

HUGH L. CAREY BATTERY PARK CITY AUTHORITY
AUDIT COMMITTEE MEETING
One World Financial Center – 24th Floor
New York, NY 10281
February 15, 2007

Members Present

Frank J. Branchini, Chairman
Charles Urstadt, Member
James F. Gill, Ex Officio Member

Authority Staff in Attendance: James Cavanaugh, President and Chief Executive Officer
Alexandra Altman, Executive Vice President and General Counsel
Debra Bogosian, Controller, Finance
Annette Guarino, Deputy General Counsel
Robert Holden, Vice President, Human Resources & Administration
Carl Jaffee, Senior Development Counsel and Corporate Secretary
Robert M. Serpico, Senior Vice President, Finance and Treasurer/Chief Financial Officer
Lisa Miller, Vice President, Internal Audit and Compliance

Others in Attendance: Tessa Huxley, Executive Director, Battery Park City
Parks Conservancy Corporation
Steven Langowsky, KPMG
Jamie Cote, KPMG

The meeting, called on public notice in accordance with the New York State Open Meetings Law, convened at 3:05 p.m.

Mr. Gill opened the meeting by thanking Mr. Branchini for assuming the position of Chairman of the Committee.

Mr. Jaffee then reminded the Committee of its legal responsibilities under the Public Authorities Accountability Act of 2005; namely, to recommend to the Members the hiring of a certified independent accounting firm for the Authority, to establish the compensation to be paid to such accounting firm, and to provide direct oversight of the performance of the audit conducted by such firm. He noted that additional functions could be assumed over time, as the Committee established its program in consultation with the Members.

Mr. Serpico then advised the Committee of some of the highlights of the audited statements for fiscal year 2006-2007 to be presented to the Members on February 20 and which had previously been provided to Committee members, together with summaries of cash holdings, credit ratings and the cost of capital, outstanding debt and capital funds on hand. He specifically cited the generation of \$111.4 million to be transferred to the City of New York from the past fiscal year's operations and the accumulation of \$103.4 in the Joint Purpose Fund, much of which has been committed to the City for an affordable housing program and to The Port Authority for certain capital expenditures.

Mr. Serpico then introduced Stephen Langowski, Engagement Partner of KPMG LLP, and the Authority's certified public accountant. Mr. Langowski in turn introduced Jamie Cote, the Engagement Senior Manager, and presented an extensive report on his firm's services, covering the following subjects: Scope of Services, Deliverable and Results; Required Communications; KPMG's System of Quality Controls; New and Emerging Accounting Pronouncements; and New and emerging Auditing Standards. (A copy of a summary of his presentation is attached to these minutes.)

Mr. Langowski made particular note of the new Government Accounting Standards Board Statements No. 45, which deals with disclosure and accounting for obligations for health insurance for retirees, and No. 48, which addresses whether a transaction should be regarded as a sale or as a collateralized borrowing resulting in a liability. Mr. Langowski also advised the Committee that in the future, there will be a "lowering of the bar" as to matters related to an entity's internal control over financial reporting identified in audits which must be communicated in writing to management, as per Statement on Accounting Standards 112.

Mr. Branchini inquired as to whether KPMG will issue a "management letter" to the Authority, and Mr. Serpico responded that such a letter, dealing with internal controls, is issued annually by the independent auditor. This year's letter, Mr. Langowski reported, notes no reportable conditions.

Ms. Miller, the Authority's Vice President, Internal Audit and Compliance, then reported to the Committee as to the nature and extent of the internal audits and other activities she and her staff conduct, including, among others, the overseeing of bidding procedures, and the auditing of electrical charges relating to the Gateway complex. She stated that her department is assembling a master list of all compliance obligations of the Authority, arising from statute, regulation or Executive Order.

Mr. Branchini inquired of Mr. Langowski whether his firm evaluates such internal audit reports in producing its own audit, and Mr. Langowski responded that the internal audits basically address operational issues and are not taken into account in the financial audit. In response to another inquiry from Mr. Branchini, Ms. Miller stated that future internal audit reports could be discussed with the Audit Committee or the Members, as well as with the President and CEO.

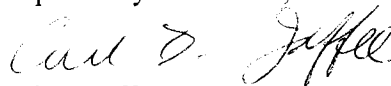
The Committee then discussed the applicability to the Battery Park City Parks Conservancy of the various compliance obligations the Authority must meet. Mr. Branchini observed that if the Conservancy were found not to have complied with any requirement that resulted in adverse consequences, the Authority and its Members would be held responsible. Mr. Serpico noted that the Conservancy has historically not implemented many of the practices nor made many of the submissions required of state authorities and public benefit corporations, and Mr. Cavanaugh noted that the legal obligation of the Conservancy to comply with all such requirements is not clear, but that management of the Conservancy nevertheless is moving in the direction of full compliance. He noted particularly that the Conservancy awards contracts pursuant to the recommendations of a contract selection committee, as does the Authority and that Conservancy personnel are subject to the same ethics laws and rules as are Authority employees.

Mr. Serpico stated that for the Conservancy to abide by all of the reporting requirements imposed on the Authority might in many instances result in duplication of effort and additional costs. Mr. Cavanaugh reported that "potential areas of abuse" by the Conservancy have been looked at, and that concerns about these matters have been addressed.

The Committee then went into executive session to discuss the on-going selection process which Management is conducting to retain an independent accountant. Mr. Serpico advised the Committee of the responses received to a Request for Proposals issued for this position, and said that Management intends to interview the three firms offering the lowest financial proposal. He further stated that the results of these interviews would be reported to the Committee, together with a recommendation for a selection. Committee members were welcomed to attend these interviews.

There being no further business, the meeting thereupon adjourned at 4:15 p.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Carl D. Jaffee".

Carl D. Jaffee
Corporate Secretary