Hugh L. Carey Battery Park City Authority

Review of Investment Performance

Quarter Ended October 31, 2009

PFM Asset Management LLC

60 Broad Street, Suite 3602
New York, NY 10004
212-809-4212
212-809-5874 fax

One Keystone Plaza, Suite 300
N. Front & Market Streets
Harrisburg, PA 17101-2044
717-232-2723
717-233-6073 fax

Table of Contents

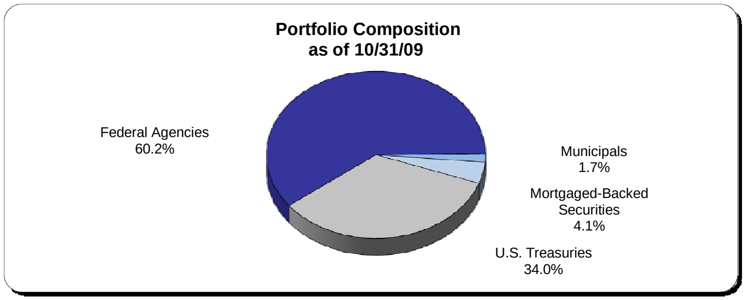
Section A –
Summary of Aggregate Portfolio

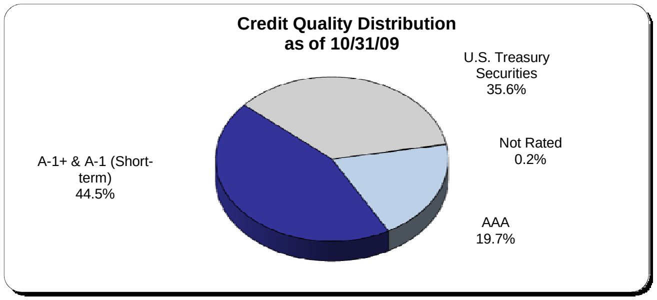
Hugh L. Carey
Battery Park
City Authority

Aggregate Portfolio Composition and Credit Quality

Security Type[1]	October 31, 2009	% of Portfolio	Effective Duration	July 31, 2009	% of Portfolio	Effective Duration
U.S. Treasuries	**$216,900,944**	**34.0%**	**0.68**	$153,691,502	25.6%	1.07
Federal Agencies	**$383,249,692**	**60.2%**	**0.62**	$418,275,303	69.6%	0.88
Commercial Paper	**$0**	**0.0%**	**-**	$0	0.0%	-
TLGP Commercial Paper	**$0**	**0.0%**	**-**	$0	0.0%	-
Banker's Acceptances	**$0**	**0.0%**	**-**	$0	0.0%	-
Municipals	**$10,765,327**	**1.7%**	**2.91**	$1,100,339	0.2%	0.02
Mortgaged-Backed Securities	**$26,174,028**	**4.1%**	**2.69**	$27,666,615	4.6%	2.88
Totals	**$637,089,991**	**100.0%**	**0.77**	**$600,733,758**	**100.0%**	1.02

Investment Policy Limits	October 31, 2009	July 31, 2009
Federal Agencies (includes Mortgaged-Backed Securities)[2]		
Freddie Mac	**$37,959,224**	$80,783,162
Fannie Mae	**$185,140,418**	$143,215,232
Federal Home Loan Bank	**$168,046,300**	$202,589,739
Federal Farm Credit Bank	**$11,590,350**	$12,205,685
Ginnie Mae	**$6,687,428**	$7,148,100
Commercial Paper[2]		
Wells Fargo	**$0**	$0
General Electric	**$0**	$0
TLGP Commercial Paper		
Citigroup Funding Inc	**$0**	**$0**
General Electric	**$0**	**$0**
Municipal Issuers[2]		
NY State Housing Finance Authority	**$1,000,195**	$1,100,339
New York City	**$9,765,133**	$0





Notes:

1. End of quarter trade-date market values of portfolio holdings, including accrued interest.
2. Pursuant to the Authority Investment Policy, investments in obligations other than those backed by the full faith and credit of the U.S. Government are limited to a maximum of $250 million per issuer.

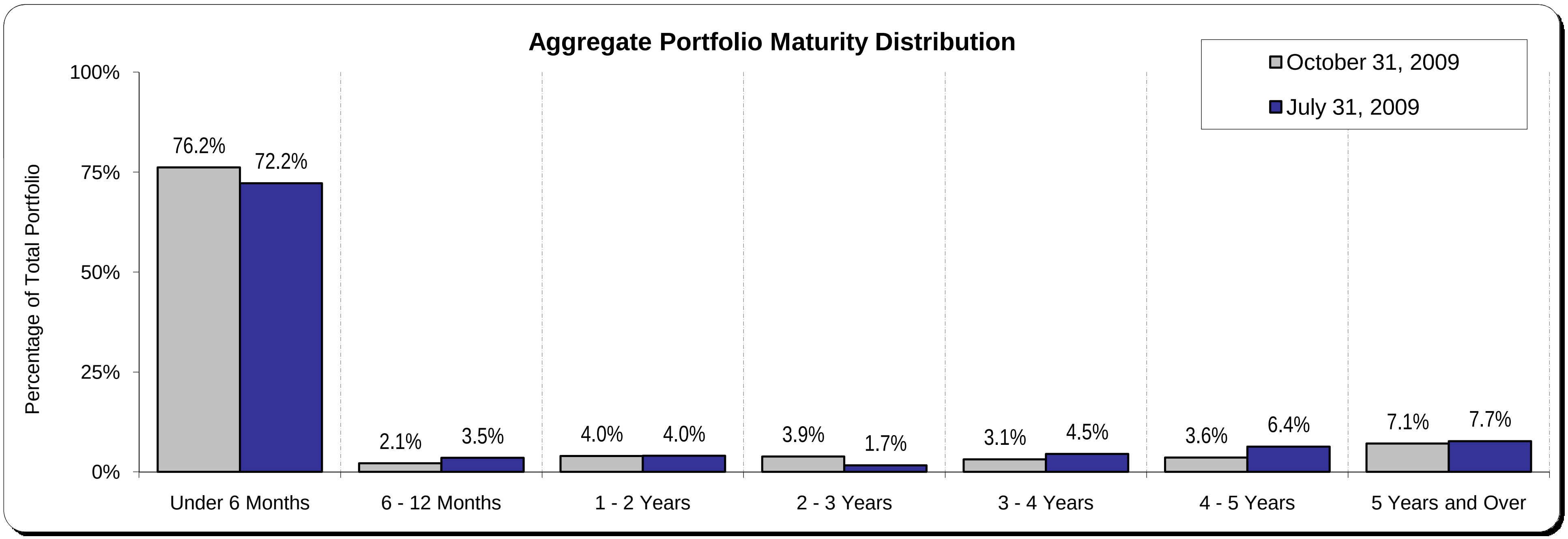
In addition to the PFM-managed funds listed above, BPCA, with oversight by its Investment Committee, maintains the following outside investment(s):

a) Israel Discount Bank ("IDB") - As of October 31, 2009 there no assets currently held at IDB.

b) Pier A Funding - $453.95 held in a Chase Public Funds Commerical MMDA as of October 31, 2009, earning 0.20% (10/1/2009 - 10/31/2009).

Aggregate Portfolio Maturity Structure

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio	Qtr-over-Qtr % Change
Under 6 Months	**$485,194,453**	**76.2%**	$433,794,398	72.2%	3.95%
6 - 12 Months	**$13,680,661**	**2.1%**	$21,152,921	3.5%	(1.37%)
1 - 2 Years	**$25,454,153**	**4.0%**	$24,157,412	4.0%	(0.03%)
2 - 3 Years	**$24,618,916**	**3.9%**	$10,022,864	1.7%	2.20%
3 - 4 Years	**$20,054,746**	**3.1%**	$27,087,589	4.5%	(1.36%)
4 - 5 Years	**$23,011,586**	**3.6%**	$38,158,176	6.4%	(2.74%)
5 Years and Over	**$45,075,476**	**7.1%**	$46,360,397	7.7%	(0.64%)
Totals	**$637,089,991**	**100.0%**	$600,733,758	100.0%	



Notes:

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

Section B – Performance Attributes

HUGH L. CAREY
BATTERY PARK
CITY AUTHORITY

Hugh L. Carey Battery Park City Authority

Information contained in Section B

Breakdown of Portfolio Value by Account

Total Return Accounts	October 31, 2009		July 31, 2009		
Longer Term Investment Strategy	**Market Value**	**Effective Duration**	Market Value	Effective Duration	Market Value Change
2003 Reserve Fund	**$70,578,165**	**3.11**	$74,103,181	3.42	($3,525,016)
BPCPC Operating Reserve	**$1,245,110**	**2.80**	$1,162,063	3.42	$83,047
BPCPC Operating Reserve Contingency	**$21,527,422**	**3.20**	$21,562,527	3.44	($35,105)
Corporate Funds	**$5,239,805**	**3.20**	$8,146,990	3.37	($2,907,185)
Insurance Fund	**$4,751,714**	**3.10**	$4,669,219	3.36	$82,495
Operating Budget Reserve	**$8,323,203**	**3.22**	$8,164,646	3.44	$158,557
BPCA Other Post Employment Benefits	**$16,625,836**	**3.08**	$16,543,136	3.28	$82,700
Short Term Investment Strategy					
2003 Pledged Revenue	**$137,293,215**	**0.09**	$100,775,148	0.23	$36,518,067
2003 Project Operating Fund	**$9,620,749**	**0.04**	$3,499,874	0.03	$6,120,875
Joint Purpose Fund	**$216,818,360**	**0.07**	$201,586,970	0.19	$15,231,390
Subtotal of Total Return Accounts	**$492,023,579**	**0.87**	$440,213,755	1.18	$51,809,824

Other BPCA Accounts	October 31, 2009		July 31, 2009		
	Market Value	**Effective Duration**	Market Value	Effective Duration	Market Value Change
2000 Arbitrage Rebate	**$769,726**	**0.81**	$767,889	0.07	$1,837
1993 Unpledged Revenue	**$4,083,702**	**0.09**	$3,703,758	0.24	$379,944
2003 Debt Service Senior Payments	**$25,080,584**	**0.20**	$25,038,749	0.44	$41,834
2003 Project Costs Subaccount	**$179,987**	**0.00**	$179,807	0.46	$179
2003 Residual Fund	**$1,745,574**	**0.85**	$1,732,629	1.06	$12,945
Debt Service Junior Payments	**$42,463,989**	**0.04**	$57,698,192	0.16	($15,234,203)
Hudson View W Towers G	**$162,958**	**0.22**	$162,730	0.47	$228
Hudson Towers E/F	**$197,949**	**0.22**	$197,672	0.47	$277
Hudson View Towers C	**$177,954**	**0.22**	$177,705	0.47	$249
Liberty Terr Mariners Cove-K	**$586,848**	**0.22**	$586,027	0.47	$821
Liberty House Mariners J	**$514,867**	**0.22**	$514,147	0.47	$720
Liberty Ct Mariners Cove B	**$1,306,662**	**0.22**	$1,304,835	0.47	$1,827
Liberty Battery Place Assoc 4	**$475,877**	**0.22**	$475,211	0.47	$666
Millenium	**$3,485,098**	**0.22**	$3,480,225	0.47	$4,874
Rector Park L	**$31,998**	**0.13**	$31,973	0.38	$25
The Regatta Site 10	**$461,881**	**0.22**	$461,235	0.47	$646
Soundings Rector Park A	**$202,948**	**0.22**	$202,664	0.47	$284
South Cove Assoc 11	**$378,902**	**0.22**	$378,372	0.47	$530
Special Fund	**$48,083,175**	**0.94**	$49,130,971	1.25	($1,047,796)
BPCA Millenium Tower Security Fund 2A	**$2,910,247**	**0.22**	$2,906,177	0.47	$4,070
BPCA S 16/17 Riverhouse Security Fund	**$6,170,080**	**0.14**	$6,163,169	0.39	$6,911
BPCA Goldman Sachs Liberty Contribution Fund	**$3,676,725**	**0.60**	$3,686,615	0.20	($9,890)
BPCA Visionaire Security Fund	**$1,918,682**	**0.21**	$1,539,251	0.40	$379,431
Subtotal of Other BPCA Accounts	**$145,066,412.03**	**0.41**	$160,520,003	0.58	($15,453,591)
Total	**$637,089,991**	**0.77**	$600,733,758	1.02	$36,356,233

Breakdown of Portfolio Value by Strategy

	October 31, 2009			July 31, 2009			
	Market Value	**Effective Duration**	**% of Total BPCA Portfolio**	Market Value	Effective Duration	% of Total BPCA Portfolio	Market Value Change
Total Return Accounts							
Longer Term Investment Strategy	**$128,291,255**	**3.13**	**20.1%**	$134,351,762	3.40	22.4%	($6,060,508)
Short Term Investment Strategy	**$363,732,324**	**0.08**	**57.1%**	$305,861,993	0.20	50.9%	$57,870,332
Subtotal of Total Return Accounts	**$492,023,579**	**0.87**	**77.2%**	$440,213,755	1.18	73.3%	$51,809,824
Other BPCA Accounts							
Subtotal of Other BPCA Accounts	**$145,066,412**	**0.41**	**22.8%**	$160,520,003	0.58	26.7%	($15,453,591)
Total BPCA Portfolio	**$637,089,991**	**0.77**	**100.0%**	$600,733,758	1.02	100.0%	$36,356,233

Portfolio Strategy Recap & Market Outlook

Portfolio Strategy Recap

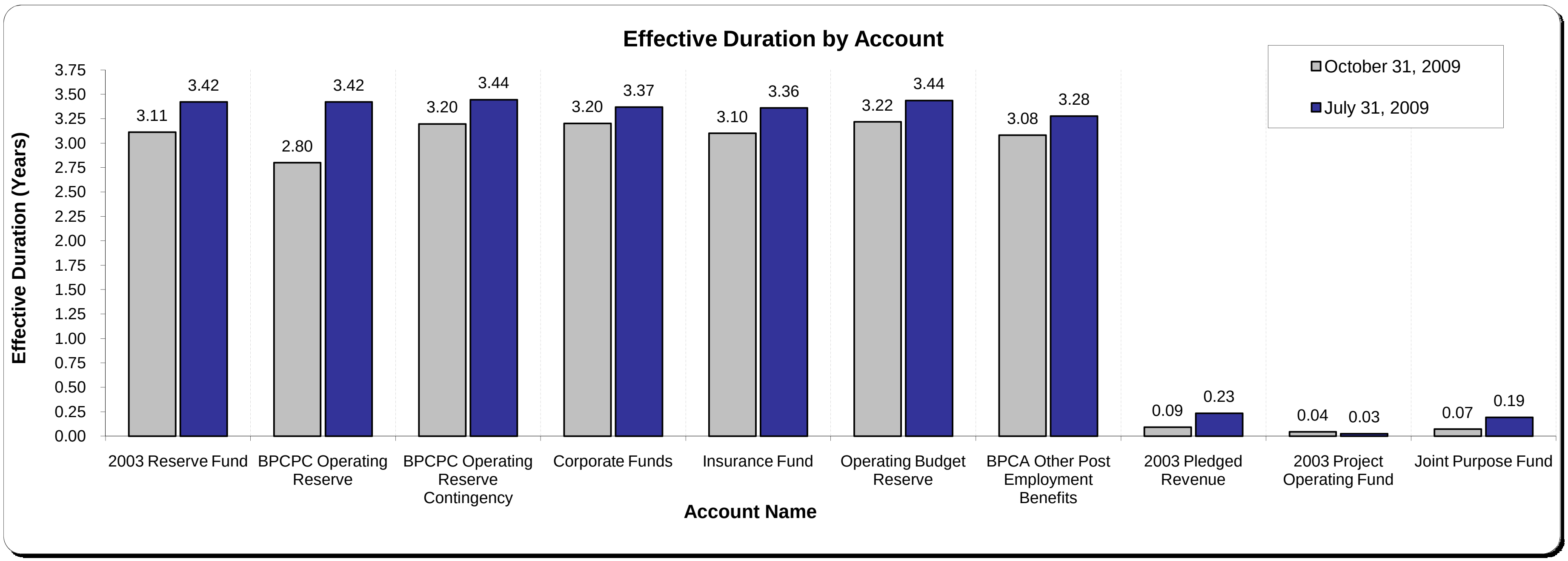
- The Battery Park City Authority portfolios are in compliance with the Authority's investment policy.
- The Authority's portfolios are of very high credit quality and remain well diversified amongst sectors and issuers. The Investment Committee continues to restrict the purchase of commercial paper to securities issued under the FDIC Temporary Liquidity Guarantee Program (TLGP). In the previous quarter, TLGP commercial paper issues have had very unattractive yields relative to Federal Agencies. Recently, there has been no new issuance. As of the quarter ending October 31, 2009, the Authority held no commercial paper.
- The challenges of managing short-term investment portfolios were magnified during the previous quarter. Strong demand and a limited supply of high quality investments pushed yields to near zero for very short-term Treasuries and Agencies. Short-term portfolios were managed with a strong emphasis on liquidity. Care was taken to ensure that funds were available when needed and to not expose the Authority to the risk of forced sales to raise needed liquidity. Extreme care was also taken to ensure that all portfolios were positioned appropriately for fiscal year-end.
- The allocation to the Treasury sector increased quarter over quarter with the change being most pronounced in the short-term portfolios. Credit spreads, or the difference in yield, between Treasury and Federal Agency securities declined to as little as 1 basis point (0.01%) in some instances. Given the unmatched liquidity and safety of the Treasury sector, the Investment Committee prefers to hold Treasury securities in the current environment. The lower supply of Federal Agency securities also made it difficult at times to make purchases in the agency sector to match specific, required maturity dates.
- Returns in the longer-term portfolios continue to be strong on an absolute and relative basis. The duration of the portfolios was shortened relative to the benchmarks. The Investment Committee is concerned about adding additional duration to the longer-term portfolios at current interest rate levels. Our defensive stance on duration has helped protect the market value of the portfolios as the yield curve steepened throughout 2009.
- The Investment Committee added additional municipal exposure to the Authority's portfolios during the quarter. These purchases were made primarily in the longer-term portfolios. Taxable General Obligation bonds of the City of New York were purchased with 2011 and 2013 maturities. The securities offered a considerable yield advantage versus both Treasury and Federal Agency securities. The Investment Committee will continue to monitor and evaluate opportunities in the municipal market.

Market Outlook

Strong demand for short-term investments pushed short-term yields to near zero as the quarter ended. Limited supply in the Federal Agency and commercial paper markets has left investors scrambling for investment alternatives over year-end. The prospects of slow growth rates and a Federal Reserve zero interest rate policy extending well into 2010 has increased the demand for longer-term maturities as well. The two-year Treasury note, for example, has recently traded at its lowest yield, 0.65%, in several decades. However, yields in the ten and thirty-year sector are well off of the lows from earlier this year. Although investors have found it attractive to extend out the yield curve to add additional yield, they are wary about taking on too much interest rate risk. There are those that think the Federal Reserve's current stance on monetary policy, the weakening dollar, and increased Treasury supply (all of which are closely related) will prove to be inflationary at some point in the future. Those who fear inflation are likely to avoid longer-term, fixed income securities. This, among other factors, has led to the general steepening in the yield curve over the past year. Recent economic data has not changed the market's view that the Federal Reserve will leave the overnight lending rate near 0% for sometime. Although there has been some good news, the economy is still facing significant headwinds. The rate of job losses has decreased over the past several months, but the unemployment rate is at its highest level in several decades. Some Federal Reserve officials have said that a decreasing unemployment rate is a pre-condition to tightening monetary policy. It is clear that the economic situation has stabilized, but is equally clear that growth will be subdued for the foreseeable future.

Total Return Portfolio Attributes

Yields	Effective Duration (in years) October 31, 2009	Effective Duration (in years) July 31, 2009	Yield To Maturity - At Market October 31, 2009	Yield To Maturity - At Market July 31, 2009	Yield To Maturity - On Cost October 31, 2009	Yield To Maturity - On Cost July 31, 2009
Longer Term Investment Strategy						
2003 Reserve Fund	**3.11**	3.42	**2.10%**	2.35%	**3.91%**	3.88%
BPCPC Operating Reserve	**2.80**	3.42	**1.96%**	2.60%	**3.35%**	3.95%
BPCPC Operating Reserve Contingency	**3.20**	3.44	**2.51%**	2.80%	**4.22%**	4.30%
Corporate Funds	**3.20**	3.37	**2.39%**	2.50%	**4.38%**	4.02%
Insurance Fund	**3.10**	3.36	**2.00%**	2.34%	**4.08%**	4.34%
Operating Budget Reserve	**3.22**	3.44	**2.52%**	2.83%	**4.02%**	4.12%
BPCA Other Post Employment Benefits	**3.08**	3.28	**1.79%**	2.09%	**3.60%**	3.83%
Short Term Investment Strategy						
2003 Pledged Revenue	**0.09**	0.23	**0.01%**	0.24%	**0.01%**	0.26%
2003 Project Operating Fund	**0.04**	0.03	**0.06%**	0.16%	**0.05%**	0.15%
Joint Purpose Fund	**0.07**	0.19	**0.07%**	0.19%	**0.19%**	0.26%



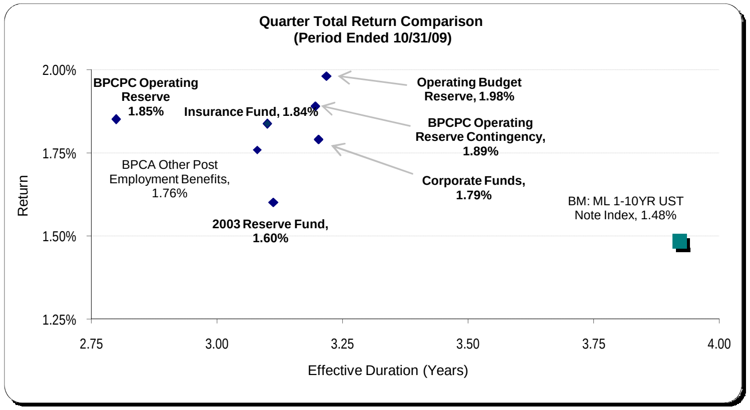
Portfolios managed with a Longer Term Investment Strategy

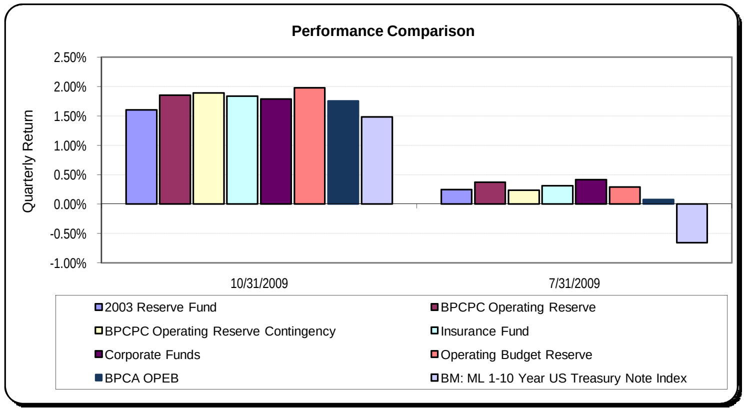
Hugh L. Carey Battery Park City Authority

Longer Term Investment Strategy

Total Return[1,2,4,5]	October 31, 2009	Annualized Quarter	Since Inception[5]	Annualized Since Inception
2003 Reserve Fund	**1.60%**	6.51%	**25.67%**	6.28%
BPCPC Operating Reserve	**1.85%**	7.55%	**26.46%**	6.46%
BPCPC Operating Reserve Contingency	**1.89%**	7.71%	**27.87%**	6.77%
Corporate Funds	**1.79%**	7.29%	**29.05%**	7.04%
Insurance Fund	**1.84%**	7.49%	**29.08%**	7.04%
Operating Budget Reserve	**1.98%**	8.09%	**28.76%**	6.97%
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	**1.48%**	6.02%	**24.56%**	6.03%
BPCA Other Post Employment Benefits	**1.76%**	7.16%	**10.24%**	5.73%
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	**1.48%**	6.02%	**7.96%**	4.47%

Effective Duration (in years)[3]	October 31, 2009	July 31, 2009
2003 Reserve Fund	**3.11**	3.42
BPCPC Operating Reserve	**2.80**	3.42
BPCPC Operating Reserve Contingency	**3.20**	3.44
Corporate Funds	**3.20**	3.37
Insurance Fund	**3.10**	3.36
Operating Budget Reserve	**3.22**	3.44
BPCA Other Post Employment Benefits	**3.08**	3.28
Benchmark: Merrill Lynch 1-10 Year US Treasury Note Index	**3.92**	3.83



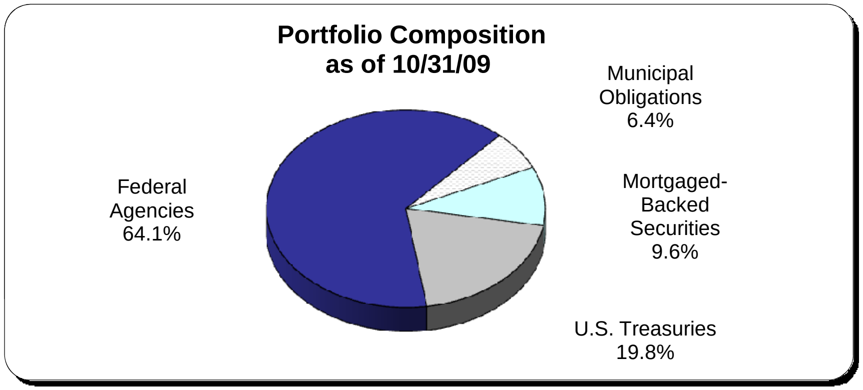


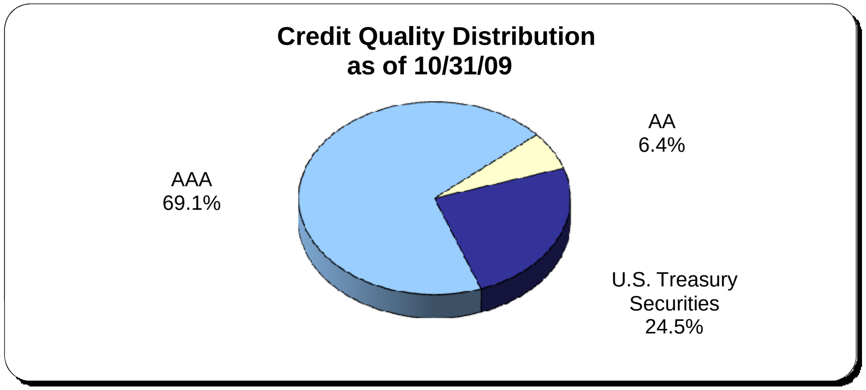
Notes:

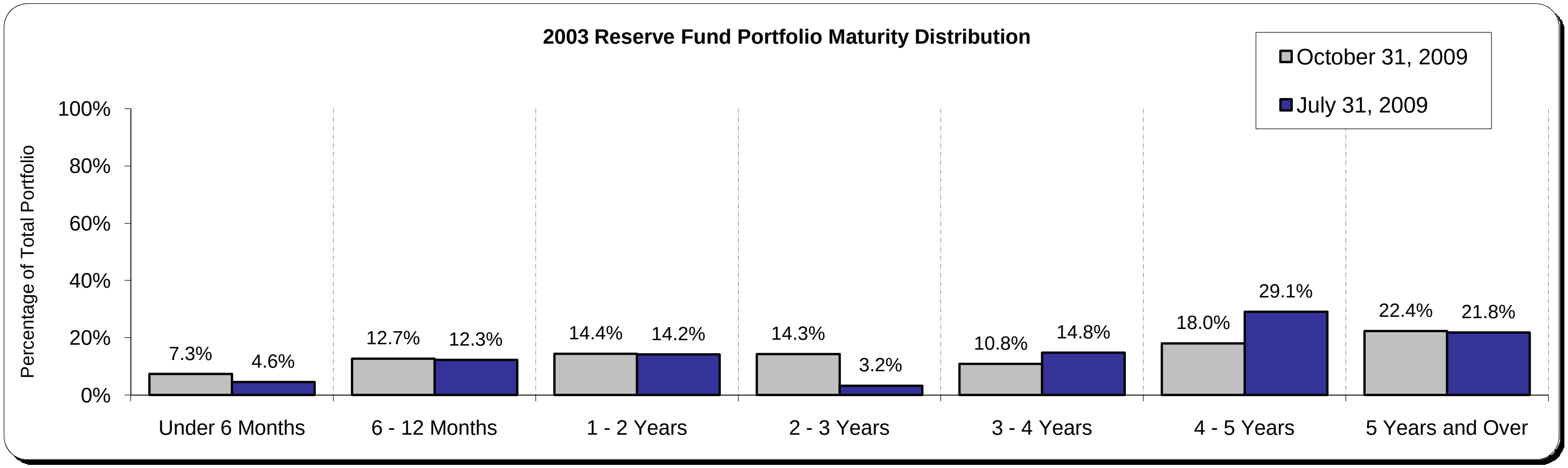
1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards
2. Merrill Lynch Indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3.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

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

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$13,997,200**	**19.8%**	$12,117,531	16.4%
Federal Agencies	**$45,254,205**	**64.1%**	$54,842,595	74.0%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$4,538,414**	**6.4%**	$0	0.0%
Mortgaged-Backed Securities	**$6,788,346**	**9.6%**	$7,143,055	9.6%
Totals	**$70,578,165**	**100.0%**	**$74,103,181**	**100.0%**







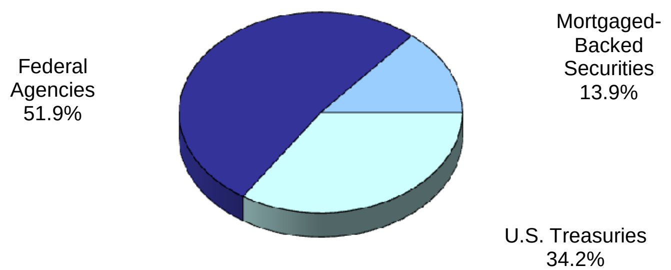
Notes:

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

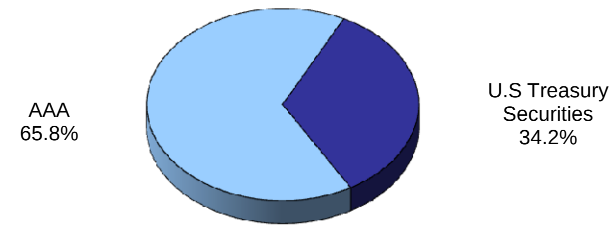
BPCPC Operating Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$426,425**	**34.2%**	$212,158	18.3%
Federal Agencies	**$645,855**	**51.9%**	$773,731	66.6%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$172,830**	**13.9%**	$176,174	15.2%
Totals	**$1,245,110**	**100.0%**	**$1,162,063**	**100.0%**

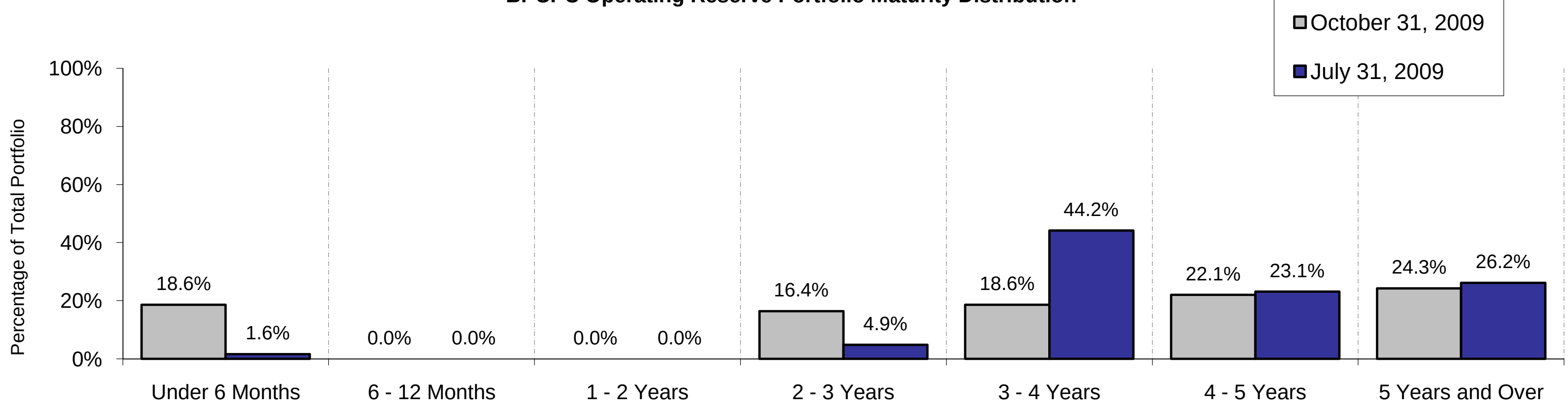
Portfolio Composition as of 10/31/09



Credit Quality Distribution as of 10/31/09



BPCPC Operating Reserve Portfolio Maturity Distribution

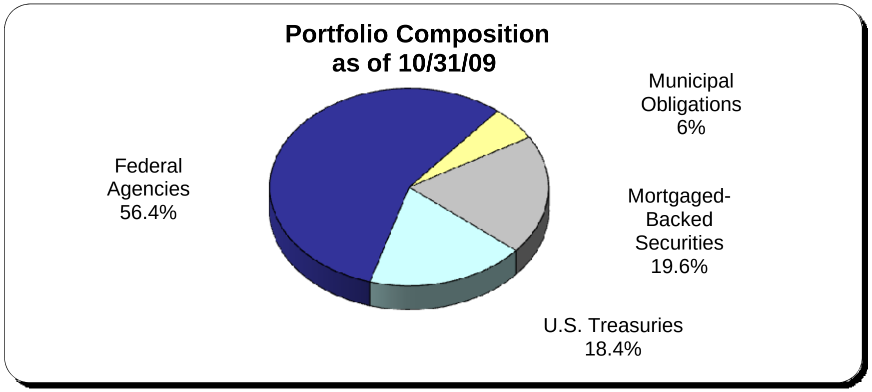


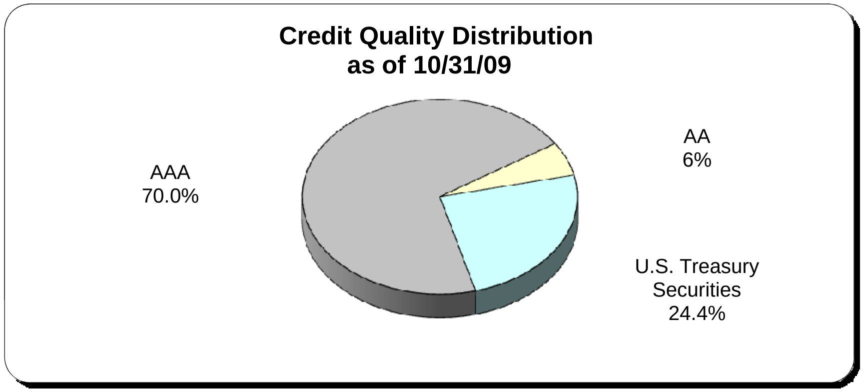
Notes:

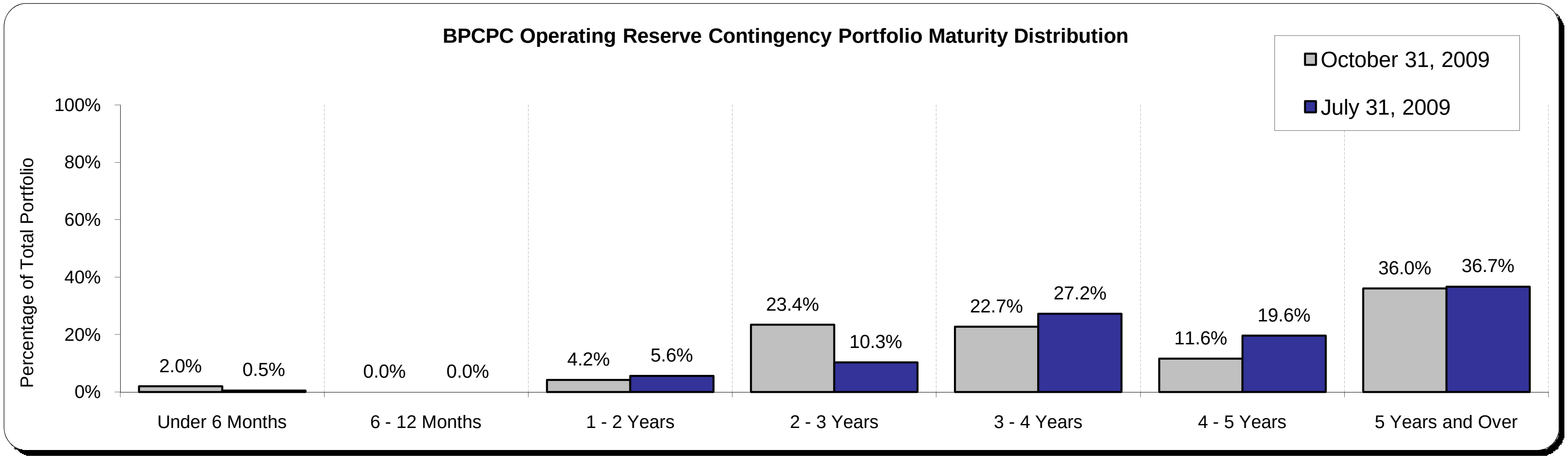
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

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

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$3,968,142**	**18.4%**	$4,807,305	22.3%
Federal Agencies	**$12,139,114**	**56.4%**	$12,348,910	57.3%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$1,210,244**	**5.6%**	$0	0.0%
Mortgaged-Backed Securities	**$4,209,922**	**19.6%**	$4,406,311	20.4%
Totals	**$21,527,422**	**100.0%**	**$21,562,527**	**100.0%**





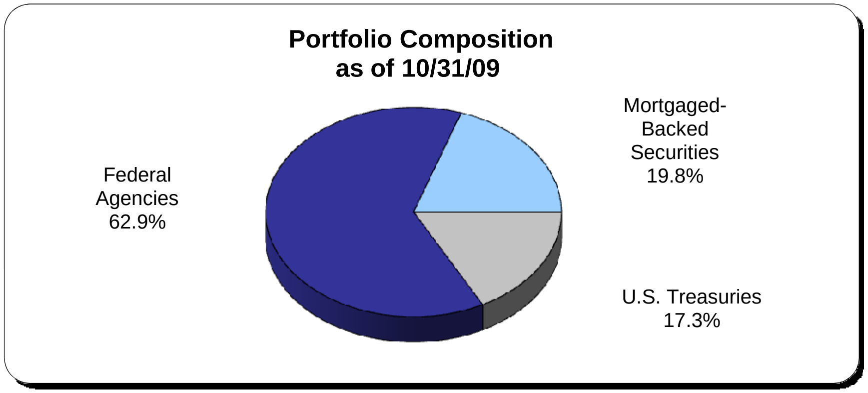


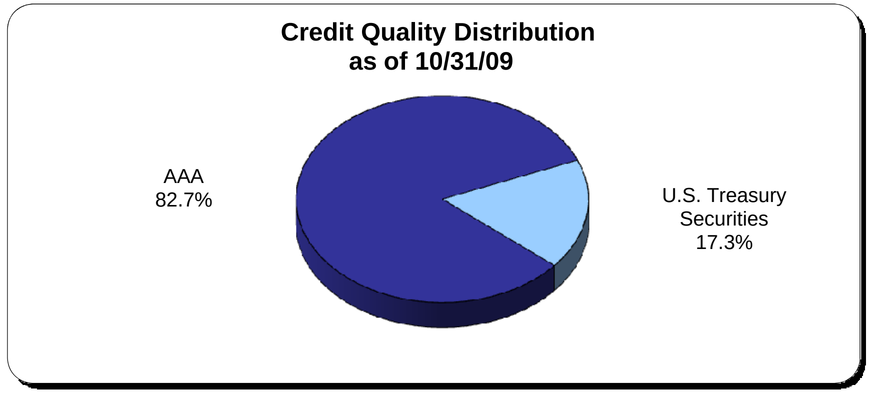
Notes:

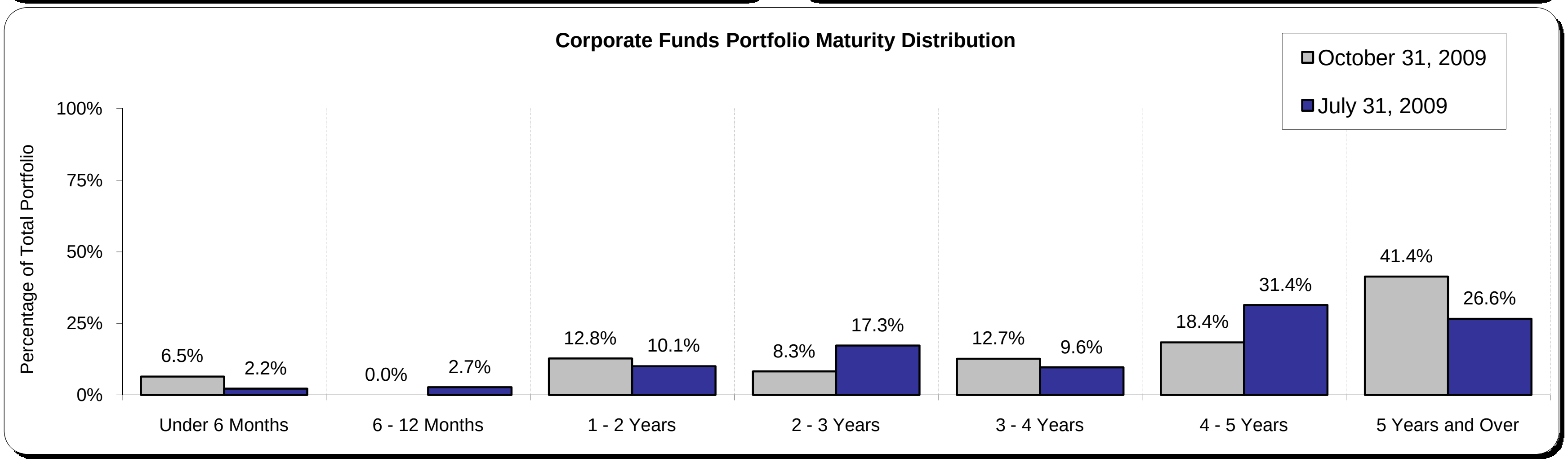
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Corporate Funds Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$905,106**	**17.3%**	$1,571,938	19.3%
Federal Agencies	**$3,297,721**	**62.9%**	$5,518,008	67.7%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$1,036,978**	**19.8%**	$1,057,044	13.0%
Totals	**$5,239,805**	**100.0%**	**$8,146,990**	**100.0%**





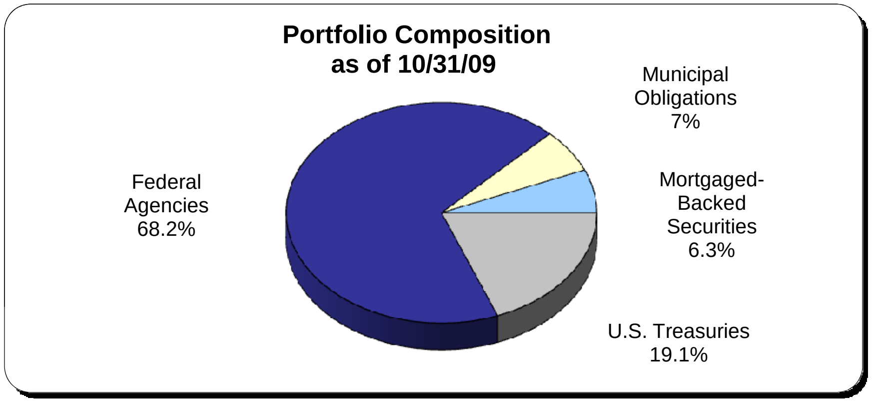


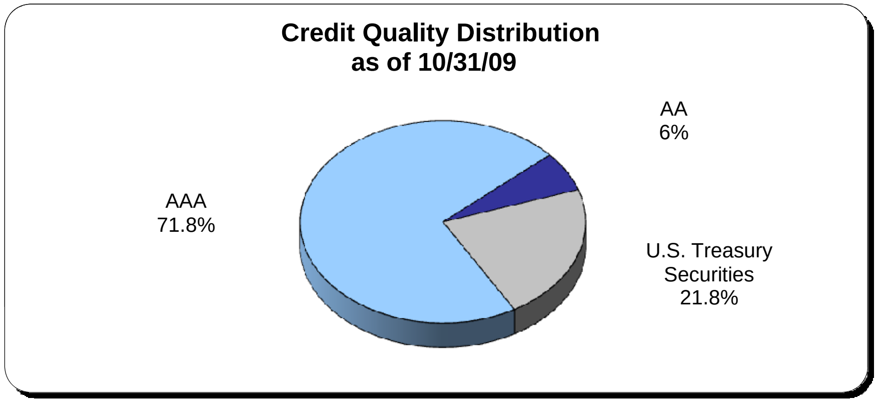
Notes:

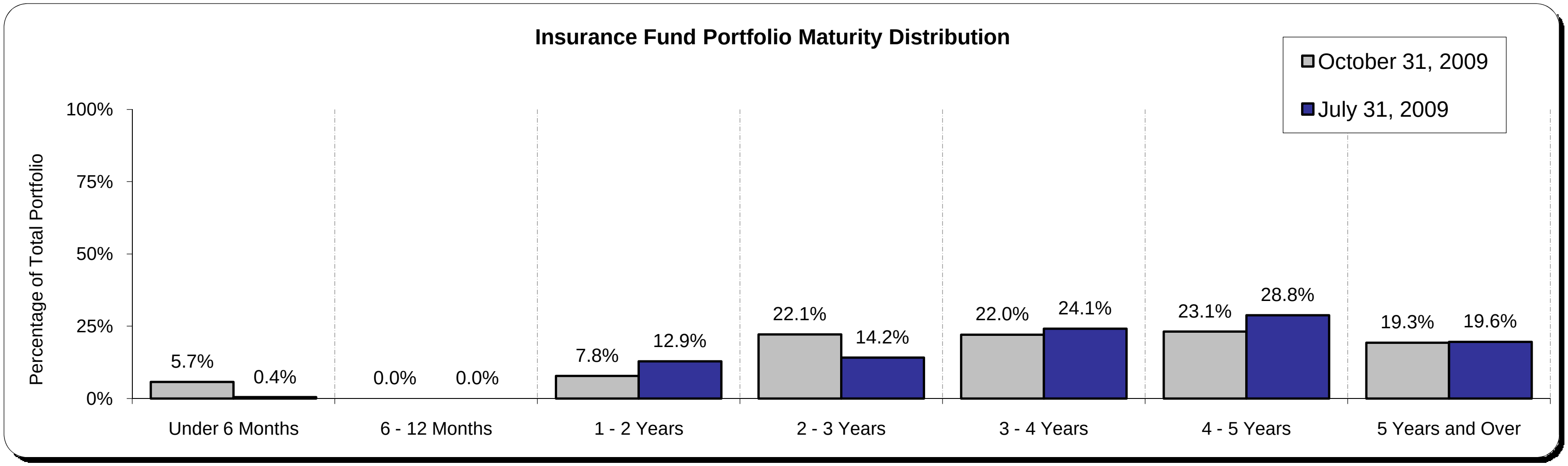
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

Insurance Fund Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$908,848**	**19.1%**	$1,034,605	22.2%
Federal Agencies	**$3,238,792**	**68.2%**	$3,321,237	71.1%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$302,561**	**6.4%**	$0	0.0%
Mortgaged-Backed Securities	**$301,513**	**6.3%**	$313,378	6.7%
Totals	**$4,751,714**	**100.0%**	**$4,669,219**	**100.0%**







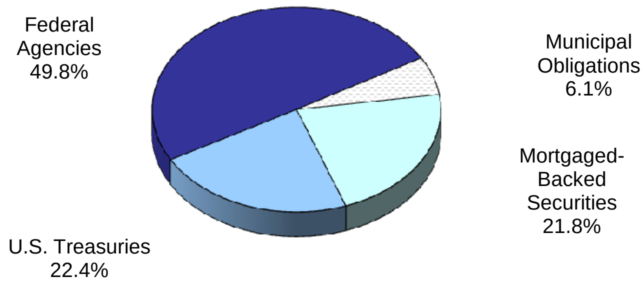
Notes:

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

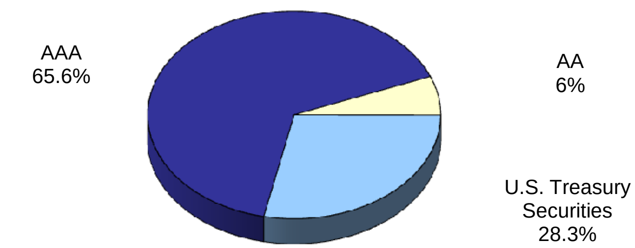
Operating Budget Reserve Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$1,863,289**	**22.4%**	$1,721,772	21.1%
Federal Agencies	**$4,143,216**	**49.8%**	$4,575,442	56.0%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$504,268**	**6.1%**	$0	0.0%
Mortgaged-Backed Securities	**$1,812,430**	**21.8%**	$1,867,432	22.9%
Totals	**$8,323,203**	**100.0%**	**$8,164,646**	**100.0%**

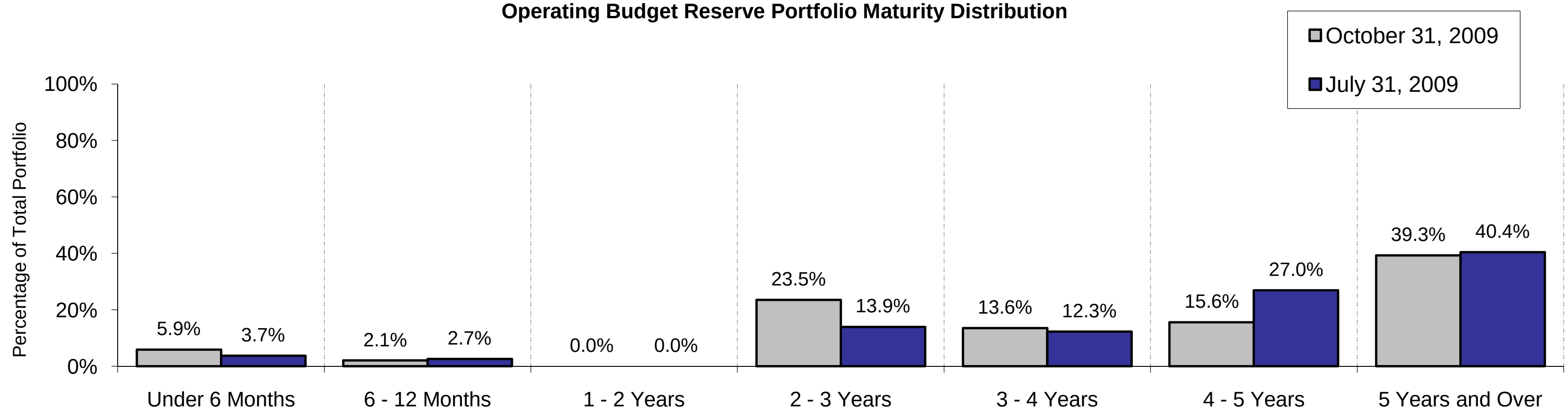
Portfolio Composition as of 10/31/09



Credit Quality Distribution as of 10/31/09



Operating Budget Reserve Portfolio Maturity Distribution

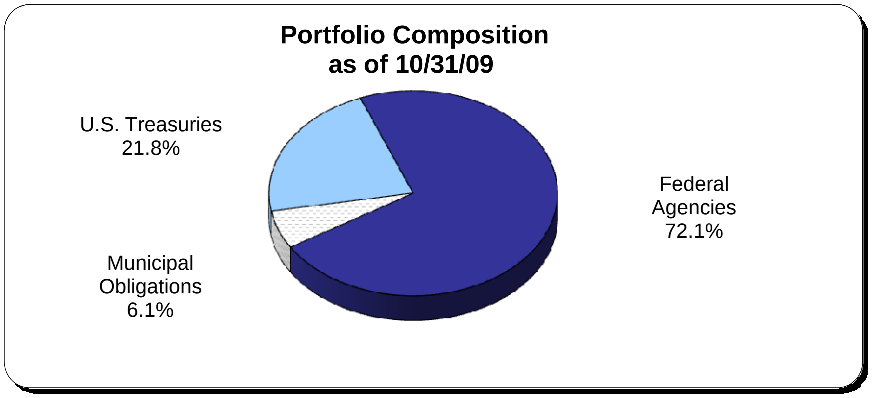


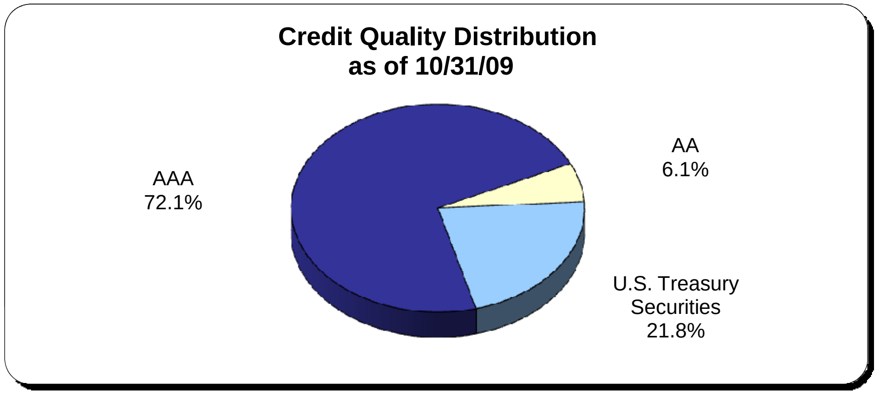
Notes:

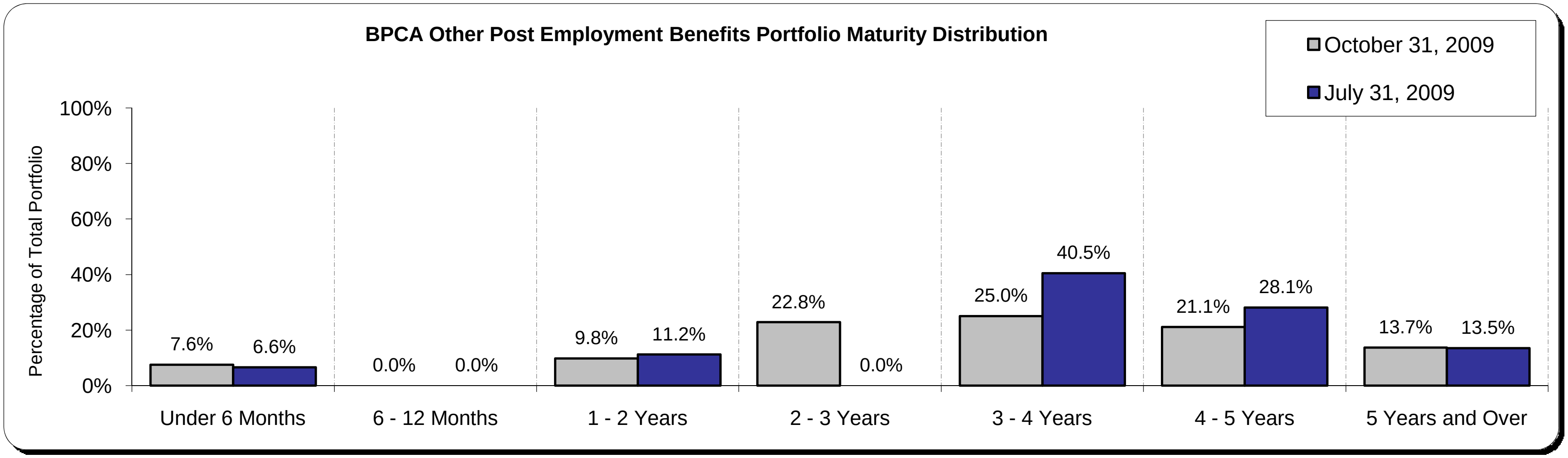
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

OPEB Portfolio Composition, Credit Quality, and Maturity Characteristics

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$3,625,301**	**21.8%**	$3,376,728	20.4%
Federal Agencies	**$11,991,998**	**72.1%**	$13,166,409	79.6%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$1,008,536**	**6.1%**	$0	0.0%
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	0.0%
Totals	**$16,625,836**	**100.0%**	**$16,543,136**	**100.0%**







Notes:

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

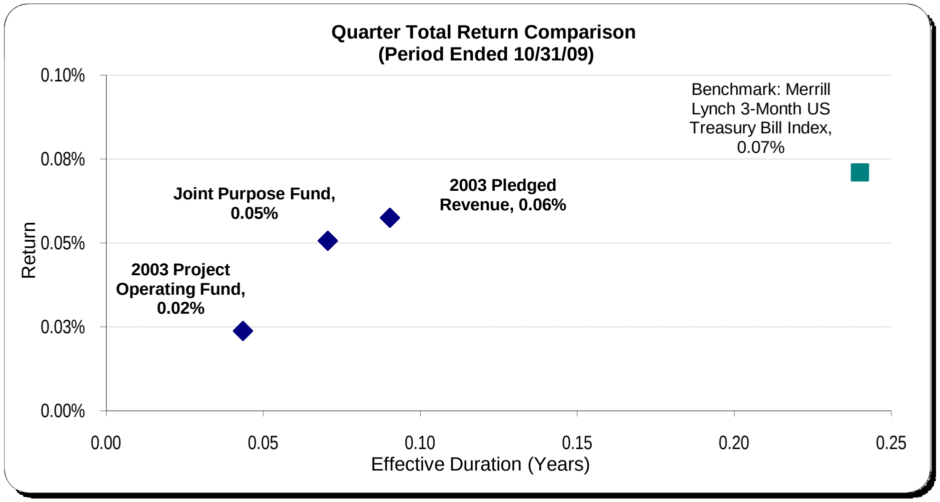
Portfolios managed with a Short Term Investment Strategy

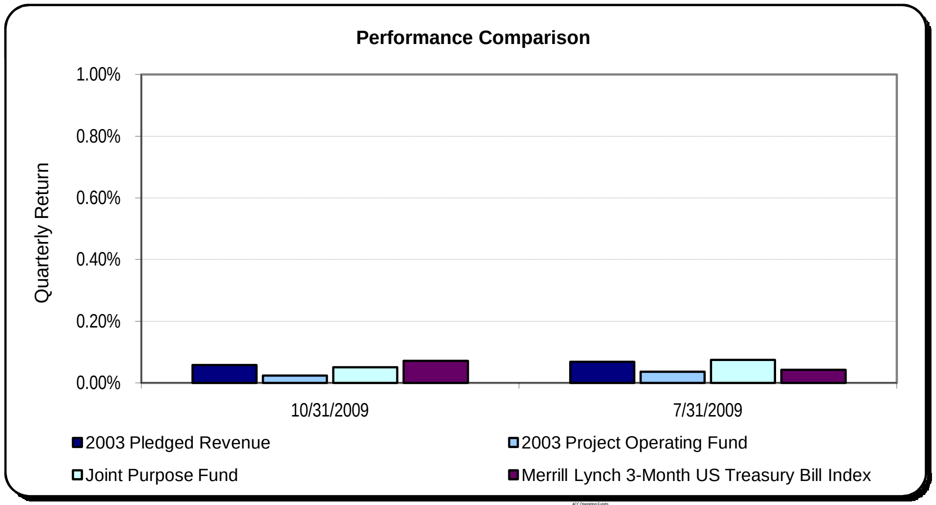
Hugh L. Carey
Battery Park
City Authority

Short Term Investment Strategy

Total Return[1,2,4,5]	October 31, 2009	Annualized Quarter	Since Inception[5]	Annualized Since Inception
2003 Pledged Revenue	**0.06%**	0.23%	12.82%	3.27%
2003 Project Operating Fund	**0.02%**	0.09%	12.51%	3.19%
Joint Purpose Fund	**0.05%**	0.20%	13.61%	3.46%
Benchmark: Merrill Lynch 3 Month US Treasury Bill Index	**0.07%**	0.28%	12.23%	3.12%

Effective Duration (in years)[3]	October 31, 2009	July 31, 2009
2003 Pledged Revenue	0.09	0.23
2003 Project Operating Fund	0.04	0.03
Joint Purpose Fund	0.07	0.19
Benchmark: Merrill Lynch 3-Month US Treasury Bill Index	**0.24**	**0.16**



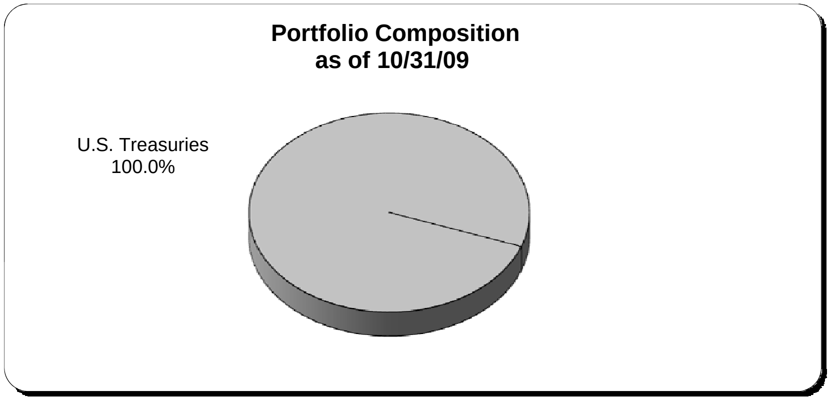


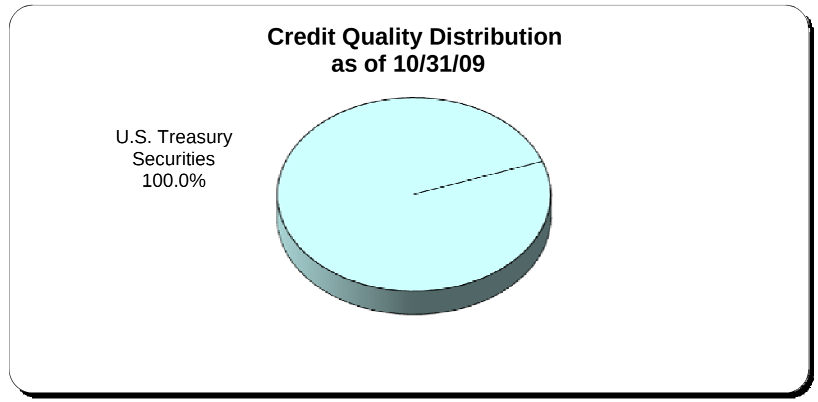
Notes:

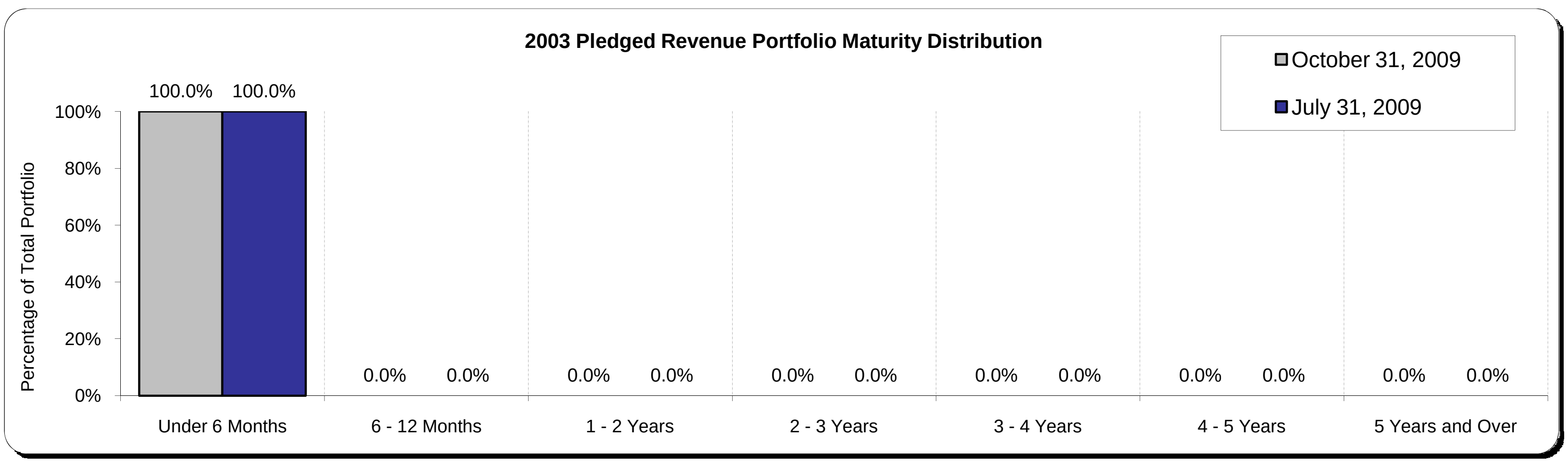
1. Performance on trade date basis, gross-of-fees in accordance with the CFA Institute's Global Investment Performance Standards
2. Merrill Lynch Indices provided by Bloomberg Financial Markets. The total returns shown for periods longer than a year are the annualized returns for the stated period.
3.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

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

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$137,293,215**	**100.0%**	$680,704	0.7%
Federal Agencies	**$0**	**0.0%**	$100,094,445	99.3%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
TLGP Commercial Paper	**$0**	**0.0%**	$0	0.0%
Banker's Acceptances	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	0.0%
Totals	**$137,293,215**	**100.0%**	**$100,775,148**	**100.0%**





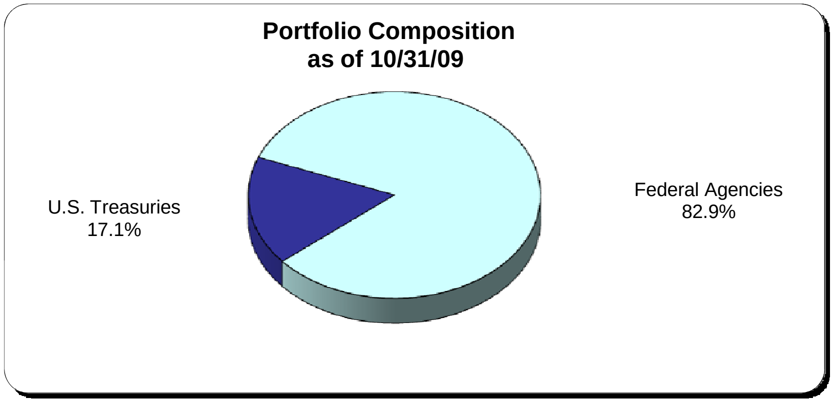


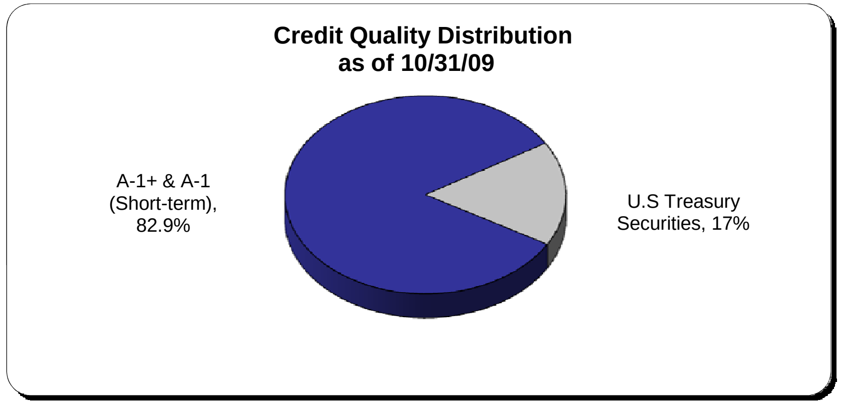
Notes:

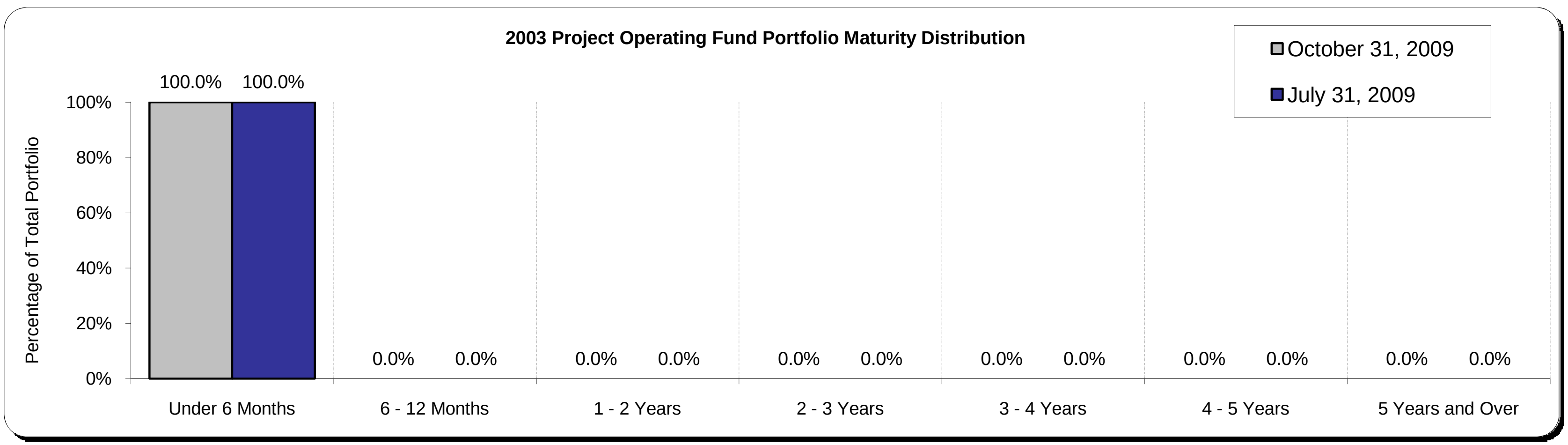
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

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

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$1,640,989**	**17.1%**	$1,424,952	40.7%
Federal Agencies	**$7,979,760**	**82.9%**	$2,074,923	59.3%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
TLGP Commercial Paper	**$0**	**0.0%**	$0	0.0%
Banker's Acceptances	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	n/a
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	n/a
Totals	**$9,620,749**	**100.0%**	**$3,499,874**	**100.0%**



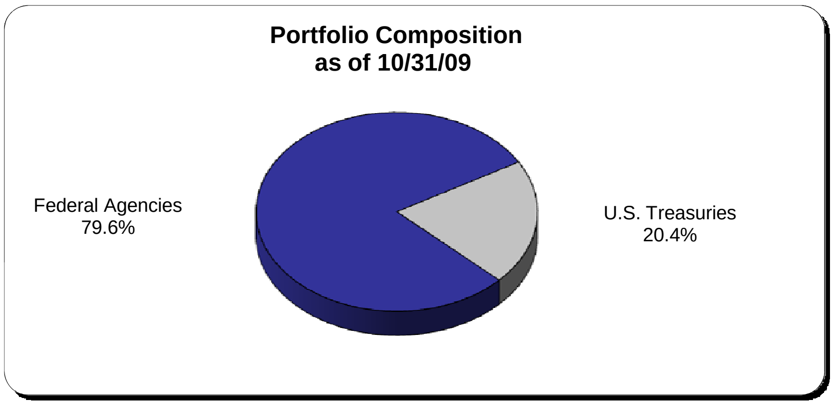


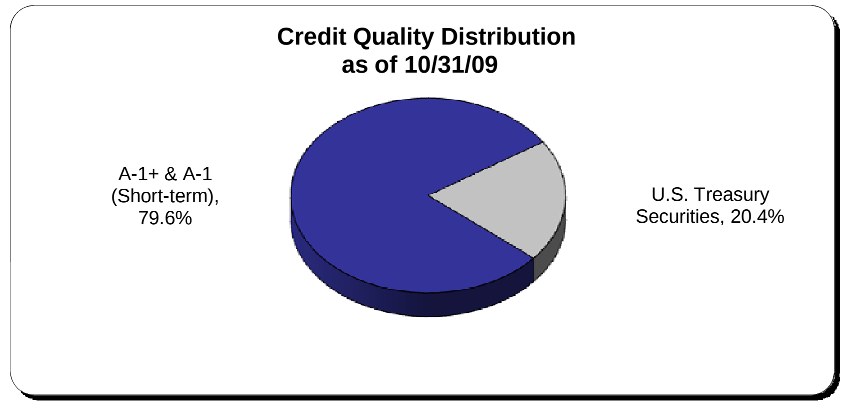


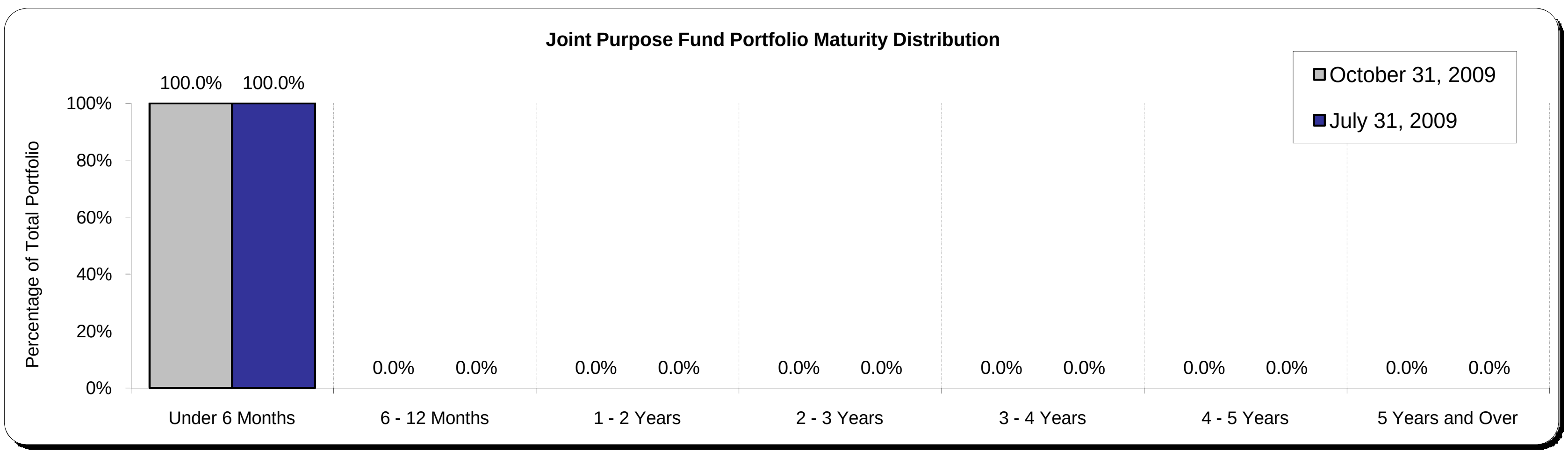
Notes:
1. End of quarter trade-date market values of portfolio holdings, including accrued interest.

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

Security Type[1]	October 31, 2009	% of Portfolio	July 31, 2009	% of Portfolio
U.S. Treasuries	**$44,203,841**	**20.4%**	$117,963,396	58.5%
Federal Agencies	**$172,614,519**	**79.6%**	$83,623,574	41.5%
Commercial Paper	**$0**	**0.0%**	$0	0.0%
TLGP Commercial Paper	**$0**	**0.0%**	$0	0.0%
Banker's Acceptances	**$0**	**0.0%**	$0	0.0%
Municipal Obligations	**$0**	**0.0%**	$0	0.0%
Mortgaged-Backed Securities	**$0**	**0.0%**	$0	0.0%
Totals	**$216,818,360**	**100.0%**	**$201,586,970**	**100.0%**







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

Section C –
Market Commentary

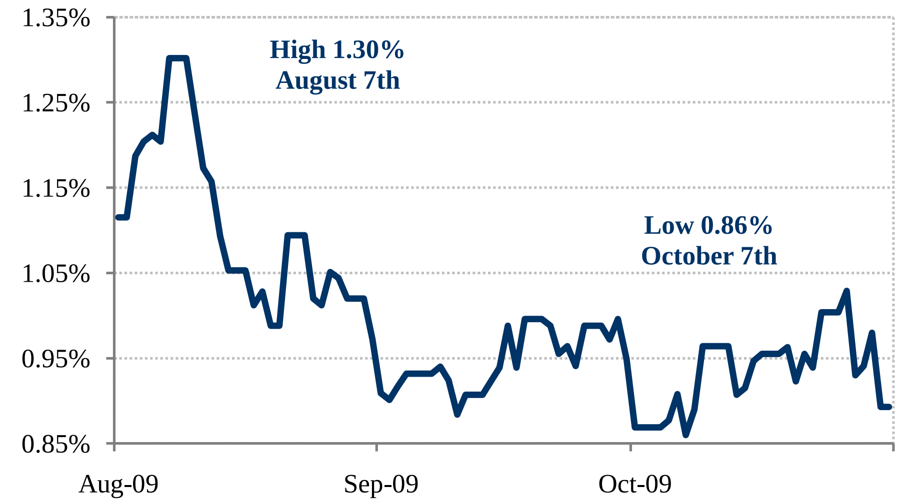
Hugh L. Carey
Battery Park
City Authority

Fixed income portfolio returns were solid in the quarter ending October 31, 2009 following several quarters of unusually high total returns. Agency and corporate securities enhanced portfolio returns during a period when money market yields remain near zero and the primary risk to the portfolio remains to be future, rising interest rates. A rise in interest rates from their currently very low levels could seriously erode a portfolio's market value.

Meanwhile, the economy showed signs of improvement, including an improving stock market, stronger retail sales, healthier corporate earnings, an uptick in manufacturing, and positive leading economic indicators. Investors exhibited increased confidence in Federal Agency and corporate securities, continuing a trend that began in previous quarters. This caused spreads in these securities to contract relative to risk-free U.S. Treasury obligations and enhanced the returns of the Agency and corporate sectors.

In the current market environment, asset allocation, "roll-down," and duration management are key factors to producing excess returns. PFM continued to focus on protecting capital by keeping durations short in order to preserve extraordinary year-to-date performance and minimize the risks to principal, if and when interest rates rise.

2-Year U.S. Treasury Yields
August 1, 2009 – October 31, 2009



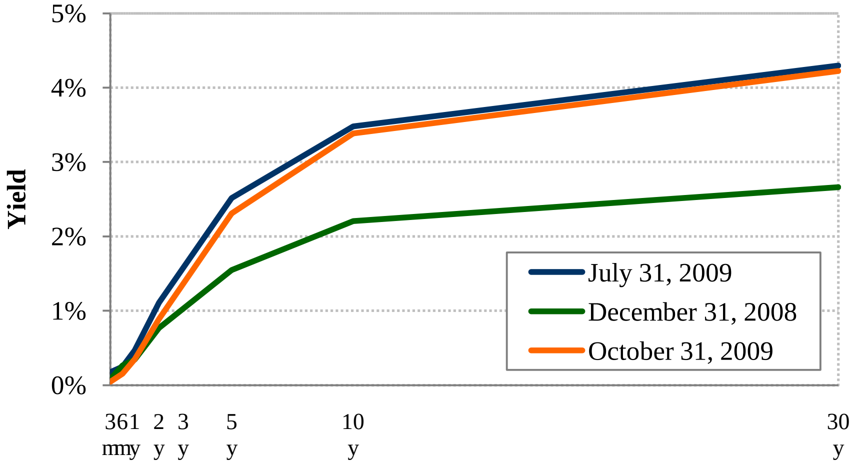
Source: Bloomberg

INTEREST RATES AND RETURNS

Yields were volatile during the quarter, rising and falling as the markets struggled to interpret major economic news and its implications for a recovery. For example, the 2-year U.S. Treasury note reached a high of 1.30% on August 7th, as the following chart shows, after a better-than-expected jobs report for the month of July. On August 12th, the Federal Open Market Committee ("FOMC") released a statement indicating that although some signs pointed to improving economic conditions, rates would remain "exceptionally" low for an "extended" period of time. By August 14th, the yield on the 2-year U.S. Treasury note had fallen by nearly 25 basis points, closing at 1.05%. For the remainder of the quarter, the 2-year remained in a tight trading range near 0.95%.

While short-term yields fell modestly, the decline in intermediate- and longer-term interest rates from their previous quarter highs was more pronounced, signaling that while the economy has shown signs of improvement, a recovery will likely be modest by historical standards. Despite the decline in longer-term interest rates, the yield curve remains steep by historical standards, as shown in the chart on the following page. The spread between 2-year and 10-year U.S. Treasury notes ended the October 31, 2009 quarter at approximately 334 basis points (3.34%), in line with where the spread began the quarter. However, since December 2008, the spread between 2- and 10-year Treasury securities has increased more than 100 basis points.

U.S. Treasury Yield Curve
December 31, 2008 vs. June 30, 2009 vs. October 31, 2009



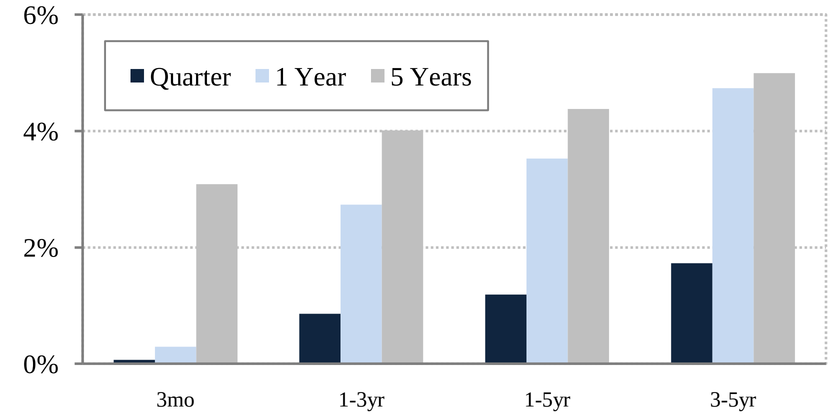
Source: Bloomberg

The recent decrease in yields after their run-up in the first half of the year, signals that investors may have initially over-estimated the speed of a recovery and the risk of a move toward inflation. During the quarter, investors recognized that economic activity will be subdued for several quarters, the Fed will be on hold, and growth will be low by historical standards for several quarters to come – all contributing factors to the decrease in Treasury yields.

The market continued to absorb a large volume of U.S. Treasury issuance, a good sign for the Treasury that is trying to resolve the worst economic conditions since the Great Depression. In early September, the Treasury sold $70 billion in notes and bonds, including $38 billion in 3-year, $20 billion in 10-year, and $12 billion in 30-year debt. The markets reacted positively to the auctions and the 3-year auction received the highest bid-to-cover ratio since November 2008, suggesting that foreign demand from investors such as China, Japan, and petro dollar countries remains high. The bid-to-cover ratio compares the number of bids received to the amount of securities offered.

Short-term yields, which are closely pegged to the Federal Funds rate, were little changed during the quarter, and the FOMC left the target rate unchanged.

Merrill Lynch U.S. Treasury Indices
Prior Quarter, 12-Month, and 5-Year Average Returns as of October 31, 2009



Source: Bloomberg

Typically, portfolios with longer durations have higher returns, and as shown in the chart above, this was true during the quarter ending October 31, 2009. Intermediate and longer-term benchmarks, like the Merrill Lynch 3-5 year U.S. Treasury benchmark, outperformed shorter-duration benchmarks during the quarter as intermediate- and longer-term interest rates fell, creating greater price appreciation, while short-term interest rates remained near zero.

Normally when investors take on more risk by extending duration they expect to receive additional compensation in the form of higher returns. To gauge a portfolio's risk-adjusted return, an investor should consider the portfolio's return relative to its duration. As shown in the following table, on a risk-adjusted basis, short-, intermediate-, and longer-term portfolio returns were in line with one another. Therefore, the value added by extending duration was minimal during the quarter ending October 31, 2009.

Merrill Lynch U.S. Treasury Index Return	3m	6m	1-3 yr	1-5 yr	3-5 yr	1-10 yr
Quarter Ending October 31, 2009	0.07%	0.15%	0.86%	1.19%	1.73%	1.48%
Per Unit of Risk**	0.29%	0.30%	0.45%	0.45%	0.45%	0.38%
Last 12 Months Ending October 31, 2009	0.30%	1.05%	2.74%	3.53%	4.74%	5.09%
Per Unit of Risk**	1.23%	2.15%	1.42%	1.32%	1.23%	1.30%

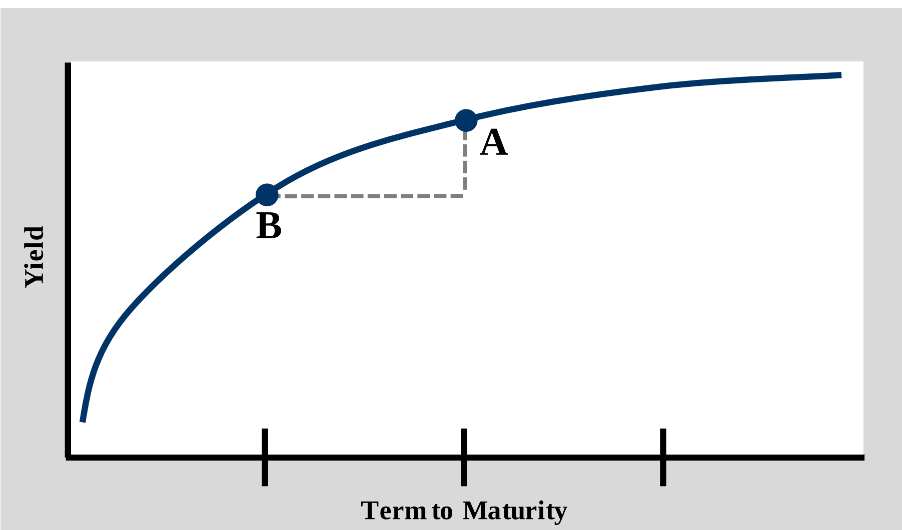
Source: Bloomberg

** *Return per unit of risk equals the periodic return divided by index duration.*

Roll-Down

The currently steep yield curve aided an investment strategy known as "rolling down the yield curve." As shown in the chart below, the strategy begins with buying a security at point A. After a period of time the security will be closer to maturity at point B and thus its yield will be lower, assuming a positively-sloped curve, as in the present environment. If rates have fallen, remained stable, or even if they have risen modestly, the security will have experienced market value appreciation.

Rolling Down the Yield Curve



The two primary benefits of a roll-down strategy are (1) by moving further out the yield curve with only a modest extension of duration, interest earnings increase significantly, as does the potential for price appreciation, and (2) the steepness of the current yield curve and the likelihood that the Fed will be on hold for several quarters offers principal protection. While rates are likely to move higher at some point, that movement will be modest for the next several quarters until the economic recovery gains traction and the Fed starts to remove its emergency liquidity programs put into place a year ago.

Roll-Down Example:

- An investor purchases $1 million par of 2-year U.S. Treasury Notes on August 1, 2009, with a coupon of 1.125% and a yield to maturity of 1.04%
- On October 31, 2009, the security now a 21-month investment trades at a yield of 0.77%. This is due to a drop in yields generally and the fact that the security now has a shorter term to maturity.
- The investor has earned $2,781 in interest, as well as price appreciation of $4,478, for a total return of $7,259.
- This equates to a periodic total return of 0.72% and an annualized total return of 2.90% – well above the security's original yield of 1.04%.

Duration Management

With the increased likelihood of rising rates, PFM actively managed portfolio duration relative to benchmarks in order to protect portfolios from market value losses and preserve strong year-to-date performance.

Given the low level and volatility of intermediate-term interest rates, duration management was particularly important this quarter. When possible, PFM extended duration as yields approached the top of their recent trading range and shortened as they approached the bottom. These tactical moves contributed to portfolio performance.

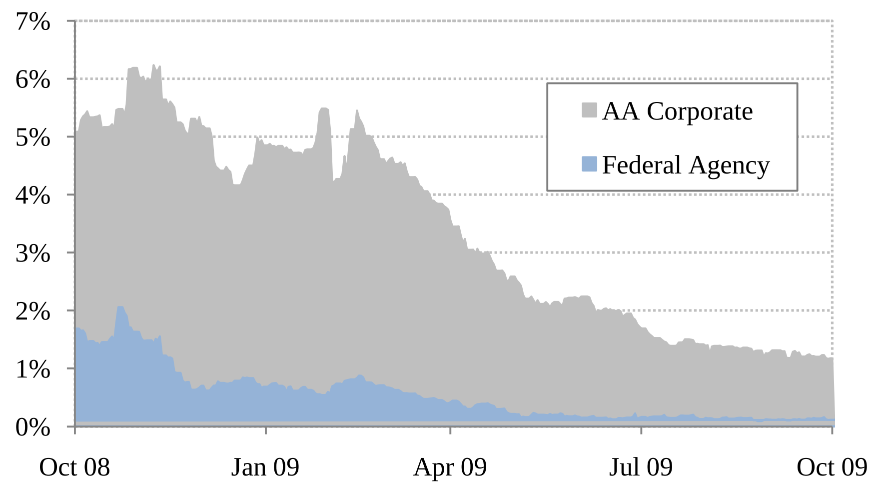
Going forward, PFM will likely continue to be cautious about portfolio duration because a rise in rates would have negative effect on portfolio performance.

Sector Allocation

As bond prices rose during the quarter, Federal Agency yields continued to fall, returning Treasury-Agency spreads to below pre-credit crisis levels. Light debt issuance by the Federal Agencies coupled with the Federal Reserve's purchases of Federal Agency debt and mortgage-backed securities contributed to narrowing spreads. Another factor was increased demand from investors seeking additional yield in Federal Agency securities.

With historically wide spreads in previous quarters, PFM had favored Federal Agencies over Treasury investments. However, with Treasury and Agency securities now trading more or less on top of each other, reallocation to Treasuries is appropriate.

Yield Spreads Between 2-Year U.S. Treasury and 2-Year AA Corporate and Federal Agency Investments
October 2008 – October 2009

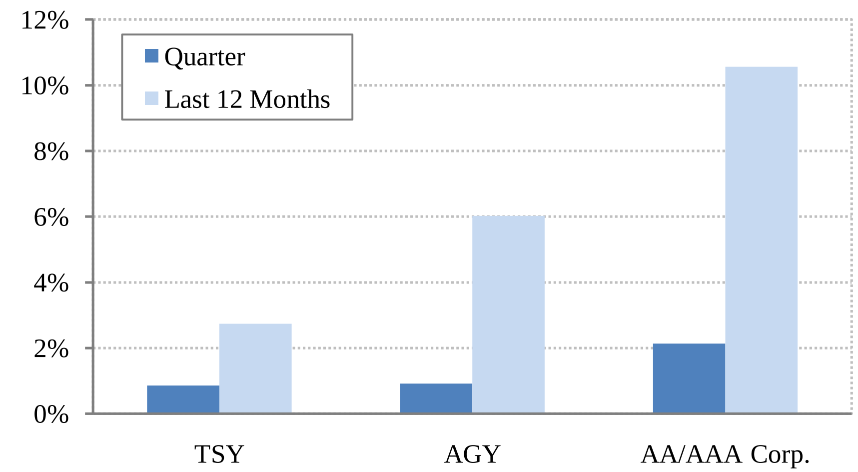


Source: Bloomberg

As illustrated in the chart above, corporate spreads have also narrowed significantly since reaching record highs in the fourth quarter of 2008. For example, the yield spread between the 2-year Treasury and the Bloomberg 2-Year AA Corporate Index began the quarter on August 1, 2009, at 1.69% and finished the quarter, October 31, 2009, at 1.18%, a narrowing of 51 basis points (0.51%). This spread narrowing caused most corporate investments, especially those of lower credit quality, to outperform Treasuries and Agencies.

As illustrated in the following chart, investment-grade corporate securities outperformed Treasury and Agency securities of similar duration as some investors increased their appetite for risk. With their higher initial yields and with spreads narrowing during the quarter, corporate securities experienced considerable market value gains relative to Treasury and Agency securities, paring some of the losses since the credit crisis began. U.S. Treasury and Agency benchmarks had similar returns in the quarter as yields on these investments remained depressed and spreads were narrow. In general, market participants expect corporate securities to outperform Agencies and Agencies to outperform Treasuries to compensate for increased credit risk, as was the case in the last quarter.

Duration-Adjusted Returns of Merrill Lynch 1-3 Year Indices
Quarterly & Last 12 Months Returns as of October 31, 2009



Source: Bloomberg

Although corporate investments outperformed Treasuries and Agencies, significant threats persist in the corporate sector, where spreads remain well above historical averages. Risk-averse investors should remain wary of weak earnings and continued credit-related events going forward.

The universe of investment-grade corporate issuers shrank drastically over the past several quarters and is unlikely to begin growing until a recovery is well underway. Substantial risks remain, as many corporations and financial institutions continue to hold illiquid securities and the prospect of mortgage and consumer debt defaults rises with unemployment.

THE FEDERAL RESERVE

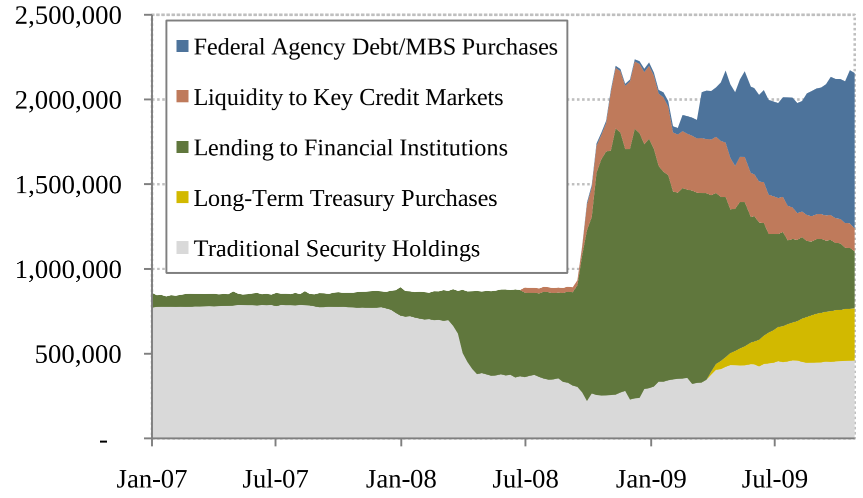
The FOMC met twice during the quarter, leaving the Federal Funds target rate unchanged both times. However, the FOMC slightly changed the language of its September statement from that issued in August. The markets responded favorably to the shift, particularly to the suggestion that economic activity has "picked up." August's statement had only gone so far as to say that activity was "leveling out." Throughout the quarter the FOMC consistently stated that the target rate would be kept at 0% – 0.25% for "an extended period," indicating that risks to the economy remain and that a recovery will be slow by historical standards.

The Fed also announced it would continue to purchase Federal Agency debt into the first quarter of 2010. The program was previously slated to end in December 2009. Although the program is not new, it represents the Fed's commitment to use its full capacity to buttress the financial and housing markets. Purchases will total $1.25 trillion of Agency mortgage-backed securities and up to $200 billion of Agency debt. Additionally, the Fed completed the process of buying $300 billion of Treasury debt in October 2009.

As illustrated in the following chart, since September 2008, the Federal Reserve's balance sheet has ballooned from approximately $890 billion to over $2 trillion today. In addition to these security purchase programs, the Fed has taken other extraordinary measures in an attempt to stabilize the economy and financial markets.

Over the next several quarters market participants will closely monitor the Fed and its actions to shrink its balance sheet and remove its emergency liquidity and market stabilization programs. A major challenge for the Fed will be the timing and speed at which these programs are unwound. If the Fed unwinds these programs too quickly it could impair the economy and hamper growth; however, by waiting too long, the Fed could stoke inflation.

Federal Reserve Balance Sheet
as of October 31, 2009



Source: www.clevelandfed.org/research/data/credit_easing/index.cfm

THE U.S. ECONOMY

The economy showed some signs of improvement during the last quarter. Consumer and investor confidence continued to rebound from the all-time lows reached earlier this year. The pace of decline in the services sector of the U.S. economy slowed considerably and the manufacturing sector appears to have resumed growth. Home sales have been notably stronger for several months, with indications that prices are beginning to stabilize in many markets.

Stock markets worldwide continued the rally begun in March, encouraged by these tentative signs that a recovery may be gradually taking off. However, significant challenges to growth persist. The unemployment rate currently stands at just under 10% and is expected to move higher in coming months. Unemployment, which is a lagging indicator, will only fall well after the economy has begun to recover.

Labor market improvement will depend on the pace of job creation going forward. As business and consumer spending remains historically weak, despite improving confidence levels in the quarter ending October 31, 2009, corporations and small businesses remain reluctant to hire additional workers. Continued mortgage, loan, and consumer debt losses by financial firms are expected, meaning credit available to businesses and consumers will be limited, leading to sluggish job growth going forward.

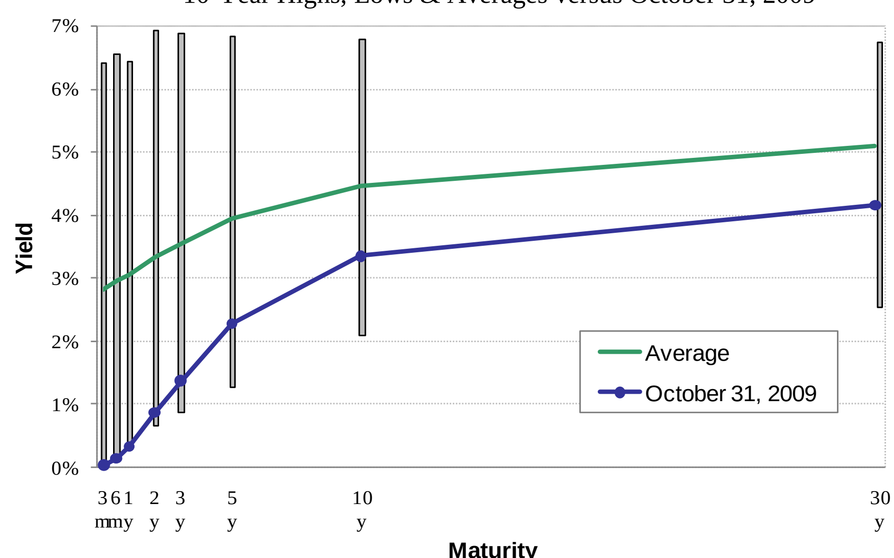
OUTLOOK

In early September, Fed Chairman Bernanke observed that "even though from a technical perspective the recession is likely over at this point, it's still going to feel like a weak economy for some time." As evidenced by Bernanke's comment, many economists believe the economy will improve over the next several quarters. However, the general consensus is that growth will be less than that typically experienced as the economy pulls out of a recession.

As shown in the chart below, the yields on all but the shortest maturities have risen from their December lows, but rates remain significantly lower than their 10-year averages.

U.S. Treasury Yield Curve

10-Year Highs, Lows & Averages versus October 31, 2009



Source: Bloomberg

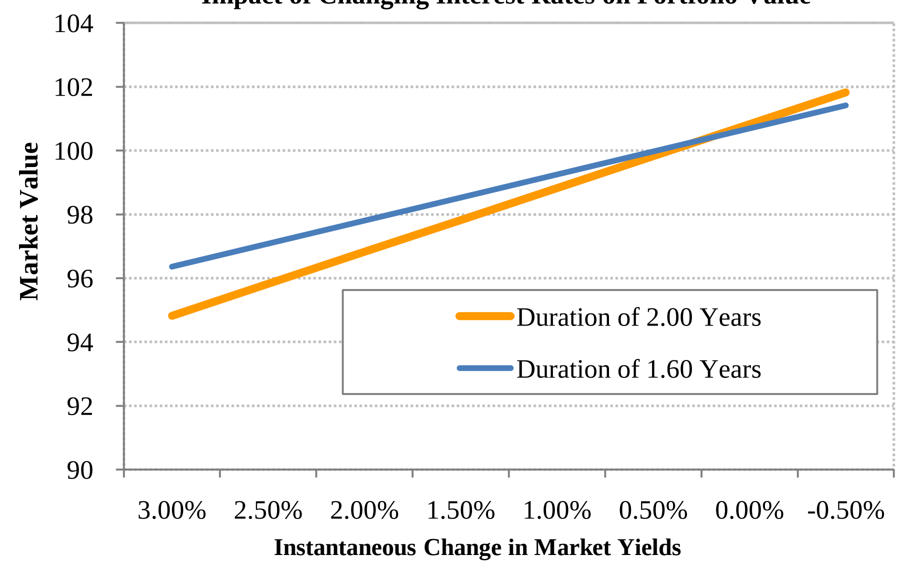
Most market participants believe the bias is for rates to move upward, but that the movement will be modest for the next several quarters until (a) the recovery gains traction, and/or (b) the Fed starts to unwind its emergency liquidity programs.

Short- and intermediate-term interest rates are likely to be range-bound for the next three to six months. Since Treasury and Agency rates have little room to fall, if interest rates remain at their current levels fixed-income returns will be depressed relative to recent quarters.

As a recovery gains momentum and the Fed begins to reverse course, rates could move quickly upward from current levels, negatively impacting the market value of fixed-income securities and causing intermediate- and longer-term portfolio returns to be low, or even negative.

In general, portfolios of longer duration experience more significant changes in market value than do portfolios with shorter durations when interest rates change. This boosts returns when interest rates decline and reduces returns when they rise.

Impact of Changing Interest Rates on Portfolio Value



Rates currently have much more room to rise than to fall. Therefore, the potential increase in market value gains due to a longer duration as rates fall is far outweighed by the potential increase in market value losses due to a longer duration as rates rise. The accompanying chart illustrates the impact of changing rates on two separate portfolios: the first with a duration of 2.0 years and the second with a shorter duration of 1.6 years. As the chart on the preceding page illustrates, if market yields were to decline 0.50%, the market value of the longer portfolio would increase from 100 to 101.82, while the market value of the shorter portfolio would increase from 100 to 101.42, giving the longer portfolio a performance advantage of 0.40. On the other hand, if rates were to rise by 3.00%, the market value of the longer portfolio would decrease to 94.82 and the market value of the shorter portfolio would decrease to 96.36, giving the shorter portfolio a performance advantage of 1.54.

With little room for interest rates to fall further, the benefit of extending duration to take advantage of falling interest rates is minimal. However, with the likelihood of increasing rates in the next several quarters, minimizing the potential for market value losses will continue to be a major consideration. Moving forward active duration management, principal preservation, and sector allocation will continue to be major factors in portfolio strategy.