Note 5 - Loans and Leases Receivable, Continued

	2009		2008	
	Number	Balance	Number	Balance
Non-residential lease receivables, mortgage loans and real estate investments:				
Lease receivables (b)	7	$ 35,615	7	37,903
Commercial leases (c)	4	13,863	4	14,718
Real estate investments (d)	4	1,268	4	1,250
	15	50,746	15	53,871
Economic development loans (e)	97	34,558	111	36,893
Total	181	415,224	203	464,652
Less current portion		(15,860)		(10,208)
Noncurrent portion		$ 399,364		454,444

(a) Residential Mortgage Loans

Residential mortgage loans are secured by first liens on the properties and are usually payable in equal installments (principal and interest) over an original 40-year term. Remaining terms range from 4 to 23 years. The loans are without recourse against the borrower and the stated interest rate is between 7.5% and 8.5%. The New York State Division of Housing and Community Renewal ("DHCR") has supervisory jurisdiction over UDC's residential projects.

At March 31, 2009, 64 residential projects (subsidized and unsubsidized), remain from the original total of 113. 59 of the 64 are subsidized by HUD under contracts pursuant to Section 236 of the National Housing Act which provides interest reduction subsidy payments in connection with mortgages. Interest reduction contracts provide 60% to 65% of the mortgage debt service and effectively reduce the mortgagors' responsibility to the payment of principal plus interest at 1%. HUD payments for the 59 and 66 Section 236 projects aggregated $35.3 million and $38.0 million for the years ended March 31, 2009 and 2008, respectively. The other five projects are not subsidized under the Section 236 program and pay principal plus interest at rates of 7.5% to 8.5%.

Certain projects have required and are expected to require advances from UDC because of the failure of certain mortgagors to take such actions deemed by UDC to be necessary or appropriate to protect the mortgaged property. Such advances, amounting to $2.0 million and $3.4 million for the years ended March 31, 2009 and 2008, respectively, were expensed for financial reporting purposes, but have been added to the existing mortgage receivable balances for credit management purposes.

Note 5 - Loans and Leases Receivable, Continued

(b) Nonresidential Lease Receivables

Nonresidential lease receivables consist of seven projects outstanding in both 2009 and 2008 which were owned by UDC and leased to others. UDC recovers a 7% to 8.25% return, plus the original investment of funds. At March 31, 2009, the remaining lease terms ranged from 1 to 14 years. Six are leases with the City of New York ($33.6 million) and one is with a bank ($2.0 million). At March 31, 2009, minimum lease payments to be received for each of the next five fiscal years aggregate $5.8 million per year.

(c) Commercial Leases

Commercial leases consist of ground rent and commercial Tax Equivalency Payments due to the Corporation pursuant to ground leases on four Roosevelt Island housing projects totaling 2,141 units which include two non-subsidized, one subsidized, and one cooperative. Although the UDC mortgages on the subsidized and cooperative housing projects totaling 1,380 units have been satisfied, these payments continue to be due and owing to the Corporation. The various ground lease terms range from one to 21 years. The receivable balance of $13.9 million is amortized at an average annual interest rate of 7.5%.

(d) Real Estate Investments

Real estate investments consist of approximately 740 acres of land (comprised of four sites) in the Towns of Lysander and Amherst for residential, commercial and industrial development in the planned communities of Radisson and Audubon.

(e) Economic Development Loans

Economic development loans consist of secured, low interest loans made to companies in the State to retain and create jobs. The terms range from 1 to 23 years. The funds to make the loans came from State appropriations which are not repayable. The loans are net of allowance for possible losses of approximately $77 million and $94 million, at March 31, 2009 and 2008, respectively.

Note 6 - Due From Port Authority of New York and New Jersey

UDC expects to receive $395 million over 15.5 years from the Port Authority of New York and New Jersey. The revenue stream was assigned to UDC in fiscal 2005 by the State of New York. The net present value of the future cash flows in the amount of approximately $280 million was recorded in the consolidated financial statements in fiscal 2005 as a receivable due from the Port Authority and revenue (included with income from municipalities, other authorities and other). At March 31, 2009, annual minimum payments to be received in each of the next five years is approximately $22 million per year. The receivable balance at March 31, 2009 and 2008 amounted to $242 million and $254 million, respectively.

Note 7 - Real Property and Office Equipment

Real property and office equipment at March 31, 2009 and 2008 consists of the following (in thousands):

	Balance at March 31, 2008	Additions	Disposals	Balance at March 31, 2009
Land	$ 322,916	16,547	-	339,463
Buildings, improvements and construction in progress	563,873	129,530	(1,254)	692,149
Moynihan Station (James A. Farley Post Office Building)	298,445	9,064	-	307,509
Furniture and equipment	20,890	1,470	-	22,360
	1,206,124	156,611	(1,254)	1,361,481
Less accumulated depreciation	(258,994)	(13,440)	-	(272,434)
Totals	$ 947,130	143,171	(1,254)	1,089,047

	Balance at March 31, 2007	Additions	Disposals	Balance at March 31, 2008
Land	$ 278,135	44,781	-	322,916
Buildings, improvements and construction in progress	578,094	42,902	(57,123)	563,873
Moynihan Station (James A. Farley Post Office Building)	282,823	15,622	-	298,445
Furniture and equipment	19,970	920	-	20,890
	1,159,022	104,225	(57,123)	1,206,124
Less accumulated depreciation	(246,416)	(12,683)	105	(258,994)
Totals	$ 912,606	91,542	(57,018)	947,130

Note 7 - Real Property and Office Equipment, Continued

(a) Buildings, Improvements and Construction In Progress

Major components of buildings, improvements and construction in progress at March 31, 2009 and 2008 are as follows (in thousands):

	2007	Net increase (decrease)	2008	Net increase (decrease)	2009
New York Convention Center Development Corporation	$ 483,127	32,658	515,785	39,838	555,623
USA Niagara	18,447	269	18,716	130	18,846
Corporate office	63,270	(57,123)	6,147	(1,254)	4,893
Others	13,250	9,975	23,225	89,562	112,787
Total	$ 578,094	(14,221)	563,873	128,276	692,149

(b) James A. Farley Post Office Building

On March 30, 2007, UDC completed the purchase of the James A. Farley Post Office Building for $230 million plus additional charges for interim operating and maintenance costs incurred prior to closing. The acquisition is being financed as follows (in thousands):

Initial deposits	$ 50,000	
At closing	50,000	plus certain Consumer Price Index Adjustments
At June 30, 2007	45,000	plus certain Consumer Price Index Adjustments
At June 30, 2008	30,000	plus certain Consumer Price Index Adjustments
	175,000	
Deferred purchase price	55,000	
Total	$ 230,000	

UDC borrowed $75 million from a bank and incurred seller financed debt of $130 million (see note 14) to complete the acquisition.

The Port Authority of New York and New Jersey has committed $140 million to be used for the purchase of the James A. Farley Post Office Building. As the Funds are received, they are recorded as revenue in the corresponding fiscal year. The deferred purchase price is payable from tenants' project revenue as described more fully in the funding agreements.

(c) Yale Building

In August 2006, the Corporation entered into an agreement to purchase the Yale Building site from New York Convention Center Operating Corporation ("CCOC"). The agreement provided that CCDC defease certain outstanding bonds of CCOC in the amount of $66,200,000, subsequently reduced to $62,400,000. In addition to the defeasance amount, CCDC has agreed to make an additional $15,000,000 payment to CCOC upon the sale or lease of certain property (as defined in the Purchase and Sale Agreement). This amount is not being recorded on the financial statements since it is contingent on the sale of a parcel of land owned by CCDC. All amounts incurred in connection with this purchase will be recorded as land.

Note 7 - Real Property and Office Equipment, Continued

(d) Depreciation

Depreciation expense for the years ended March 31, 2009 and 2008 amounted to $13.4 million and $12.7 million, respectively, and is included in general and administrative expenses in the accompanying consolidated statements of revenue, expenses and changes in net assets.

Note 8 - Other Assets

Other assets at March 31, 2009 and 2008 consist of the following (in thousands):

		2009	2008
Interest receivable	$	2,829	3,415
Unamortized bond finance costs		24,769	25,843
Receivable from municipalities, other authorities and others		9,602	3,621
Receivable from HUD - LMDC grant		36,167	96,812
Hotel tax receivable		9,197	7,835
Due from First Trust Trustee		10,768	13,161
Prepaid insurance		8,509	10,091
Other assets - 125 Maiden Lane		17,374	26,212
Other		17,855	10,572
		137,070	197,562
Less current portion		(64,248)	(120,077)
Non-current portion	$	72,822	77,485

Note 9 - Post-Employment Benefits Other Than Pensions

The Corporation implemented the accounting and disclosure requirements of GASB Statement No. 45, - "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" effective for its fiscal year beginning April 1, 2007. The Corporation previously did not record any liability for retiree health benefits as required by GASB Statement No. 45.

Plan Description - The Corporation provides continuation of insured medical coverage through the Empire Plan for employees that retire with at least five years of credited service with the Corporation. The Corporation will also provide coverage in the event of early retirement if the employee qualifies for a State disability pension. The Corporation contributes 90% of costs for non-medicare eligible individual participants and 81.5% of costs for non-medicare eligible family participants. The Corporation contributes the full cost of coverage for medicare eligible individual participants and at least 90% of costs for Medicare eligible family participants. The Corporation also reimburses covered retirees 100% of the Medicare Part B premium rate applicable to a given year. Surviving dependents of retired employees with at least ten years of service, employees in vested status or active employees with ten years of service and within ten years of retirement are also eligible for continued health insurance coverage at the same contribution requirement as active employees.

Note 9 - Post-Employment Benefits Other Than Pensions, Continued

The Corporation provides certain health care benefits for retired employees. Substantially all of the Corporation's employees may become eligible for these benefits if they reach the normal retirement age of the respective tier of the New York State Employees' Retirement System, while working for the Corporation. The Corporation, on an annual basis, accrues the cost which represents the present value of these benefits to be paid over the estimated lives of the retirees. Total expenditures charged to operations for the years ended March 31, 2009 and 2008 amounted to $5.1 million and $4.8 million, respectively, of which the Corporation paid $1.4 million and $1.2 million, respectively. At March 31, 2009 and 2008, the liability for post-employment benefits other than pensions amounted to $7.3 million and $3.6 million, respectively.

The number of participants as of March 31, 2009 and 2008 was as follows:

	2009	2008
Active employees	358	314
Retired employees	196	119
Total	554	433

Funding Policy - For the years ended March 31, 2009 and 2008, the Corporation paid for post-retirement health care benefits on a pay-as-you-go basis. The Corporation established a plan and began funding the liability during the fiscal year ended March 31, 2009.

Annual Other Post-Employment Benefit Cost ("OPEB") - For each of the years ended March 31, 2009 and 2008, the Corporation's annual OPEB cost amounted to $4.8 million.

Benefit Obligations and Normal Cost (in Thousands)		2009	2008
Actuarial accrued liability ("AAL"):			
Retired employees	$	22,395	22,395
Active employees		27,271	27,271
Total	$	49,666	49,666
Underfunded actuarial accrued liability ("UAAL")	$	49,666	49,666
Normal cost at beginning of year	$	2,662	2,662

Level Dollar Amortization

Calculation of ARC under projected Unit Credit Method:

		2009	2008
Amortization of UAAL over 30 years with interest to end of year	$	2,626	2,160
Normal costs with interest to end of year		2,485	2,662
Annual required contribution ("ARC")	$	5,111	4,822

Note 9 - Post-Employment Benefits Other Than Pensions, Continued

Annual OPEB Cost Contribution		2009	2008
Contribution for year ended March 31, 2009	$	1,388	1,241
Contribution as a percentage of required contribution		27.0%	25.7%

Annual OPEB Cost and Net OPEB Obligation			
Annual required contribution	$	5,111	4,822
Contribution made on a pay-as-you-go basis		1,388	1,241
Increase in net OPEB obligation		3,723	3,581
Net OPEB obligation at beginning of year		-	-
Net OPEB obligation at end of year	$	3,723	3,581

Actuarial methods and assumptions:

Funding interest rate	4.5%
2007/2008 trend rate (Medical/Drugs)	6%/4%
2009/2010 trend rate (Medical/Drugs)	5%/3.6%
Ultimate trend rate (Medical/Drugs)	5%/4%
Year ultimate trend rate rendered	2009/2014
Annual payroll growth rate	2.5%
Actuarial cost method	Projected Unit Credit Method
The remaining amortization period at March 31, 2009	28 years

Note 10 - Corporate Purpose Bonds

As of March 31, 2009 and 2008, UDCs outstanding corporate purpose bonds were as follows (in thousands):

	Coupon rate	Balance at March 31, 2008	Redeemed	Defeased	Balance at March 31, 2009	Maturity date	Sinking Fund Annual Installment Requirements Ranging: From year	Amount	Through year	Amount	Final amount
1996 Senior Lien Bonds (a)											
Serial	5.125 - 5.75	$ 23,435	(15,490)	-	7,945	2010					
Term	5.50	119,640	-	(25,515)	94,125	2015	2010	8,205	2015	12,765	3,090
Term	5.375	5,890	-	(5,890)	-						
		148,965	(15,490)	(31,405)	102,070						
1996 Subordinate Lien Bonds (a)											
Serial	5.40	9,315	(6,130)	-	3,185	2010					
Term	5.50	44,875	-	-	44,875	2017	2010	3,275	2017	2,235	2,235
Term	5.50	24,895	-	-	24,895	2023	2017	1,915	2023	1,930	1,930
Term	5.60	11,460	-	-	11,460	2027	2023	1,855	2027	300	300
		90,545	(6,130)	-	84,415						
2001 Corporate Purpose Senior Lien Bonds (b)											
Serial	3.95 - 4.80	23,615	(2,460)	-	21,155	2010-2017					
Term	5.125	11,640	-	-	11,640	2022	2017	1,010	2022	1,335	1,335
Term	5.20	5,980	-	-	5,980	2025	2022	1,300	2025	1,520	770
		41,235	(2,460)	-	38,775						
2004A Corporate Purpose Subordinate Lien Bonds											
Serial	2.75 - 5.00	26,670	(3,675)	-	22,995	2010-2015					
Term (c)	5.125	42,800	-	-	42,800	2022	2015	2,375	2022	6,685	3,385
		69,470	(3,675)	-	65,795						
Principal outstanding		350,215	(27,755)	(31,405)	291,055						
Less unamortized bond discount		(311)			5						
Unamortized loss on current refundings		(2,307)			(2,172)						
Total		347,597			288,888						
Less current portion		(27,755)			(28,975)						
Total non-current liabilities		$ 319,842			259,913						

(a) Early redemption options may commence in 2006 at 102%. Redemption premium is subject to periodic reductions.
(b) Early redemption options may commence in 2012 at 100%.
(c) Early redemption options may commence in 2014 at 100%.

Note 10 - Corporate Purpose Bonds, Continued

UDC issued its 2001 Corporate Purpose Senior Lien Bonds for $54.2 million in December 2001. The proceeds of the 2001 bonds together with other available funds were applied towards a current refunding of its remaining Section 236 revenue series 1992 A bond. As a result of the refunding, a loss of $3.2 million was recognized and is being amortized over the term of the new bond.

The 2001 refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $3.2 million. This difference, reported in the accompanying consolidated financial statements as a deduction from bonds payable, is being charged to operations through the year 2025. The Corporation completed the refunding to reduce its total debt service payments over the next 25 years by approximately $27 million and to obtain an economic gain of approximately $7.7 million.

The Corporation issued its 2004A Corporate Purpose Subordinate Lien Bonds in the amount of $81.5 million in April 2004. The bonds were issued to fund economic development projects or programs of the Corporation. These bonds are supported with new cash flows from the Port Authority of New York and New Jersey assigned by the State of New York to the Corporation (see note 6). The net present value of the assigned payments amounted to approximately $232 million and $254 million at March 31, 2009 and 2008, respectively.

In June 2007, ESDC defeased $64.7 million Corporate Purpose Senior Lien Bond series 1996. The Corporation has received significant recoveries of principal (as defined in the Corporation's general bond resolution) in the approximate amount of $64.7 million in funds which primarily represent prepayments of the Corporation's housing portfolio mortgages securing the Corporation's Corporate Purpose Bonds. Staff has determined that using these payments and any future payment to defease bonds would result in more closely matching mortgage payments, anticipated principal prepayments and bond debt service. In addition, such defeasance would result in savings to the Corporation compared to a current redemption at a premium, which otherwise would be required if such amount were retained in the redemption account.

In November 2008, UDC defeased $31.4 million of the Corporate Purpose Senior Lien Bond Series 1996 with funds received from repayments of the Corporation's housing mortgages which secure the Corporate Purpose Bonds.

In accordance with the respective bond resolutions, UDC maintains debt service reserve funds equal to the maximum amount of principal maturing (including sinking fund payments) and interest becoming due in any succeeding calendar year. The bonds are further secured by collateral (see note 4).

Annual principal maturities and interest obligations for the next five years following March 31, 2009 are as follows (in thousands):

	Principal	Interest	Total
2010	$ 28,975	14,944	43,919
2011	30,225	13,417	43,642
2012	32,170	11,816	43,986
2013	33,850	10,102	43,952
2014	33,875	8,297	42,172
	$ 159,095	58,576	217,671

Aggregate principal maturities subsequent to 2014 are approximately $132.0 million.

Note 11 - Revenue Bonds

At March 31, 2009 and 2008, UDC's outstanding revenue bonds were as follows (in thousands):

	Balances		Coupon	Maturity
(a) Correctional Facilities	2009	2008	rates (%)	dates
Correctional Facilities Revenue Bonds				
1988 Series F	$ 17,118	20,966	zero	2013
1988 Series G	-	8,552	zero	2009
1993 Refunding	38,511	70,389	zero	2010
1993A Refunding	79,445	92,065	5.10 - 6.50	2014
1998 Refunding	1,175	1,530	4.80 - 5.10	2012
Correctional Facilities Service Contract				
1998 - Series A	-	4,955	5.00	2009
1998 - Series B	10,500	20,480	5.25	2010
1999 - Series C	6,770	13,205	5.20 - 5.25	2010
2000 - Series D	16,445	21,390	5.00 - 5.25	2012
2002 - Series A	556,245	570,995	3.30 - 5.50	2017
2002 - Series B	-	1,000,000	Auction Rates	2030
2003 - Series A	5,130	668,680	3.50 - 5.25	2011
Correctional Capital Facilities				
1993 Capital Refunding	1,214	2,380	zero	2010
1993A Capital Refunding	108,030	131,340	5.25 - 6.50	2014
1998 Refunding	2,220	9,500	4.90 - 5.00	2012
Total Correctional Facilities Issues	842,803	2,636,427		
(b) Youth Facilities				
1997 Youth Facilities	-	1,575	5.60	2009
1998 Youth Facilities Service Contract Series A	805	1,570	5.00	2010
2000 Youth Facilities Service Contract Series B	1,425	1,855	5.40 - 5.60	2012
2002 Youth Facilities Service Contract Series C	63,155	71,670	4.00 - 5.00	2020
2003 Youth Facilities Service Contract Series B	13,465	20,030	3.00 - 3.50	2011
Total Youth Facilities Issues	78,850	96,700		

(Continued)

Note 11 - Revenue Bonds, Continued

(c) Personal Income Tax Revenue Bonds (P.I.T.) State Facilities and Equipment	Balances 2009	Balances 2008	Coupon rates (%)	Maturity dates
2002A P.I.T. State Facilities and Equipment	$ 23,625	28,055	3.80 - 5.375	2016
2002C-1 P.I.T. State Facilities and Equipment	62,010	70,470	4.25 - 5.50	2019
2002C-2 P.I.T. State Facilities and Equipment (Taxable)	3,600	4,400	4.50 - 5.15	2013
2003B P.I.T. State Facilities and Equipment	42,340	49,295	2.80 - 5.25	2015
2004A-1 P.I.T. State Facilities and Equipment	237,560	237,560	3.63 - 5.25	2034
2004A-2 P.I.T. State Facilities and Equipment	300,485	300,485	3.63 - 5.50	2025
2004A-3 P.I.T. State Facilities and Equipment	298,550	298,550	Variable Note	2033
2004A-4 P.I.T. State Facilities and Equipment	2,360	4,625	3.00 - 4.00	2010
2005B P.I.T. State Facilities and Equipment	199,035	204,450	3.40 - 5.00	2035
2007B P.I.T. State Facilities and Equipment	285,640	301,085	3.60 - 5.00	2037
2007C P.I.T. State Facilities and Equipment	291,155	313,275	4.00 - 5.00	2037
2009B-1 P.I.T. State Facilities and Equipment	500,225	-	3.00 - 5.25	2038
2009B-2 P.I.T. State Facilities and Equipment	106,795	-	3.96 - 6.45	2018
P.I.T. Economic Development and Housing 2002 Series D	1,870	3,665	4.00	2010
P.I.T. Economic Development and Housing 2003 Series A-1	24,155	28,525	3.00 - 5.00	2014
P.I.T. Economic Development and Housing 2003 Series A-2 (Taxable)	72,485	85,250	3.97 - 4.85	2014
P.I.T. Economic Development and Housing 2003 Series C-1	28,455	29,975	2.40 - 5.00	2023
P.I.T. Economic Development and Housing 2003 Series C-2 (Taxable)	74,345	91,105	2.87 - 4.97	2013
P.I.T. Economic Development and Housing 2004 Series B-1	4,240	4,240	5.00	2015
P.I.T. Economic Development and Housing 2004 Series B-2	10,215	15,785	2.38 - 5.00	2015
P.I.T. Economic Development and Housing 2004 Series B-3 (Taxable)	72,425	92,075	3.83 - 4.51	2013
P.I.T. Economic Development and Housing 2005 Series A-1	120,575	125,395	3.00 - 5.00	2026
P.I.T. Economic Development and Housing 2005 Series A-2 (Taxable)	51,825	58,020	4.29 - 4.73	2016
P.I.T. Economic Development and Housing 2007 Series A	36,130	38,810	3.50 - 5.00	2023

(Continued)

Note 11 - Revenue Bonds, Continued

(c) Personal Income Tax Revenue Bonds (P.I.T.) State Facilities and Equipment, Continued	Balances 2009	2008	Coupon rates (%)	Maturity dates
P.I.T. Economic Development and Housing 2008 Series A-1	$ 462,150	486,110	3.50 - 5.00	2027
P.I.T. Economic Development and Housing 2008 Series A-2	31,415	34,025	3.57 - 4.86	2017
P.I.T. Economic Development and Housing 2009 Series A-1	341,080	-	2.00 - 5.00	2029
P.I.T. Economic Development and Housing 2009 Series A-2 (taxable)	131,125	-	3.50 - 6.50	2019
Total Personal Income Tax Revenue Bonds	3,815,870	2,905,230		
(d) University Facilities				
Columbia University 1989 Series	41,770	44,495	zero	2020
Cornell University 1989 Series	5,593	5,958	zero	2020
Higher Education Applied Technology Grant 1996 Series	-	1,080	5.20	2009
RPI Project 1995 Series	14,880	18,105	5.50 - 6.25	2013
Clarkson University - Loan 1995 Series	8,280	8,815	5.50 - 5.70	2020
Syracuse University - Loan 1995 Series	16,770	18,390	5.50 - 6.00	2017
University Facilities Grants 1995 Series	14,440	15,345	5.50 - 6.00	2021
Total University Facilities Issues	101,733	112,188		
(e) State Office Facilities				
State Office Facilities Lease Rental Bonds Series A (South Mall Facility)	65,562	96,317	zero	2011
State Office Facilities 1995 Refunding Series	175,850	185,900	5.60 - 5.75	2021
Total State Office Facilities Issues	241,412	282,217		
(f) Other Projects				
Sports Facility Assistance Program 1998 Series A	785	1,535	4.75	2010
Community Enhancement Facilities:				
Assistance Program 1998 Series	16,845	21,748	zero - 5.00	2014
Assistance Program 2001 A Series	-	2,560	4.25	2009
Total Other Projects	17,630	25,843		

(Continued)

Note 11 - Revenue Bonds, Continued

(g) Service Contract Refunding	Balances 2009	Balances 2008	Coupon rates (%)	Maturity dates
Service Contract Revenue Refund 2005A	$ 266,545	275,175	3.20 - 5.00	2019
Service Contract Revenue Refund 2005B	51,175	56,210	3.38 - 5.00	2020
Service Contract Revenue Refund 2007A	268,655	270,785	4.00 - 5.25	2029
Service Contract Revenue Refund 2008A	420,000	-	Variable note	2030
Service Contract Revenue Refund 2008B	449,216	-	3.00 - 5.25	2030
Service Contract Revenue Refund 2008C	121,235	-	3.75 - 5.00	2030
Service Contract Revenue Refund 2008D	672,100	-	4.00 - 5.63	2028
Total Service Contract Refunding	2,248,926	602,170		
Total all issues	7,347,224	6,660,775		
Less current portion	(491,922)	(401,494)		
Total non-current special project revenue bonds	$ 6,855,302	6,259,281		

A summary of changes in outstanding revenue bonds at March 31, 2009 and 2008 is as follows:

	2008	Increases	Decreases	2009
Correctional facilities	$ 2,636,427	-	(1,793,624)	842,803
Youth facilities	96,700	-	(17,850)	78,850
Personal income tax revenue bonds	2,905,230	1,079,225	(168,585)	3,815,870
University facilities	112,188	-	(10,455)	101,733
State office facilities	282,217	-	(40,805)	241,412
Other projects	25,843	-	(8,213)	17,630
Service contract refunding	602,170	1,662,551	(15,795)	2,248,926
Total	$ 6,660,775	2,741,776	(2,055,327)	7,347,224

Note 11 - Revenue Bonds, Continued

Revenue bonds issued by UDC on behalf of the State rely on financing and service contracts, leases and subleases with the State. State appropriations are provided to UDC to make payments for debt service (principal and interest) on the bonds and related expenses. Therefore, the financing of all revenue bonds is not expected to result in any net revenue or expense to UDC, since any debt service not covered by available assets is recovered by State appropriation. UDC assets related to these financings as of March 31, 2009 and 2008 are as follows (in thousands):

	2009	2008
Due from State of New York	$ 6,623,331	6,076,272
Debt service reserve	64,215	67,168
Cash and investments	770,641	650,768
Less accrued interest payable	(75,754)	(61,967)
Less other	(35,209)	(71,466)
Bonds payable	$ 7,347,224	6,660,775

Correctional and Youth Facilities Service Contract Revenue Bonds Series A - Defeasance

In October 2007, the Corporation refunded $161.8 million of Correctional and Youth Facilities Service Contract revenue bonds using the proceeds of the Service Contract Revenue Refunding Series 2007A and the net original issuance premium.

At March 31, 2009 and 2008, $781.3 million and $1.3 billion remained outstanding, respectively, and are considered to be defeased.

Service Contract Revenue Refunding Bonds, Series 2007A

In October 2007, ESDC issued its $273.2 million Service Contract Revenue Refunding, Series 2007A. The proceeds in addition to the issuance premium and releases from debt service reserve funds, were used for the purpose of (a) advancing $103.8 million for the refunding of certain lease certificates evidencing the right to receive basic lease payments from the New York State Office of General Services ("OGS") that financed the acquisition of State buildings and other facilities; (b) advancing and currently refunding certain outstanding bonds which were previously issued by ESDC to finance improvement of State correctional facilities, totaling $158.1 million, and bonds previously issued for other purposes incidental to the improvement of communities within the State in the amount of $5.8 million; (c) advancing $5.5 million for the refunding of bonds previously issued by the New York State Housing Finance Authority ("HFA") to repay the State for amounts advanced to finance various housing assistance programs; and (d) paying the cost of issuance of the Series 2007 A Bonds. Two new asset receivable general ledger accounts (due from government agencies principal and interest) were created in order to record the OGS and HFA refunding proceeds, that will offset the debt service payments monies received from the State of New York.

Note 11 - Revenue Bonds, Continued

State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2007C

In October 2007, ESDC issued its $321.7 million State Personal Income Tax Revenue Bonds Series 2007 C. The Series 2007 C were issued for (a) (i) correctional facilities capital projects (the "Correctional Projects"); (ii) youth facilities capital projects (the "Youth Projects"); (iii) funding equipment purchases for the State Departments and agencies, units of the State University of New York and City University of New York and the Unified Court System (the "Equipment Projects"); (iv) financing State Police facilities (the "State Police Project"); (v) financing public projection facilities in the division of Military and Naval Affairs (the "Military and Naval Project"); and (vi) certain improvements to State office buildings and others facilities within the State (the "State Projects"); and (b) paying the cost of issuance of the series 2007 C Bonds.

State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008 A-1 and A-2

In January 2008, ESDC issued its $486.1 million State Personal Income Tax Series 2008 A-1 for the purpose of providing the Corporation with funds which will be used (a) for the payment of a cost of a project, consisting of the financing and refinancing of the costs of (i) financing the Empire Opportunity Fund which provides financial assistance to projects that will facilitate the creation or retention of jobs or increase business activity within a municipality or region of the State (collectively the "EOF Project"); (ii) the capital improvement and development of arts, culture, athletic, housing, child care, education, recreational, transportation and economic development facilities within State communities under the Community Capital Assistance Program (collectively the "CCAP"); (iii) financing the New York State High Technology Development Program which assists in financing the cost of design, financing, site acquisition and preparation, demolition, construction, rehabilitation, acquisition of machinery and equipment, parking facilities, and infrastructure (collectively the "Technology Project"); (iv) the development of economic development projects, including universities development projects, environmental projects, energy projects, initiatives that promote academic research and development projects, or that improve arts and cultural facilities (collectively the "Economic Development Projects"); (v) cultural facilities (collectively the "Cultural Project"); (vi) university development (collectively the "University Project"); (vii) economic development projects which will facilitate the creation or retention of jobs or increase business activity within downtown Buffalo, the Buffalo inner harbor area, surrounding environs (collectively the "Buffalo Project"); (viii) grants, loan or combinations thereof the community enhancements facilities (collectively the "CEFAP Project"); (ix) grants, loans or combinations thereof for strategic investments projects, including environmental projects and projects to conserve, acquire, develop or improve parklands, parks or public recreation areas and economic development projects that will facilitate the creation or retention of jobs or increase business activity within a municipality or region of the State (collectively the "SIP Project"); (x) a subsidy of State funds toward the construction of parking facilities in connection with the development of a new Yankee Stadium Parking Facilities Project); and (xi) a subsidy of State funds toward the construction of certain infrastructure in connection with the Atlantic Yards Land Use Improvement and Civic Project (the "Atlantic Yards Infrastructure Project") and (b) to pay the cost of issuance of the Series 2008 A-1 Bonds.

Note 11 - Revenue Bonds, Continued

Correctional and Youth Facilities Serv Contract Revenue Bonds, Series 2002B - Refunding

In June 2008, the Corporation refunded $875 million of the Correctional and Youth Facilities Contract Service Revenue Series 2002B, using the proceeds and net original issuance premium of the Service Contract Revenue Refunding Series 2008 A&B.

In September 2008, the Corporation refunded $125 million of the Correctional and Youth Facilities Contract Service Revenue Series 2002B, using the proceeds and net original issuance premium of the Service Contract Revenue Refunding Series 2008 C.

Correctional and Youth Facilities Serv Contract Revenue Bonds, Series 2003A - Refunding

In November 2008, the Corporation refunded $663.5 million of the Correctional and Youth Facilities Contract Service Revenue Series 2003A, using the proceeds and net original issuance premium of the Service Contract Revenue Refunding Series 2008 D.

Service Contract Revenue Refunding Bonds, Series 2008A&B

In June 2008, UDC issued its Service Contract Revenue Refunding Bond, $420.0 million Series 2008A, and $450.4 million Series 2008B. The proceeds in addition to the issuance premium of the Series 2008A and 2008B bonds were used for the purpose of (a) refunding certain of the Corporation's Correctional and Youth Facilities Service Contract Revenue Bonds, Series 2002B (the "Series 2002B Bonds") previously issued by the Corporation that were used to refund certain bonds previously issued by the Corporation to fund a portion of the costs of certain correctional facilities of the State and (b) paying the costs of issuance of the Series 2008A Bonds and the Series 2008B Bonds.

Service Contract Revenue Refunding Bonds, Series 2008C

In September 2008, UDC issued its $123.6 million Service Contract Revenue Refunding Bond, Series 2008C. The proceeds in addition to the issuance premium of the Series 2008C bonds were used for the purpose of (a) refunding certain of the Corporation's Correctional and Youth Facilities Service Contract Revenue Bonds, Series 2002B-1 (the "Series 2002B-1 Bonds") previously issued by the Corporation that were used to refund certain bonds previously issued by the Corporation to fund a portion of the costs of certain correctional facilities of the State and (b) paying the costs of issuance of the Series 2008C Bonds.

Service Contract Revenue Refunding Bonds, Series 2008D

In November 2008, UDC issued its $672.1 million Service Contract Revenue Refunding Bond, Series 2008D. The proceeds in addition to the issuance premium of the Series 2008D bonds were used for the purpose of (a) refunding the Corporation's Correctional and Youth Facilities Service Contract Revenue Bonds, Series 2003A (the "Series 2003A bonds") maturing on January 1, 2021, January 1, 2027 and January 1, 2028 previously issued by the Corporation, that were issued to refund certain bonds previously issued by the Corporation to fund a portion of the cost of certain correctional facilities of the State and (b) paying the cost of issuance of the Series 2008D.

Note 11 - Revenue Bonds, Continued

State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2009 A-1&2

In January 2009, ESDC issued its $341.1 million State Personal Income Tax Revenue Bonds Series 2009A-1 for the purpose of providing the Corporation funds which will be used (a) for the financing and reimbursement of the costs of (i) a program designed to encourage economic development and neighborhood growth by providing municipalities with financial assistance for revitalization of commercial and residential properties within the State (collectively the "Restore Communities Project"); (ii) the New York State Technology and Development Program, which assists in financing the costs of design, financing, site acquisition and preparation, demolition, construction, rehabilitation, acquisition of machinery and equipment, parking facilities, and infrastructure (collectively the "Technology Project"); (iii) various grants, loans or combinations thereof for economic initiatives (collectively the "Economic Initiatives Projects"); (iv) the Investment Opportunity Fund, which will facilitate the creation or retention of jobs or increase investment or business activity within various municipalities or regions of the State, or academic research and development efforts that promote the development of life sciences and high technology initiatives including genomics and biotechnology research (collectively the "Investment Opportunity Project"); (v) the Upstate regional Blueprint Fund, which consists of financing the Upstate Revitalization Fund and, in support thereof, focuses on intellectual capital capacity building, investment products, applied research and development, opportunity for foreign investment and international exports and infrastructure requirement to, attract new business or expand existing business in the Upstate region of the State (collectively the "Upstate Blueprint Regional Project"); (vi) the development of various economic development projects including specifically the following: EDF Capital Project, Downstate Regional Project, Upstate City by City project, Luther Forest Infrastructure Project and the New York State Economic Assistance Project (collectively the "Economic Development Project"); (vii) the New York State Economic Development Program, which consists of financing various economic development projects outside cities with a population of one million or more (collectively the "NYS Economic Development Program Project"); (viii) the regional Economic Program, which assists in financing grants, loans or combinations thereof for related cost of design, financing, site investigations, site acquisition and preparation, demolition, construction, rehabilitation acquisition of machinery and equipment, and infrastructure improvement (collectively the "Regional project"); (ix) a subsidy of State funds toward certain infrastructure in connection with the construction of the new stadium in Queens, including, but not limited to, site acquisition, infrastructure, public amenities, environmental remediation, parking, transit improvements, extraordinary piling (collectively the "Queens Stadium Project"); (x) a subsidy of State funds toward the construction of parking facilities in connection with the development of the new Yankee Stadium pursuant to the Parking Facilities Agreement (collectively the "New Yankee Stadium Parking Facilities Project"); and (xi) a subsidy of State funds toward the construction of certain infrastructure in connection with the Atlantic Yards Land Use Improvements and Civic Project (collectively the "Atlantic Yards Infrastructure Project"); and (b) to pay for the cost of issuance of the Series 2009A-1 incurred by the Corporation.

Note 11 - Revenue Bonds, Continued

The $131.1 million State Personal Income Tax Revenue Bonds Series 2009A-2 (Federally Taxable) were issued for the purpose of providing the Corporation funds which will be used (a) for the financing and reimbursement of the costs of (i) the development and/or expansion of an international computer chip research and development center (collectively the "Sematech Project"); and (ii) the taxable portion of the New York State High Technology Development Program which assists in financing the cost of design, financing, site acquisition and preparation, demolition, construction, rehabilitation, acquisition of machinery and equipment, parking facilities, and infrastructure (collectively the "Taxable technology Project"); and (b) to pay for the cost of issuance of the Series 2009A-2 incurred by the Corporation.

State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2009 B-1&2

In January 2009, ESDC issued its $500.2 million State Personal Income Tax Revenue Bonds Series 2009B-1 for the purpose of providing the Corporation funds which will be used (a) for the financing and reimbursement of the costs of (i) correctional facilities capital projects (collectively the "Correctional Facilities Project"); (ii) youth facilities capital projects (collectively the "Youth Facilities Project"); (iii) equipment purchases for State departments and agencies, units of the State University of New York and City University of New York and the unified Court System (collectively the "Equipment Project"); (iv) State police facilities (collectively the "State Police Project"); (v) public protection facilities in the Division of Military and Naval Affairs (collectively the "Military and Naval Project"); (vi) certain capital project for office technology facilities, debt services and leases within the State (collectively the "OFT Project"); (vii) New York Court Facilities (collectively the "Court Facilities Project"); and (viii) certain improvements to State office buildings and other facilities within the State (collectively the "State Project"); and (b) to pay for the cost of issuance of the Series 2009B-1 incurred by the Corporation.

The $106.7 million State Personal Income Tax Revenue Bonds Series 2009B-2 (Federally Taxable) were issued for the purpose of providing the Corporation funds which will be used (a) for the payment of the Costs of the Project, consisting of the financing and reimbursement of the costs of certain racetrack within the Sate (collectively the "NYRA Project"); and (b) to pay for the cost of issuance of the Series 2009B-2 incurred by the Corporation.

In January 2008, ESDC issued its $34 million State Personal Income Tax Series 2008 A-2 (Federally Taxable) for the purpose of providing the Corporation with funds which will be used (a) for the financing and refinancing of the costs of (i) financing the taxable portion of the New York State Technology Development Program which assists in financing the cost of design, financing, site acquisition and preparation, demolition, construction, rehabilitation, acquisition of machinery and equipment, parking facilities, and infrastructure (collectively the "Taxable Technology Project"); and (ii) taxable economic development projects which will facilitate the creation or retention of jobs or increase business activity within downtown Buffalo (collectively the "Taxable Buffalo Project"); and (b) to pay the cost of issuance of the Series 2008 A-2 Bonds.

Note 11 - Revenue Bonds, Continued

Annual maturities and interest obligations on Revenue Bonds for the five years following March 31, 2009 are as follows (in thousands):

	Principal	Interest (a)	Total
2010	$ 491,922	325,757	817,679
2011	492,863	301,018	793,881
2012	450,954	280,336	731,290
2013	458,235	259,425	717,660
2014	454,315	237,760	692,075
	$ 2,348,289	1,404,296	3,752,585

(a) Excludes variable rate interest.

Aggregate principal maturities subsequent to 2014 are approximately $5.0 billion.

Interest Rate Transactions

The Corporation periodically uses interest rate swap agreements to moderate its exposure to interest rate changes.

The Corporation is party to interest rate swap agreements in connection with its $1.0 billion Series 2002B Correctional and Youth Facilities Service Contract Revenue Bonds. Under the swaps, the Corporation has effectively converted terms of the underlying debt obligations from a variable to a fixed rate. Under the terms of the agreements, the Corporation pays a fixed rate to the related counter party of 3.578% and receives a variable rate equivalent to 65% of the 30 day USD-LIBOR rate. The maturities of the swaps are equal to the maturities of Series 2002B bonds, amortization begins in 2017 with a final maturity of 2030. The Corporation is fully reimbursed by the State for all payments related to the swaps.

The Corporation is party to interest rate swap agreements in connection with its $420.0 million Series 2008A Service Contract Revenue Refunding Bonds. Under the swaps, the Corporation has effectively converted terms of the underlying obligations from a variable to a fixed rate. Under the terms of the agreements, the Corporation pays a fixed rate to the related counterparty of 3.578% and receives a variable rate equivalent to 65% of the 30 day USD-LIBOR rate. The maturity and amortization of these swaps correspond to the maturity and amortization of the underlying variable rate bond issue. The Corporation is fully reimbursed by the State for all payments related to swaps.

In fiscal 2005, the Corporation entered into interest rate swap agreements in connection with its $300.4 million Series 2004A-2 State Personal Income Tax Revenue Bonds (State Facilities and Equipment), $298.6 million Series 2004A-3 State Personal Income Tax Revenue Bonds (State Facilities and Equipment), $50.9 million Series 2004A-4 State Personal Income Tax Revenue Bonds (State Facilities and Equipment) and $30.5 million Series 2004B-2 State Personal Income Tax Revenue Bonds (Economic Development and Housing). Under the Series 2004A-2, 2004A-4 and 2004B-2 swaps agreements, the Corporation pays a variable rate equivalent to the weighted average USD-BMA Municipal Swap Index to the counter parties and receives a fixed interest rate

Note 11 - Revenue Bonds, Continued

payment ranging from 2.575% to 2.856%. Under the Series 2004A-3, the Corporation receives a variable rate equivalent to 65% of the 30 day USD-LIBOR rate and pays a fixed rate to the related counter parties of 3.490%. The maturities of the swaps are equal to the maturities of Series 2004A and 2004B bonds amortization ranging from 2005 to 2033. The Corporation is fully reimbursed by the State for all payments related to the swaps.

The fair value of the swaps are recorded as a receivable from or payable to the State.

Note 12 - New York Convention Center Development Corporation Revenue Bonds

In November 2005, CCDC a subsidiary of UDC, issued its $700 million Series 2005 Revenue Bonds (Hotel Unit Fee secured) for the purpose of (a) financing the capital expansion project, which consists of expanding and renovating the Jacob K. Javits Convention Center located in New York City; (b) prepaying a loan made to the New York Convention Center Operating Corporation used to acquire a property for eventual use in the project; (c) funding certain reserves; (d) and paying for the cost of issuance. The bonds are/will be repaid from revenues already received and to be received by CCDC from hotel unit fees imposed on certain rentals of hotel rooms located within all five boroughs of New York City.

UDC, as well as CCDC, maintain debt service reserve funds in accordance with the terms of the individual bond resolutions and enabling legislation.

As of March 31, 2009 and 2008, CCDC's outstanding Revenue Bonds were as follows (in thousands):

2005 Revenue Bonds	Balances 2009	Balances 2008	Coupon rates (%)	Remaining payments to
Serial	$ 95,800	95,800	3.50-5.00	2045
Term	50,930	50,930	5.00	2030
Term	121,000	121,000	5.00	2035
Term	357,270	357,270	5.00	2044
Term	75,000	75,000	4.75	2045
	700,000	700,000		
Unamortized bond premium	11,810	12,376		
	$ 711,810	712,376		

Interest is payable semiannually on November 15th and May 15th of each year and principal is paid annually on November 15th beginning in 2009. Early redemption options may commence in 2016 at 100%.

Note 13 - Other Project Revenue Bonds

Other project revenue bonds have been issued and secured loans originated in connection with specific economic development projects. The balances on these bonds at March 31, 2009 and 2008 is as follows (in thousands):

	2009	2008
Non-recourse bonds bearing interest at 7.5% and 10.75% payable to lending institutions in equal monthly installments, including interest, through January 2016 (two collateralized by industrial properties and a hotel)	$ 1,942	2,152
Less current portion	(226)	(210)
Non-current portion	$ 1,716	1,942

At March 31, 2009, required annual principal payments on other project revenue bonds for the next five years and thereafter are as follows (in thousands):

2010	$ 226
2011	244
2012	263
2013	283
2014	305
Thereafter	621
	$ 1,942

Note 14 - Other Financing

On March 30, 2007, UDC completed the purchase of the James A. Farley Post Office Building and entered into two financing agreements totaling $205 million. The first note of $75 million was issued to a bank and requires semi-annual payments of interest only at the rate of 5.375% per annum. Principal together with all accrued but unpaid interest is due in April 2010. The second note was issued to the United States Postal Service for $130 million. Payments on the note were/are due on the following dates: (a) On June 30, 2007, $45 million as adjusted by the March 30, 2007 Consumer Price Index ("CPI"); (b) On June 30, 2008, $30 million as adjusted by the March 30, 2007 CPI; (c) the remaining balance of $55 million is being deferred and payable from tenants' project revenues as described more fully in the funding agreement.

Note 15 - Pollution Remediation Obligations

The Corporation implemented GASB Statement No. 49 in the year ended March 31, 2009. In accordance with GASB Statement No. 49, the Corporation restated certain accounts in the year ended March 31, 2008. The Corporation recognized a pollution remediation expense provision amounting to $68.4 million and a corresponding liability was recorded in the Statement of Net Assets for periods prior to the year ended March 31, 2008. The Corporation expects to recover remediation expense for periods prior to the year ended March 31, 2008 from third parties and has

Note 15 - Pollution Remediation Obligations, Continued

recorded a receivable in the amount of $33.9 million. No pollution remediation expense provision was recognized in the year ended March 31, 2008. In the year ended March 31, 2009, the Corporation recognized a pollution remediation expense provision of $38.8 million and a corresponding liability was recorded in the Statement of Net Assets. The expense provision was measured at its current value utilizing the prescribed expected cash flow method.

As of March 31, 2009, the pollution remediation liability totaled $69.8 million, primarily consisting of future remediation activities associated with asbestos removal, removal of other hazardous materials and soil contamination.

The following restatements were recorded to the 2008 financial statements in accordance with GASB Statement No. 49:

	Balance as previously stated	Restatement	Balance as restated
Other current assets	$ 104,099	15,978	120,077
Real property and office equipment, net	947,315	(185)	947,130
Other assets	70,885	6,600	77,485
Pollution remediation liability	-	(56,893)	56,893
Net assets	1,579,520	(34,500)	1,545,020

Note 16 - Other Liabilities

Other liabilities at March 31, 2009 and 2008 consist of the following (in thousands):

	2008	Increases	Decreases	2009
Advances from Port Authority Regional Economic Development Fund - revolving loan program	$ 120,938	9,880	-	130,818
Restricted funds for grants, economic development programs and special projects/bonds	64,216	11,782	-	75,998
Deferred gain on sale leaseback (a)	67,564	-	(12,647)	54,917
Other loan and revolving loan programs - advances from State	9,897	8	(49)	9,856
Advances from Empire State Local Development Corporation	17,000	-	(17,000)	-
Post-employment benefits other than pensions	3,581	3,724	-	7,305
Other accruals	40,903	895	(1,698)	40,100
	324,099	26,289	(31,394)	318,994
Less current portion	(89,511)			(78,278)
Noncurrent portion	$ 234,588			240,716

Note 16 - Other Liabilities, Continued

(a) On November 9, 2006, the Corporation sold its corporate headquarters (633 Third Avenue) with the intent of relocating to another site. The sale resulted in a gain of $74.4 million. Subsequent to the sale, ESDC senior management during fiscal year 2008 decided not to move but rather to sublease the 633 Third Avenue premises from the purchaser. As a result, the gain is being deferred and amortized over the term of the sublease agreement. In July 2007, the Corporation entered into a lease agreement with a term of six years and lease payments commenced on August 15, 2007.

Note 17 - Appropriations Repayable Under Prescribed Conditions

A recapitalization of UDC, involving the State and New York State Project Finance Agency ("PFA"), a corporate governmental agency constituting a public benefit corporation, took place during the years 1975 through 1978. PFA was created to provide funds to UDC to complete its outstanding development projects.

The appropriations repayable under prescribed conditions originated from the recapitalization of UDC. The State advanced $162.6 million to UDC and $198.1 million to PFA. The PFA obligation was assigned to UDC creating a total amount repayable of $360.7 million. Since 1978, UDC has repaid $163.1 million to the State. The remaining balance of the obligation at March 31, 2009 and 2008 amounted to $197.6 million.

The "prescribed conditions" for repayment require that at no time shall the Director of the Budget of the State of New York ("Director") request repayment of an amount greater than the excess of UDC's aggregate revenues and receipts from operations (excluding borrowings, proceeds of sales of assets and appropriations) during its preceding fiscal year over the aggregate amount payable by UDC during the preceding fiscal year for expenses (including reasonable reserves for contingencies as approved by the Director) and debt service (without regard to any refunding of debt).

The prescribed conditions for repayment were modified in 1997 by the provisions of Chapter 309 of the Laws of 1996 which require that resources provided by UDC's corporate purpose bonds, issued in connection with a 1996 refunding of UDC's original bonds (the "1996 Refunding") be made available to assist the New York Job Development Authority ("JDA") in meeting its lawfully incurred debts and obligations through the year 2010, and to provide up to $10 million over four years for its Housing Repairs and Modernization Fund.

As of March 31, 2009, UDC may be required, if and when notified by the State, to provide JDA, through 2011, with annual amounts ranging from $10 million to $10.7 million, depending on anticipated annual cash flow savings from the 1996 Refunding. No payments were made to JDA in 2009 and 2008. No additional payments are anticipated during 2010.

It is also anticipated that the $25.3 million due from JDA for reimbursement to UDC for administrative expenses incurred on behalf of JDA as of March 31, 2009 ($24.6 million as of March 31, 2008), may also be credited against appropriations repayable under prescribed conditions. UDC has accrued interest on the amount due from JDA since 1997. The interest rate used is the annualized average weighted yield earned by UDC on its investment portfolio. The cumulative interest earned, which covers the last twelve fiscal years, is $7.0 million.

Note 17 - Appropriations Repayable Under Prescribed Conditions, Continued

Included with amounts due from JDA is $8.7 million at both March 31, 2009 and 2008, related to grant funds held by the Authority for UDC related grants for which there is no interest calculated.

During the year ended March 31, 2008, ESLDC advanced $17 million to UDC for payment required in connection with the acquisition of the Farley building in relation to the development of the Moynihan Station. During the year ended March 31, 2009, UDC repaid the $17 million advance to ESLDC.

Note 18 - Retirement Plans

(a) Deferred Compensation and Post-Retirement Benefits

Some employees of UDC have elected to participate in the State's deferred compensation plan in accordance with Internal Revenue Code section 457. UDC has no liability related to this plan.

Continued health insurance coverage is the only post-retirement benefit provided to UDC employees. The coverage is provided to former employees at a shared rate. It is administered through the New York State Department of Civil Service Employee Benefits Division. Full-time employees who are vested and choose to terminate employment or who retire and draw a pension from the New York State Employees Retirement System are eligible for this benefit.

(b) State Employees' Retirement System

UDC participates in the New York State and Local Employees' Retirement System (the "System") which is a multiple public employer cost-sharing system. The System offers a wide range of plans and benefits, which are related to years of service and final average salary, and provides for death and disability benefits and for optional methods of benefit payments. All benefits generally vest after five years of credited service.

The Comptroller of the State of New York serves as sole trustee and administrative head of the System. Plan benefits are provided under the provisions of the New York State Retirement and Social Security Law and are guaranteed by the State Constitution. Once a public employer elects to participate in the System, the election is irrevocable. The Plan cannot be terminated and Plan benefits cannot be diminished or impaired. Benefits can be reduced for future members only by an act of the State Legislature.

Participating employers are required under the New York State Retirement law and Social Security law to contribute annually to the System. The funding of the System is accomplished through member and employer contributions and the investment earnings on these contributions, according to the New York State Retirement and Social Security Law. The aggregate actuarial funding method is used by the System. Generally, participating employers that have adopted the same benefit plans contribute at the same rate of pay. Generally, all employees, except certain part-time employees, participate in the System. The total payroll for all UDC employees for the years ended March 31, 2009 and 2008 amounted to $30.6 million and $29.1 million, respectively. UDC is billed annually for retirement contributions, which amounted to $1.9 and $2.7 million, for the years ended March 31, 2009 and 2008, respectively.

Note 19 - Commitments and Contingencies

Commitments and contingencies at March 31, 2009 consist of the following:

(a) Legal Actions

UDC and its subsidiaries have been named as defendants in legal actions arising in the normal course of its economic development operations, ranging from breach of contract to condemnation proceedings in connection with various economic development initiatives, including the Times Square redevelopment project. In addition, defendants in mortgage loan foreclosure proceedings initiated by UDC have asserted defenses and counterclaims for damages. UDC believes that the ultimate outcome of the legal actions arising in the normal course of operations will not have a material adverse effect on its financial condition.

Of note are exposures arising from the ownership of 130 Liberty Street, New York, New York, by Lower Manhattan Development Corporation (LMDC), a UDC subsidiary. Numerous consultants and contractors have been hired in connection with the abatement and deconstruction of the building located on the parcel (Building). LMDC is named in numerous pending and threatened claims related to activities at the Building. A number of personal injury claims have been filed, some related to a fire at the Building on August 18, 2007, and some related to other construction accidents at the Building. All such claims are being vigorously defended by LMDC, and LMDC has been dismissed from one proceeding with prejudice (Rodriguez v. City of New York et al., Index No. 104734/05 (Sup. Ct. N.Y. County). Management believes that the ultimate outcome of all of these legal actions will not have a material adverse effect on either LMDC's or UDC's financial condition. LMDC also faces claims on contracts associated with work at the Building. In August 2007, The John Galt Corp., subcontractor (Galt), was terminated by Bovis Lend Lease LMB (Bovis), LMDC's general contractor at the building. Galt instituted an action against Bovis and LMDC for breach of contract and wrongful termination, among other claims. LMDC has moved to dismiss the case, and remains optimistic that its motion will be granted or the claims resolved in LMDC's favor. Additionally, LMDC was sued by Bovis regarding alleged change orders, extra work, extensions of time and excusable delay, all claimed to be the basis for additional payments due to Bovis above the lump sum amount specified in its contract. Funds have been set aside at LMDC covering $30 million in anticipated additional payments, and LMDC's Board of Directors authorized an additional $37.5 million for such payments at their June 2008 meeting, based upon revised estimates. The total cost of the project would ultimately be reduced by the amount of any recovery or reimbursement received as a result of claims or litigation involving Bovis, insurance and certain contracts relating to 130 Liberty Street.

(b) Letters of Credit and Credit Guarantees

UDC maintains four unused irrevocable letters of credit with a bank for $39.8 million, $14.1 million, and two $101.1 million. These letters of credit support transactions with the New York State Insurance Fund in connection with certain correctional facility and university facility revenue bonds where in exchange for prior years advances, UDC pledged the annual stream of interest income on the debt service reserve funds. The other two support variable rate demand notes issued as of 2008. The transactions had no impact on the financial position of UDC.

Note 19 - Commitments and Contingencies, Continued

(c) Construction

The Corporation has contracts in place for construction at several sites, which are in varying states of completion. The total value of contracts outstanding at March 31, 2009 is approximately $411.7 million.

Note 20 - Accounting Standards Issued But Not Yet Implemented

GASB Statement No. 51 - "Accounting and Financial Reporting for Intangible Assets," establishes accounting and financial reporting requirements for intangible assets in an effort to reduce inconsistencies in accounting and financial reporting of intangible assets. The requirements of the statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning April 1, 2010 for the Corporation. This statement is not expected to have a material effect on future financial statements of the Corporation.

GASB Statement No. 52 - "Land and Other Real Estate Held as Investments by Endowments," establishes consistent standards for the reporting of land and other real estate held as investments by similar entities and requires endowments to report their land and other real estate investments at fair value. The requirements of the statement are effective for periods beginning after June 15, 2008, which is the fiscal year beginning April 1, 2009 for the Corporation. This statement is not expected to have a material effect on future financial statements of the Corporation.

GASB Statement No. 53 - "Accounting and Financial Reporting for Derivative Instruments," addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments, and requires governments to test the effectiveness of derivative instruments, and record ineffective derivative instruments at fair value. The requirements of the statement are effective for periods beginning after June 15, 2009, which is the fiscal year beginning April 1, 2010 for the Corporation. Based on current investment policy this statement is not expected to have a material effect on the future financial statements of the Corporation, however, derivatives are being used by the Corporation, and may continue to be again in the future.

GASB Statement No. 54 - "Fund Balance Reporting and Governmental Fund Type Definitions," enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. The requirements of the statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning April 1, 2011 for the Corporation. Management has not yet determined the effect that this statement will have on the future financial statements of the Corporation.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE, INCLUDING COMPLIANCE WITH INVESTMENT GUIDELINES, AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
New York State Urban Development
Corporation and Subsidiaries:

We have audited the consolidated financial statements of New York State Urban Development Corporation and Subsidiaries (the "Corporation"), a component unit of the State of New York, as of and for the year ended March 31, 2009, and have issued our report thereon dated May 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Investment Guidelines for Public Authorities issued by the New York State Office of the State Comptroller.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including Investment Guidelines for Public Authorities and the Corporation's investment guidelines, and other matters, noncompliance with which could have a direct and material effect on the determination of the financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such as opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board, management, others within the organization, and the New York State Office of State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

Toski, Schaefer & Co., P.C.

Williamsville, New York
May 29, 2009