,000	1,397,806
2018 – 2022	3.00% - 5.00%	1,775,000	6,808,906
2023 – 2027	3.50% - 5.00%	2,005,000	6,368,144
2028 – 2032	4.00% - 4.125%	2,300,000	5,911,097
2033 – 2035	5.00%	22,670,000	1,538,750
Totals		<u>\$ 30,135,000</u>	<u>27,693,415</u>

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, 2012 and 2011, the unamortized net bond premium was approximately \$1.6 million and \$1.7 million, respectively.

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

Battery Park City Authority

Name	Title	Grade	Salary	Department
Dawson, Gwen	Senior Vice President Asset Management	N/A	\$130,000	Asset Management
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
Koenig, Karl	Controller	N/A	\$120,000	Finance
Monahan, Matthew	Senior Vice President, Public Information	N/A	\$130,000	Public Information
Serpico, Robert	Senior V.P. Finance/CFO	N/A	\$179,871	Finance
Singh, Seema	Senior Counsel	N/A	\$120,000	Legal
Taylor, Phyllis	General Counsel, EVP, CAO	N/A	\$205,000	Legal
Windman, Kenneth	Director, Facilities Mgmt. Construction	N/A	\$105,000	Asset Management

<u>Battery Park City Parks Conservancy</u>				
<u>Name</u>	<u>Title</u>	<u>Grade</u>	<u>Salary</u>	<u>Department</u>
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
Bruno Pomponio	Director of Maintenance	N/A	\$100,507.69	Maintenance

Biographical Information

Demetrios A. Boutris

President & Chief Operating Officer

Demetrios A. Boutris was the founder and President of Boutris Group, Inc., Mr. Boutris was also Special Counsel to the CEO of AKT Investments, AKT Development and the affiliated group of companies forming a diversified family-owned land development group operating..

Mr. Boutris' former positions include:

- Commissioner & CEO, Department of Corporations, California's Investment & Financing Authority (Sacramento, San Francisco, Los Angeles, San Diego);
- Legal Affairs Secretary & Counsel to the Governor of California (Sacramento, Los Angeles, San Francisco);
- Corporate Vice President & Special Counsel to the Chairman of MacAndrews & Forbes Holdings (New York, NY);
- Executive Director & Associate General Counsel to the US Trade Representative, Executive Office of the President (Washington, DC);
- Corporate, Securities and Banking lawyer with international firms: White & Case (Los Angeles) and Orrick, Herrington & Sutcliffe (San Francisco);
- Corporate Director, Virgin Charter, (New York, NY, Los Angeles);
- Corporate Director and Chairman, Corporate Governance & Nominating Committee, Wedbush Securities (Los Angeles).

Mr. Boutris is a graduate of the Harvard Law School and the University of California, Berkeley (Economics, high honors; Phi Beta Kappa).

Gwen Dawson, Esq.

Senior Vice President Asset Management

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.

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.

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.

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 Controllershship 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

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.

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 2012

Revenue & Budget

- The Authority funded approximately \$9.6 million less than the \$73 million budgeted for FY12 to meet the 2003 and 2009 Bond Resolution funding requirements and related expenses to pay debt service for the 2012 bond year and to fund a portion of the 2012 estimated bond requirements for the new debt structure.
- Total FY12 estimated Operating Budgets of approximately \$27.8 million (\$24 million was funded in FY12 in accordance with the bond resolution) is expected to be commensurate with actual expenditures for FY12 of approximately \$24 million.
- FY12 total revenues from operations were budgeted at \$228.7 million. Actual results, however, were favorable in revenues. In addition, funded debt service and operations expenses were lower than budgeted expectations resulting in actual total excess revenues of approximately \$149 million, \$26.7 million higher when compared to the budgeted expectation.
- **Battery Park City Community Center** - Construction continued on the 55,000 square foot community center housed on the first three floors of the residential buildings on Sites 23/24. The Center will be home to two swimming pools, a gym, several classrooms and fitness studios, a teaching kitchen and a public auditorium. Asphalt Green, which operates a similar facility uptown was selected as the operator of the Community Center through an RFP process which involved representatives of the Community Board. Prior to Super Storm Sandy, the center was expected to open in December of 2012. However,

due to significant repairs necessary as a result of the damage caused by the storm the opening has been delayed until summer 2013.

- **Ballfield Renovation** - Among Battery Park City's most significant and heavily-used public amenities are the ballfields. The consistent demand for use of 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) synthetic turf field, which was installed between in the summer of 2011, between little league season and soccer season, and opened in September 2011. There was significant damage to the ballfields caused by unprecedented flooding from Super Storm Sandy necessitating a replacement of the ball field turf. The remediation work is underway.
- **Liberty View Ice Skating Rink**
- The Liberty View Ice Rink became an immediate part of the fabric of Lower Manhattan after its opening in December on the lawn of Wagner Park. A long-desired community amenity, the operator was chosen after a Request for Proposals was issued last summer. Its inaugural season will conclude in mid-March.

Commercial Activity

Brookfield Renovations

- A glass-enclosed Pavilion will be located on the east side of the Winter Garden, near West Street/Route 9A. The 7,536 gross square foot Pavilion will provide a climate-controlled environment for pedestrians entering into, or exiting from, the underground Concourse, which in turn will connect to the Permanent WTC PATH Terminal.
- The east wall of the Winter Garden will be opened to allow for an unobstructed connection to the new Pavilion. One new escalator on the south side of the Winter Garden, a new corridor running south on the ground level of 2 WFC, and a new corridor running north on the second level to 3 WFC will be constructed.
- Existing space on the second level of the Winter Garden will be reconfigured to include a dining area, including a collection of diverse restaurants and balcony dining with approximately 500 seats overlooking the Hudson River.
- The Courtyard will be reconfigured and updated for active retail uses on both the ground and second floors. The second floor slab will be extended.

Goldman Sachs Improvements/North End Way

- Behind the Goldman Sachs tower, a glass canopy-covered passageway that connects Vesey and Murray Streets was completed. The alley, called North End Way, is lined with restaurants and shops, making it an inviting space for socializing and relaxing during or after a workday.

Pier A

- Located adjacent to the southern tip of BPC, Pier A is the last of the historic enclosed piers that once defined the lower Manhattan waterfront. It is a landmarked structure that

remained empty and deteriorating for many years. New York City leased Pier A to BPCA on a long term basis in 2008, allocating funds from the NYC Economic Development Corporation (EDC) to be utilized for restoration of this important City building. Early phases of the Pier A restoration project were completed by BPCA in 2009 and 2010, and immediately prior to Super Storm Sandy, the third and final core and shell restoration phase was due to be completed by the end of December 2012. However, due to significant repairs necessary as a result of the damage caused by the storm, completion of the core and shell restoration has been delayed until summer 2013.

Real Property valued at More than \$15,000 Acquired or Disposed of in FY 2012)

No real property valued at more than \$15,000 was acquired or disposed of in FY 2012.

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 New York State Commission on Public Integrity. The E.O. must also inform the New York State Commission on Public Integrity 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 New York State Commission on Public Integrity.

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:

- i. Require or induce the employee to disclose confidential information gained from Authority employment;
- ii. 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;

- iii. 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;
- iv. 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.

d. Gifts and Outside Compensation

- i. No employee should accept any outside compensation or thing of value for work required by or connected with his or her Authority employment, unless the employee has complied with the provisions of Part 930 of the regulations of the New York State Commission on Public Integrity.
- ii. No employee, spouse or dependent child of an employee, shall solicit, accept or receive any gift having a nominal value whether in the form of money, service, loan, travel, entertainment, hospitality, thing or promise, or in any other form, under circumstances in which it could reasonably be inferred that the gift was intended to influence him or her, or could reasonably be expected to influence him or her, in the performance of his or her official duties or was intended as a reward for any official action on his or her part.

e. 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.

f. 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 of 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 New York State Commission on Public Integrity 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 New York State Commission on Public Integrity where there may be a violation of the Public Officers Law.
 - i. Acting in Good Faith: Anyone filing a complaint concerning a violation or suspected violation of the Code of Conduct must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the applicable Code.

Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense.

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.

Authority cell phones may not be used for non-governmental calls except 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. Employees are responsible for indicating all personal calls on the cell phone bill, and are responsible for reimbursing the Authority for these calls. Excessive personal use of an Authority cell phone is grounds for discipline.

In addition, the Authority retains the right to, and may monitor any and all incoming or stored phone or electronic transmissions. All cell phone bills are subject to random verification.

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.

All purchases of hardware and software must be made by the MIS Department or must be approved in writing, in advance, by the Director of IT. Software cannot be installed on a BPCA computer without advance permission in writing from the Director of IT.

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.

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

Internal Control Assessment

The Battery Park City Authority (BPCA), being a public benefit corporation, is required to institute, administer, and monitor effective internal controls. The implementation and execution of high standards of control are necessary to assure BPCA's stakeholders of its ability to meet the demands of its mandate. Through clear guidelines and rigorous systems, BPCA is actively working to improve existing controls that meet or exceed accepted best practices (as laid out in "Standards for Internal Control in New York State Government" by the Office of the New York State Comptroller). BPCA's approach is proactive, placing an emphasis on investigating, anticipating, and remediating potential sources of risk across all institutional concerns as we simultaneously look for ways to improve internal control systems that will help BPCA meet its broader goals.

To that end, the Battery Park City Authority, as part of an ongoing review and its requirement to comply with Section 2800 of the Public Authorities Law, has assessed its internal control structures for the year ending October 13, 2012. Furthermore, BPCA's external auditor is currently engaged in a three year strategic plan to audit BPCA operations. To the degree that potential weaknesses in policies and procedures have been observed, BPCA has and will continue to implement corrective actions.

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.

M/WBE Participation:

BPCA continues to be a leader in M/WBE participation and has historically been in the Upper Tier of State agencies and authorities with regard to M/WBE participation. Fiscal Year 2012 was no exception with an average of 23% or \$5,057,610 of contract dollars for M/WBEs. In addition, BPCA assisted in securing an additional \$14,000,000.00 for M/WBEs through its leases. 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.

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 seven member board who serve without compensation. The board members are: Dennis Mehiel, Frank J. Branchini, Donald A. Capoccia, Jr., Martha J. Gallo, Fernando A. Mateo and Carl Mattone. There is currently one vacancy. The board has three committees: Investment Committee, Governance Committee and Audit & Finance Committee. The members of each committee are:

Investment Committee:

Fernando Mateo, Chair
Carl Mattone
Martha Gallo
Chairman Mehiel: Ex-officio

Governance Committee:

Carl Mattone, Chair
Fernando Mateo
Donald Capoccia
Chairman Mehiel: Ex-officio

Audit and Finance Committee:

Martha Gallo, Chair
Donald Capoccia
Frank Branchini
Chairman Mehiel: Ex-officio

Board Meeting Dates and Attendance for calendar year 2012:

*Indicates a meeting of the Directors of the Battery Park City Parks Conservancy

BOARD MEETINGS

January 31, 2012
Members Present

William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
Fernando A. Mateo, Member
Robert J. Mueller, Member

March 8, 2012*

Members Present

William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
Donald A. Capoccia, Jr., Member
David B. Cornstein, Member
Robert J. Mueller, Member

April 24, 2012

Members Present

William C. Thompson, Jr., Chairman
Frank J. Branchini, Member
Donald A. Capoccia, Jr., Member
David B. Cornstein, Member
Martha J. Gallo, Member
Fernando A. Mateo, Member

June 5, 2012

Members Present

Frank J. Branchini, Chairman
Donald A. Capoccia, Jr., Member
David B. Cornstein, Member
Martha J. Gallo, Member
Fernando A. Mateo, Member

June 19, 2012

Members Present

Frank J. Branchini, Chairman
Donald A. Capoccia, Jr., Member
David B. Cornstein, Member
Martha J. Gallo, Member

July 31, 2012

Members Present

Dennis Mehiel, Chairman
Frank J. Branchini, Member (by telephone)
Donald A. Capoccia, Jr., Member (by telephone)
Martha J. Gallo, Member
Fernando Mateo, Member
Carl Mattone, Member

September 25, 2012

Members Present

Dennis Mehiel, Chairman
Frank J. Branchini, Member
Donald A. Capoccia, Jr., Member
Martha J. Gallo, Member
Fernando Mateo, Member
Carl Mattone, Member

October 23, 2012*

Members Present

Dennis Mehiel, Chairman
Frank J. Branchini, Member
Donald A. Capoccia, Jr., Member
Martha J. Gallo, Member
Fernando Mateo, Member
Carl Mattone, Member

December 4, 2012*

Members Present

Dennis Mehiel, Chairman
Frank J. Branchini, Member
Donald A. Capoccia, Jr., Member
Martha J. Gallo, Member
Fernando Mateo, Member
Carl Mattone, Member

AUDIT COMMITTEE MEETINGS

January 20, 2012

Audit Committee Members Present

Robert J. Mueller, Chairman
William C. Thompson, Jr., Member

Material Changes in Operations and Programs in FY 2012

For more than 40 years, Battery Park City has exceeded expectations for urban development.

Public Amenities:

The year 2012 saw significant progress in our objective to provide quality public amenities for all New Yorkers.

Battery Park City Community Center - Construction continued on the 55,000 square foot community center housed on the first three floors of the residential buildings on Site 23/24. The Center will be home to two swimming pools, a gym, classrooms, a teaching kitchen, café and public auditorium. Asphalt Green, which operates a similar facility uptown was selected through an RFP process in conjunction with representatives of the Community Board. Prior to Super Storm Sandy, the center was expected to open in December of 2012. However, due to significant repairs necessary as a result of the damage caused by the storm the opening has been delayed until summer 2013.

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, which was installed between little league season and soccer season and opened in September 2011. There was significant damage to ballfields caused by unprecedented flooding from Super Storm Sandy necessitating a total replacement of the ball fields. The remediation work is underway.

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. The benefits of this investment were invaluable as it provided bus evacuation services during the mandatory evacuation order of Battery Park City.

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.

Liberty View Ice Skating Rink

The Liberty View Ice Rink became an immediate part of the fabric of Lower Manhattan after its opening in December on the lawn of Wagner Park. A long-desired community amenity, the operator was chosen after a Request for Proposals was issued last summer. Its inaugural season will conclude in mid-March.

Intended to help build the local community as well as attract people who work in Battery Park City and those who live elsewhere, BPCA and the Battery Park City Parks Conservancy conduct an array of programming for free or modest cost within the parks, at interior space at 6 River Terrace and the community center housed in Stuyvesant High School.

Commercial Activity

Brookfield Renovations

- Creation of a new entrance Pavilion for the WFC.
- A glass-enclosed Pavilion will be located on the east side of the Winter Garden, near West Street/Route 9A. The 7,536 gross square foot (gsf) Pavilion will provide a climate-controlled environment for pedestrians entering into, or exiting from, the

underground Concourse, which in turn will connect to the Permanent WTC PATH Terminal

- The east wall of the Winter Garden will be opened to allow for an open connection to the new Pavilion. One new escalator on the south side of the Winter Garden, a new corridor running south on the ground level of 2 WFC, and a new corridor running north on the second level to 3 WFC would be constructed.
- Reconfiguration of existing space on the second level of the Winter Garden to include a dining area, including a collection of diverse restaurants and balcony dining with approximately 500 seats overlooking the Hudson River.
- Reconfiguration and updating the Courtyard for active retail uses on both the ground and second floors. The second floor slab would be extended.

North End Way

Behind the Goldman Sachs tower is a glass canopy-covered passageway that connects Vesey and Murray Streets. The alley, called North End way is filled with restaurants and shops among other things and it makes for an inviting space for socializing and relaxing during or after a workday.

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. Prior to Super Storm Sandy, BPCA was expected to complete the core and shell portion of the project by December of 2012. However, due to significant repairs necessary as a result of the damage caused by the storm the core and shell renovations have been delayed until summer 2013.

Financial Highlights:

- Hurricane Sandy Unlikely to Threaten Public Finance Issuers' Credit
Late Debt Service Payments During Storm Rapidly Cured
The following excerpt, found on pages 13-14 of the full report, regarding New York's Battery Park City, was cited in the Moody's Report (referenced above) on Hurricane Sandy.
Battery Park City Authority
Although Hurricane Sandy impacted Battery Park City in lower Manhattan, the Battery Park City Authority, which has senior revenue bonds rated Aaa and junior revenue bonds rated Aa3, is expected to have ample resources for recovery. We expect that the Authority will have sufficient resources for repairs to community facilities, such as parks, playing fields and a community center, from its own insurance and corporate reserves. The Authority ground leases the office and residential structures in Battery Park City to private sector lessees, shifting responsibility for building maintenance to the lessees, who are also expected to maintain insurance. The Authority's management has a strong record of disaster recovery and made a complete recovery from the 9/11 terrorist attacks. While the extent of damage from

Hurricane Sandy has not yet been determined, it is not anticipated to rise to the level of impact experienced after 9/11.

- 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.
- A provision in the amount of \$37 million was charged to nonoperating expenses for the fiscal year ended October 31, 2011 and was paid in June 2012 under the 2010 Agreement to the City 421-A fund. A provision in the amount of \$46.1 million was charged to operations and recorded as a liability for the year ended October 31, 2012 for payment under the 2010 Agreement for the City 421-A fund.
- Twelve leases in the South Neighborhood were modified to provide for more gradual increases in ground rents over the first two reset periods or 30 years.

With payment of these FY 2012 Excess Revenues, BPCA will have contributed \$2.4 billion to the City.

CURRENT VERSION, BUT UNDER REVISION
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.

Section 10. 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 and 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 1. 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 1. 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 or 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 1. 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. General Scope of Indemnification. 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. Insurance. 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. Applicability of this Article. (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 1. 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.

ARTICLE IX - SUSPENSION OF BYLAWS

Section 1. 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, 2012 thru 2016
(in 000s)

	<u>Estimated FY 2012</u>	<u>Proposed FY 2013</u>	<u>Proposed FY 2014</u>	<u>Proposed FY 2015</u>	<u>Proposed FY 2016</u>
OPERATING BUDGET					
<u>Operating Revenues</u>					
Sublease rentals	\$223,849	\$227,992	\$232,431	\$234,455	\$234,455
One-time payments from new leases	12,383	-	-	-	-
Other	-	-	-	-	-
	<u>\$236,232</u>	<u>\$227,992</u>	<u>\$232,431</u>	<u>\$234,455</u>	<u>\$234,455</u>
<u>Non-Operating Revenues</u>					
Investment Earnings					
SWAP payments received (65% of LIBOR)/BABs Susidy	1,916	1,916	1,916	1,916	1,916
Interest earned	3,658	3,258	3,258	3,258	3,258
Other (Residual Fund)	-	-	-	-	-
	<u>5,574</u>	<u>5,174</u>	<u>5,174</u>	<u>5,174</u>	<u>5,174</u>
Total Receipts:	<u>\$241,806</u>	<u>\$233,166</u>	<u>\$237,605</u>	<u>\$239,629</u>	<u>\$239,629</u>
<u>EXPENDITURES</u>					
<u>Operating Expenditures</u>					
Total operating expenses *	\$24,210	\$27,812	\$27,812	\$28,368	\$28,936
Other non-operating expenditures (NYS Cost Recovery Fee)	5,237	6,100	6,100	6,200	6,200
	<u>\$29,447</u>	<u>\$33,912</u>	<u>\$33,912</u>	<u>\$34,568</u>	<u>\$35,136</u>
<u>Non-Operating Expenditures</u>					
<u>Interest and Other Financing Charges</u>					
Debt service on restructured debt	63,188	72,744	72,744	72,744	72,774
Swap agreement & auction agent fees	340	340	340	340	340
Total Debt Service:	<u>\$63,528</u>	<u>\$73,084</u>	<u>\$73,084</u>	<u>\$73,084</u>	<u>\$73,114</u>
Total Expenditures:	<u>\$92,975</u>	<u>\$106,996</u>	<u>\$106,996</u>	<u>\$107,652</u>	<u>\$108,250</u>
Excess Funds Subject to Settlement Agreement:	<u>\$148,831</u> **	<u>\$126,170</u>	<u>\$130,609</u>	<u>\$131,977</u>	<u>\$131,379</u>
CAPITAL BUDGET					
Proceeds from Debt Issuance (beginning of yr balance)	47,063	30,645	32,740	73,740	49,740
Other capital inflows(Interest)	-	-	-	-	-
Capital expenditures	16,418	27,905	24,000	24,000	24,000
Proceeds from Debt Issuance	-	30,000	65,000	-	-
Capital funds remaining	<u>\$30,645</u>	<u>\$32,740</u>	<u>\$73,740</u>	<u>\$49,740</u>	<u>\$25,740</u>

*Budget summaries include all costs for Battery Park City Parks Conservancy

** Subject to NYCEDC reimbursement of \$10.25 Million for Pier A Construction expenditures

NOTE - The approved Fiscal Year 2013 Budget and Projections for Fiscal Years 2013 to 2016 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 and market conditions effecting cost of capital.

**Schedule of assets and services purchased with-out Competitive Bidding
Fiscal Year ended October 31, 2012***

* Vendor Name	* Procurement Description	* Amount Expended For Fiscal Year
Potamkin GM	Auto Repair	6,128.71
AAA/Best Chair Rental	Equipment Rental for Special Events	6,135.00
GLAC Seat Inc.	BPCPC-Tools & supplies	6,275.00
Verizon	Phone, internet	6,427.26
American Express	BPCPC-Credit Card services	6,430.00
Barnes, Mary	BPCPC-Performer /Instructor	6,480.00
Reserve Elder Service, Inc.	BPCPC-Project Based Temporary Service	6,525.00
US Merchants Protective Co., Inc.	BPCPC-Alarm monitoring service	6,544.00
Genesys Engineering P.C.	Construction	6,550.00
Harris, Rothenberg, Int'l LLC	BPCPC-Employee assistance service	6,600.00
Water Safety Products Inc.	Community Center equipment	6,677.00
McMaster-Carr Supply Co.	BPCPC-Tools & supplies	6,748.00
Superior Location Van Service, Ltd.	Transportation for River to River Festival	6,800.00
Community Electric, Inc.	Electrical	6,992.29
Copeland, Charon Shemekia	BPCPC-Performer /Instructor	7,000.00
Sundance Music Inc.	BPCPC-Performer /Instructor	7,000.00
David E. Montgomery	Other	7,095.00
Industrial Pump & Balance, Inc	BPCPC-Tools & parts	7,200.00
Sun Life Insurance & Annuity Company	BPCPC-Life Insurance	7,295.00
River Terrace Associates, LLC	Architecture	7,486.81
Moody's Investor's Serv.	Financial Services	7,500.00
NYS Chapter of NAMC	Sponsorship	7,500.00
The Skyscraper Museum	Sponsorship	7,500.00
Barbara Parker & The Law Office	Personal Injury/Settlement	7,500.00
Van Engelen Inc.	BPCPC-Horticulture supplies	7,521.00
Royal Flush	Office Supplies	7,540.00
NYS Child Support Processing Center	Child Support	7,563.14
Quarterhorse Technology, Inc.	BPCPC-Support renewal	7,600.00
Weather Wise Conditioning Corp	Community Center-equipment	7,621.65
PEVO Sports Co.	Community Center-equipment	7,635.00
National Benefit Life	BPCPC-Disability insurance	7,641.00
School Outfitters LLC	Community Center-equipment	7,824.00
Northern Tool & Equipment	BPCPC-Tools & supplies	7,959.00
Unlimited Myles, Inc	River to River Festival	8,000.00
Riverkeeper, Inc.	Sponsorship	8,000.00
National Sept 11 Memorial and Museum	Sponsorship	8,000.00
Citrix Systems, Inc.	Support/Service	8,025.00
ZGroup Inc.	River to River	8,050.00
Sentry Electric Corp.	BPCPC-Supplies	8,054.00
Access Staffing, LLC	BPCPC-Temp services	8,271.00
Clareo Networks LLC	AV Faceplates	8,364.84
NH & A, LLC	Symantec Protection Suite	8,549.96
VTL Inc.,/dba Tumbl Trak	Community Center-equipment	8,697.50
Balanced Body Inc.	Community Center-equipment	8,807.97
Redsoft Technologies, Inc.	Tracking System for Rent Defaults	8,860.00
Donachie, Fenton & Associates, Inc.	BPCPC-Support for warehouse mangement software	9,000.00
V.J. Associates Inc. of Suffolk	BPCA Pier A Plaza	9,000.00
Time Warner Cable Of NY	Cable Service	9,098.71

**Schedule of assets and services purchased with-out Competitive Bidding
Fiscal Year ended October 31, 2012***

* Vendor Name	* Procurement Description	* Amount Expended For Fiscal Year
Healthy Clean Buildings	BPCPC-Supplies	9,211.00
Poets House, Inc.	Sponsorship	9,500.00
United Rentals (North America), Inc.	Rental	9,701.00
CMA Consulting Services	LATS Annual Support	9,919.85
Liv Art, Inc.	Police Memorial	9,960.00
Fund for the City of New York	Sponsorship	10,000.00
Museum of Jewish Heritage	Sponsorship	10,000.00
Friends of Hudson River Park	Maintenance	10,000.00
BPC Neighbors' Association	Sponsorship	10,000.00
Image Marketing Inc.	Competitive edge website upgrade	10,000.00
Mercy Corps	Deposit Returned	10,009.33
Douglas McKean/dba Design Constructs	Pier A Consultants	10,425.00
Automatic Data Processing	Payroll Services	10,486.36
American Express	Credit Card	10,792.95
Lexis/Nexis	Legal Research Services	10,958.00
KPMG LLP	Audit Purposes	11,025.00
Firecom, Inc.	Engineer drawing of Fire Station	11,140.00
ExxonMobil	BPCPC-Fuel	11,356.00
Bobcat of New York	BPCPC-Tools & supplies	11,395.00
Carroll Musical Instrument Rentals, LLC	River to River Festival	11,415.00
Outsider Art Productions, Inc	River to River Festival	11,500.00
Iron Mountain	Support/Service	11,646.62
Bear Sterns Securities Corp	Financial Services	11,757.90
Hawkins, Delafield & Wood	Senior & Junior Bonds	11,850.10
IT Network Consultants	Consulting for MIS	11,887.50
Verizon Business Services, Inc.	Phone, internet	12,084.35
Nextel Communications	Phone, internet	12,197.50
Jaffeholden Acoustics Inc.	Community Center-equipment	12,218.56
Wells Fargo Financial	3 new club car 1 utility vehicle	12,820.00
Susanne Kongoy/dba GRDN LLC	Community Center-equipment	12,843.00
Danny Kapilian	River to River	13,000.00
MFM Contracting	Inspection of Wagner Park	13,009.61
Anchor Industries, Inc.	Community Center-equipment	13,195.33
Absolute Lock and Door	BPCPC-Supplies	13,450.00
Royal Automation Supplies	Office Supplies	13,572.06
Crown Lift Trucks	BPCPC-Work vehicle	13,834.00
Glatfelter Brokerage Service	BPCPC-Consulting services	13,866.00
Storr Tractor Company	Parks equipment	13,923.00
Wood Advisory Services, Inc.	Pier A Resistance Drilling Svcs	13,925.00
New York City Water Board	Water	13,926.13
American Water	BPCPC-Maintain waste water recycling	14,124.00
Recreonics, Inc.	Community Center-equipment	14,256.44
Pansini Stone Setting	Police Memorial	14,400.00
Lo Sardo General Contractors, Inc.	Ballfield Netting Repair	14,750.00
WSP Flack & Kurtz	Other	14,775.00
MC Landscape Group Inc.	Repair to Wagner Park Landscaping due to Sinkhole	14,990.00
Eddie Palieri Music Management	River to River Festival	15,000.00
Hewlett Packard	Support/Service	15,054.56

**Schedule of assets and services purchased with-out Competitive Bidding
Fiscal Year ended October 31, 2012***

* Vendor Name	* Procurement Description	* Amount Expended For Fiscal Year
Verizon Network Integration Corp.	Phone, internet	15,063.92
National Public Seating	Community Center-equipment	15,560.49
Thyssen Krupp Elevator Corp	Elevator-Community Center	15,649.00
Lincoln Life & Annuity Company	Insurance	16,158.41
Granicus, Inc.	Webcasting Services	16,200.00
State Insurance Fund	Insurance	16,650.57
Motorworks Clean Vehicles, Inc.	BPCPC-Work vehicle	17,241.00
School Specialty inc	BPCPC-Supplies	18,665.00
F & F Industrial Equipment Corp.	BPCPC-Tools & supplies	19,008.00
Technico Marine Corporation	BPCPC-Offsite storage	19,200.00
Atrium Staffing Services LLC	BPCPC-Temp services	19,230.00
Oliver Staffing, Inc.	Staffing services	19,520.00
Balacava Third Wold Band	2012 Concert Series	20,000.00
Bell Productions, Inc F/S/O La India	River to River Festival	20,000.00
NYS Dept. of Labor	Public Work Enforcement Fund	20,096.73
The Bank of New York	Trustee Fee	21,600.00
Engrafics, Inc.	Community Center-equipment	22,373.98
Microsoft Corporations	Support/Service	23,105.25
Independent Media Sales & Services	Office Supplies	23,646.00
Con Edison	BPCPC-Utilities services	24,382.00
Nextel Communications	BPCPC-Telephone services	24,791.00
The Guardian Life Insurance Co. of America	BPCPC-Disability insurance	25,257.00
Wilmington Trust Company	Auction Agent Fees	27,932.63
Open Text, Inc.	Support/Service	27,939.84
ABM Janitorial Services	Cleaning Services Consultant	28,585.00
NYS Child Support Processing	BPCPC-Garnishment	28,729.00
C. Kunspruhzy, LLC F/S/O George Clinton	River to River Festival	30,000.00
Enviro Equipment Sales Ltd.	BPCPC-Waste compactor	32,000.00
MIG & Co.	MIS Consulting	32,595.25
ADP, Inc.	BPCPC-Payroll processing	32,939.00
Accountemps	BPCPC-Temp services	33,905.00
United Rentals	BPCPC-Equipment lease	34,655.00
MSC Industrial Supply Co. Inc	BPCPC-Supplies	35,428.00
The Bachrach Group, LTD	Temporary Employee Services	35,551.88
Staples Advantage	BPCPC-Supplies	35,658.00
Future Tech Consultants of NYC	Special Progress Inspections 23/24	36,460.00
The Battery Conservancy	Sponsorship	40,000.00
The NY Public Library, Astor, Lenox, and Tildon Foundation	Goldman Sachs Library Fund	45,806.97
Grainger	BPCPC-Tools & supplies	45,833.00
Thornton-Tomasetti Group Inc.	South Bridge Extension Engineering Svc	46,360.00
Otis Elevator Company	BPCPC-Elevator maintenance service	47,683.00
Ove Arup & Partners, P.C.	Pier A Pier Review Services	48,872.00
Clareo Networks LLC	BPC Community Center Low Voltage	50,897.00
Compulink Technologies Inc.	Support/Service	53,170.00
A. S. Coccaro, Inc. dba/ LI Gym Equip. Corp	Comm Center-Basketball Scoreboard System	58,635.00
Municipal Credit Union	Credit Union	62,029.23
New York State OGS	Disaster Recovery Services	65,522.57
Dell Marketing L.P.	Support/Service	69,111.34

**Schedule of assets and services purchased with-out Competitive Bidding
Fiscal Year ended October 31, 2012***

* Vendor Name	* Procurement Description	* Amount Expended For Fiscal Year
Kramer L Naftalis/Frankel LLP	Pier A Plaza	72,457.00
NYS Empl. Ret. System	Retirement	80,311.98
Pier A Battery Park Associates, LLC	Reimbursement to tenant	82,965.23
Gibson, Dunn & Crutcher LLP	Legal Services	90,849.00
Benefit Analysis, Inc.	Benefit	93,970.58
CDW Government, Inc.	Supplies	98,233.36
BFP, L.P. As Operator	Maintenance	99,999.96
Asphalt Green, Inc.	Operator-Community Center	108,993.00
New York State Insurance Fund	BPCPC-Workman Compensation	121,833.00
NYS Dept. of Labor-UI DIV	Unemployment Insurance	134,518.43
Design Constructs	Pier A Design and Construction	149,550.00
NYS Deferred Compensation Plan	Deferred Compensation	155,379.31
New York Power Authority	Utility	160,139.20
Con Edison	Electricity	165,059.69
Hartford Fire Insurance Company	Insurance	177,994.89
NYC Water Board	BPCPC-Utilities services	193,620.00
Derive Technologies LLC	Supplies	198,677.85
Brookfield Financial Properties	Rent	211,194.03
New York Power Authority	BPCPC-Utilities services	261,128.00
CIRS	BPCPC-Pension Plan	353,672.00
Willis of New York, Inc.	Insurance	440,471.22
Regatta Property LLC	Rent	500,969.20
Alliance for Downtown New York, Inc	Downtown Services	632,000.00
JFD Sales Consulting serv. DBA JFD Office	Comm Center Consulting	668,816.87
Ove Arup & Partners, P.C.	Owner's Representative Services for the Pier A	683,567.00
Hagedorn & Company	Insurance	725,082.30
NYS Employees' Health	Health	859,687.23
Brookfield Properties One WFC Co. LLC	Rent	1,050,502.28
NYSHIP-Employee Benefits Division	BPCPC-Health Insurance	1,127,363.00
NYS & Local Employees' Retirement System	Retirement	1,262,984.00
Battery Park City Auth.	Payroll Services	3,699,246.19
NYS Dept of Tax.& Finance	NYS Cost Recovery	5,236,364.00
Battery Park City Parks	Battery Park City Parks Conservancy	7,789,302.43

* Note: Purchases without Competitive bidding were done by sole source, single source, purchase order, contractual

Material Pending Litigation

Approximately 800 claims have been asserted against the Authority in Federal court by plaintiffs who worked in and around the World Trade Center site after the September 11th attack (collectively, the “9/11 Claims”). Some of the Plaintiffs had performed clean-up activities for ground lessees of the Authority and for the tenants of commercial and residential buildings in Battery Park City. The 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 9/11 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, the plaintiffs reached the 95% opt-in requirement to effectuate the settlement with the City and the City’s contractors, and Judge Hellerstein of the U.S. District Court, Southern District lifted the stay that had been in effect, which meant that the off-site cases (i.e. cases in the area surrounding the World Trade Center site, such as those in Battery Park City) could proceed. However, once the James Zadroga 9/11 Health and Compensation Act of 2010 (the “Zadroga Act”) became effective on January 2, 2011, Judge Hellerstein again stayed all of the cases. This stay remained in effect until September, 2011 when Judge Hellerstein lifted the stay and directed that a database be created for the off-site cases. This database required the plaintiffs to answer certain court ordered questions under oath. The database was to be used by the parties and the court to select 45 cases that proceeded through discovery in 2012.

The court directed that the Special Masters (who were appointed by Judge Hellerstein) select 150 cases from the docket to create a “pool” of eligible plaintiffs from which the 45 cases were to be chosen. Subsequent to Judge Hellerstein’s Order to select 45 cases to proceed with discovery, the court unilaterally altered its approach to the docket and decided that fewer cases, involving more defendants, should proceed forward with discovery. In this regard, the court issued an order selecting 10 cases to proceed with discovery and eventual trial. One of the court’s selections chose to opt into the Victim’s Compensation Fund (“VCF”) and 9 cases are proceeding with discovery.

Any plaintiff currently suing for damages related to 9/11 debris removal was permitted to elect to participate in the VCF, which was amended and reopened under the Zadroga Act, provided that: (1) they began their work in these covered locations prior to May 30, 2002; (2) they file their claim within two years of July 1, 2011; and (3) they dismiss their lawsuits against all parties on or before January 3, 2011. Plaintiffs were not obligated to file a claim with the amended VCF and could elect to proceed with this litigation (and also still participate in the Title I healthcare portion). A majority of the plaintiffs did not opt into the VCF and chose to pursue this litigation. The plaintiffs who participated in the amended VCF are barred from suing the

Authority and were required to drop their lawsuits, thereby reducing the Authority's potential exposure.

Of the 9 cases proceeding through discovery, 7 involve plaintiffs that allege to have worked at locations within Battery Park City. Pursuant to an agreement with one of the firms representing the plaintiffs, 5 of the 7 plaintiffs appeared for examinations under General Municipal Law 50-h. These examinations were completed in May 2012. As of December 2012, the depositions of all 9 plaintiffs have been completed. The plaintiffs are proceeding with discovery against the defendants and have begun taking discovery from non-parties. The Authority has produced a witness for deposition and has satisfied all of its discovery obligations to date.

Battery Park City Authority Board Self-Evaluation for Calendar Year 2012*		2012 Results				
		Rating				
		Low-----→High				
		1	2	3	4	5
I. Organization's Mission and Purpose						
A.	You are familiar with the Battery Park City Authority mission and statutory responsibilities?				1	2
B.	All Board Members are familiar with the current purpose of the Authority?			1		2
C.	The current mission statement is appropriate for the organization's role for the next three to five years?		1		1	1
D.	The policies, practices and decisions of the Board are always consistent with this mission?				2	1
E.	Board Members comprehend their role and fiduciary responsibilities and hold themselves and each other to these principles?				1	2
F.	You are knowledgeable about the existing partnerships that the Authority has?		1	1	1	
G.	You are familiar with the Parks Conservancy mission?				3	
H.	You are familiar with the Parks Conservancy programs?		1	1	1	
II. Strategic Planning						
A.	All Board Members have input in the strategic planning process?			1	1	1
B.	The Board currently has a strategic vision of how the organization should be evolving over the next one, three, and five years?			1	1	1
C.	The Board periodically engages in a strategic planning process that helps it to consider how the organization should meet new		1	1		1
III. Fiscal Oversight/Sound Risk Management						
A.	The Board ensures that the budget reflects the priorities established in the strategic plan?			1	2	
B.	The Board ensures that the annual report reflects the priorities established in the strategic plan?			1	2	
C.	The Board has time to review the annual report?			1	2	
D.	The Board receives financial reports on a regular basis?			1	1	1
E.	Financial reports are understandable, accurate and timely?				3	
F.	The Board considers all recommendations made in the annual independent auditor's report and management letter?				1	2
G.	The Board periodically reviews the effectiveness of the auditing firm?		1		1	1
H.	The Board has established appropriate investment policies?			1	1	1
I.	The Board annually reviews and understands BPCA's investment portfolio?			2		1

		2012 Results				
		Rating				
		Low----->High				
		1	2	3	4	5
J.	The Board periodically reviews the adequacy of insurance carried by the Authority?			2	1	
K.	The Board provides adequate oversight of the contracting processes and procedures?		1	1	1	
L.	The Board has enough knowledge about current litigation matters?		1		2	
IV. Relationship between the Board and Staff		Low----->High				
		1	2	3	4	5
A.	The roles of the Board Members are clearly defined and understood?				2	1
B.	The roles of the staff are clearly defined and understood?				2	1
C.	Mutual responsibilities of Board Committees are clearly understood?			2		1
D.	The responsibilities of staff assigned to assist the Board Committees are clearly understood?			2		1
E.	Current Board Committee structure and composition contributes to Board productivity?			2		1
F.	Individual Board Members communicate effectively with executive staff so as to be well informed on the status of all important issues?				2	1
V. Board Oversight		Low----->High				
		1	2	3	4	5
A.	Board Members are knowledgeable about the Authority's programs, financial statements, and other transactions?				3	
B.	Board Members are knowledgeable about the Authority's compliance and reporting obligations?			1	2	
C.	Board meetings facilitate open, deliberative and thorough discussion, and the active participation of Board Members?				1	2
D.	Board Committee meetings facilitate open, deliberative and thorough discussion, and the active participation of Board Members?			1		2
E.	Executive Session meetings facilitate open, deliberative and thorough discussion, and the active participation of Board Members?				1	2
F.	The Executive Sessions as currently constituted are effective and efficient?				1	2
G.	Individual Board Members feel empowered to delay votes, defer agenda items, or table actions if they feel additional information or				1	2
H.	The Board meets to review and approve all documents and reports prior to public release and is confident that the information being				3	
I.	The Board exercises appropriate oversight of the President and other executive staff, including setting performance expectations and			1	1	1
J.	The Board has identified the areas of most risk to the Authority and works with management to implement risk mitigation strategies				2	1
VI. President and Chief Executive Officer		Low----->High				
		1	2	3	4	5
A.	The Board gives the President enough authority, responsibility and support to lead the staff and manage the organization successfully?				1	2
B.	The President provides the Board with sufficient information to enable Members to make informed decisions?				2	1

		2012 Results				
		Rating				
		Low----->High				
		1	2	3	4	5
VII. Efficiency of Operations						
A.	The Board has adopted policies, by-laws, and practices for the effective governance, management and operations of the Authority?			1	1	1
B.	The Board sets clear and measurable performance goals for the Authority that contribute to accomplishing its mission?			1	1	1
C.	The decisions made by the Board Members are arrived at through independent judgment and deliberation, free of political influence,				1	2
D.	Board Members receive clear agendas and supporting written materials?				2	1
E.	Board Members receive written board materials sufficiently prior to board and committee meetings to allow for review?				2	1
F.	Board Members stay abreast of issues and devote enough time to learn the Authority's operations to be helpful in guiding the				1	2
G.	Board Members stay abreast of issues and devote enough time to learn the Parks' operations to be helpful in guiding the organization's			1	2	
H.	The Board focuses much of its attention on long-term, significant policy issues rather than short-term administrative matters?				2	1
I.	Board Members have adequate opportunities to discuss issues and ask questions?				1	2
J.	Your participation in Board meetings is meaningful?				2	1
K.	The frequency of board meetings is appropriate for the responsible discharge of the Board's responsibilities?				2	1
L.	All Board Members are actively engaged in the work of the board?				1	2
M.	Board Members demonstrate leadership and vision and work respectfully with each other?				1	2
		Low----->High				
VIII. Conflict of Interests		1	2	3	4	5
A.	The Board has in place an effective conflict of interest policy for itself and staff?				2	1
B.	The Board has in place an effective code of conduct for itself and staff?				3	
		Low----->High				
IX. Training		1	2	3	4	5
A.	The ethics training that you received was helpful in the performance of your duties as a Board Member?				2	1
B.	The fiduciary training that you received was helpful in the performance of your duties as a Board Member				1	2
C.	There are other trainings that you could receive that would help you better perform your duties as a Board Member?			1	2	