NEW YORK CONVENTION CENTER
DEVELOPMENT CORPORATION

(A Subsidiary of New York State
Urban Development Corporation)

Financial Statements and
Independent Auditors' Report

March 31, 2011 and 2010

NEW YORK CONVENTION CENTER
DEVELOPMENT CORPORATION

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TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT

The Board of Directors
New York Convention Center
Development Corporation:

We have audited the accompanying statements of net assets of New York Convention Center Development Corporation (the "Corporation"), a subsidiary of New York State Urban Development Corporation, as of March 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Convention Center Development Corporation as of March 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2011, on our consideration of New York Convention Center Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

EMAIL: toski@toskischaefer.com
WEBSITE: www.toskischaefer.com

Management's discussion and analysis as presented on pages 3 to 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Toski, Schaefer & Co., P.C.

Williamsville, New York
June 3, 2011

Our discussion and analysis of New York Convention Center Development Corporation's ("NYCCDC" or the "Development Corp.") financial performance provides an overview of the Development Corp.'s financial activity for the fiscal years ended March 31, 2011 and 2010. Please read it in conjunction with the financial statements.

Overview

NYCCDC was created by State Legislation in 1979 ("the 1979 Act") as a subsidiary of the New York State Urban Development Corp. ("UDC") to plan, design, develop and construct a convention and exhibition center in the City of New York (the "Facility"). The Facility was completed and began operations in 1986 as the Jacob K. Javits Convention Center (the "Javits Center"). The Javits Center has a gross convention program area of 1,932,000 square feet, which includes 1,594,776 square feet of enclosed convention center area and the remainder consists of the loading dock area and the inner roadway/drop off area. In addition, NYCCDC owns the two acre park at 11th Avenue and 35th Street as well as the block between 11th and 12th Avenues and 33rd and 34th Streets.

The 1979 act authorized the formation of the New York Convention Center Operating Corporation ("NYCCOC"), a public benefit corporation, to operate the Javits Center after completion of its construction and appropriated state funds for the initial working capital requirements of that entity. The rights to the Javits Center are leased to the Triborough Bridge and Tunnel Authority ("TBTA") by the Development Corp. which in turn are subleased to the State. The State, in turn, subleases the Javits Center to NYCCOC.

Upon completion of the construction of the Javits Center, the NYCCDC's main function was to administer/defend itself in a number of lawsuits brought against NYCCDC for various reasons. Between 1995 and 2000 NYCCDC was able to settle the six remaining lawsuits against it which produced $13 million in net payments. The other function of NYCCDC has been to invest the proceeds of the settlements and provide some funds for renovations and major repairs to the Javits Center.

In 2004, the Legislature, finding the existing Javits Center too inadequate to accomplish its economic development objectives, amended the legislation to provide funding for an expansion and renovation of the convention center through the issuance of bonds. In 2005, the Development Corp. issued $700 million in Hotel Unit Fee-secured Revenue Bonds ("the Hotel Bonds") to fund the expansion and renovation. The Bond issue was supported by a $1.50 per night hotel tax imposed for a 40 year period on hotel room rentals in the five boroughs of New York City.

In fiscal 2007, NYCCDC acquired the Yale Building Site for $62.4 million which resulted in an addition to the assets of NYCCDC which are capitalized as part of the land costs. The purchase was made in anticipation of the renovation and expansion of the Javits Center.

The NYCCDC adopted a General Project Plan ("the 2009 GPP") on March 2, 2009 for the renovation and expansion of the Javits Center. The 2009 GPP was affirmed by ESDC on March 19, 2009 and approved by the Public Authorities Control Board on July 1, 2009. The 2009 GPP provides for the renovation of the Javits Center and expansion of the Center on the block bounded by 39th Street, 11th Avenue, 40th Street and 12th Avenue. Construction is scheduled and sequenced to maintain existing operations at all times.

In June 2010, the $38.750 million expansion was completed on schedule and on budget. This 110,000 gross square foot pre-engineered structure has been well received by the convention industry and has provided the Javits Center with a unique space that is marketable to a new customer base. In March 2011, Javits Center North hosted The TV Land Awards, a nationally televised television awards dinner, a first for the Convention Center.

In July 2010, construction started on the $391 million renovation program, major components of which include: replacement of the exterior Curtain wall, the roof, and the heating and cooling system, painting of the structural space frame and selected interior renovation. Significant features of the renovation program include the largest green roof on the eastern seaboard and will achieve LEED silver status. At March 31, 2011, the renovation was 30% completed, on schedule, under budget and anticipated to be completed in 2013.

A summarized statement of NYCCDC's assets, liabilities and net assets at March 31, 2011 and 2010 is as follows:

Condensed Statements of Net Assets (in Thousands)

Assets	2011	2010
Current assets	$ 452,320	547,019
Non-current assets:		
Investments - debt service reserve	66,431	66,234
Capital assets, net	610,875	481,739
Unamortized bond finance costs	16,823	17,475
Total assets	$ 1,146,449	1,112,467

Liabilities and Net Assets		2011	2010
Current liabilities	$	32,375	25,609
Bonds payable		710,494	711,154
Deferred interest earnings		1,168	1,168
Total liabilities		744,037	737,931
Net assets:			
Invested in capital assets, net of related debt		328,706	300,878
Restricted for debt service payments		66,431	66,234
Unrestricted		7,275	7,424
Total net assets		402,412	374,536
Total liabilities and net assets	$	1,146,449	1,112,467

A summarized statement of NYCCDC's revenue, expenses and changes in net assets for the years ended March 31, 2011 and 2010 is as follows:

Condensed Statements of Revenue, Expenses
and Changes in Net Assets (in Thousands)

		2011	2010
Operating revenue	$	39,309	33,258
Operating expenses		(11,433)	(11,506)
Excess of revenue over expenses		27,876	21,752
Net assets at beginning of year		374,536	352,784
Net assets at end of year	$	402,412	374,536

Financial Highlights

NYCCDC's assets approximated $1.146 billion and $1.112 billion at March 31, 2011 and 2010, respectively. The increase of $34 million is primarily due to a $1 million increase in hotel unit fee receivable and a $129 million increase in the investment in capital assets related to an increase in capital renovations and improvements to the Convention Center. This increase was offset by a $96 million decrease in restricted investments.

NYCCDC's total liabilities approximated $744 million and $738 million at March 31, 2011 and 2010, respectively. The increase of $6 million is primarily due to an increase in capitalized expenses of $6.7 million, which was partially offset by a decrease in bonds payable premium income of $0.7 million.

NYCCDC's operating revenue approximated $39.3 million and $33.2 million for the years ended March 2011 and 2010, respectively. The increase of $6.1 million is due primarily to an increase in collection of the hotel unit fee as a result of increased travel to New York largely from international destinations whose currency has increased in value in the U.S.

NYCCDC's operating expenses approximated $11.4 million and $11.5 million for the years ended March 31, 2011 and 2010, respectively. The decrease of $0.1 million is due primarily to a reduction of general and administrative expenses. The operating expenses consisted of $0.4 million for salaries, benefits and other administrative expenses and $11 million for depreciation expense.

Anticipated Future Transactions

During FYE 2012, the Development Corp. will undertake preparation of a General Project Plan ("GPP") for a site owned between 35th and 36th streets on 11th Avenue in the borough of Manhattan. Upon completion of the GPP, it is the Development Corp.'s intent to market this property for sale or long-term lease and use the proceeds to fund additional renovation of the Javits Center.

Request for Information

This financial report is designed to provide a general overview of the Development Corp's finances for all those with an interest in the New York Convention Center Development Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial and Administrative Officer, New York Convention Center Development Corporation d/b/a Empire State Development, 633 Third Avenue, New York, New York 10017.

FINANCIAL STATEMENTS

NEW YORK CONVENTION CENTER
DEVELOPMENT CORPORATION

Statements of Net Assets
March 31, 2011 and 2010

Assets	2011	2010
Current assets:		
Cash and equivalents	$ 454,408	154,567
Hotel unit fee and other receivables	9,560,817	8,490,974
Investments restricted ($6,822,241 unrestricted in 2011 and $7,423,309 unrestricted in 2010)	442,304,314	538,373,101
Total current assets	452,319,539	547,018,642
Investments - debt service reserve	66,430,585	66,234,183
Investments in capital assets, net of accumulated depreciation	610,874,948	481,738,234
Unamortized bond finance costs	16,823,435	17,475,445
Total assets	$ 1,146,448,507	1,112,466,504
Liabilities and Net Assets		
Current liabilities:		
Accrued interest payable	13,128,921	13,130,177
Due to New York Convention Center Operating Corporation	3,365,742	3,365,742
Due to New York State Urban Development Corporation	160,218	21,896
Accounts payable and accrued expenses	15,720,462	9,091,180
Total current liabilities	32,375,343	25,608,995
Bonds payable	710,493,694	711,154,340
Deferred interest earnings	1,167,642	1,167,642
Total liabilities	744,036,679	737,930,977
Net assets:		
Common stock (note 1)	200	200
Invested in capital assets, net of related debt	328,705,499	300,877,835
Restricted for debt service payments	66,430,585	66,234,183
Unrestricted	7,275,544	7,423,309
Total net assets	402,411,828	374,535,527
Contingencies (note 9)		
Total liabilities and net assets	$ 1,146,448,507	1,112,466,504

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
DEVELOPMENT CORPORATION

Statements of Revenue, Expenses and Changes in Net Assets
Years ended March 31, 2011 and 2010

		2011	2010
Operating revenue	$	39,308,777	33,257,859
Operating expenses:			
Salaries and benefits		348,877	417,422
Other administrative expenses		107,831	112,946
Depreciation		10,975,767	10,975,766
Total operating expenses		11,432,475	11,506,134
Excess of revenue over expenses		27,876,302	21,751,725
Net assets at beginning of year		374,535,527	352,783,802
Net assets at end of year	$	402,411,829	374,535,527

See accompanying notes to financial statements.

NEW YORK CONVENTION CENTER
DEVELOPMENT CORPORATION

Statements of Cash Flows
Years ended March 31, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Cash received from operations	$	38,239,801	33,963,898
Cash paid for operating expenses		(457,575)	(530,368)
Net cash provided by operating activities		37,782,226	33,433,530
Cash flows from investing activities:			
Proceeds from investments, net		95,872,385	61,741,865
Increase in due to New York State Urban Development Corporation		138,322	117,639
Renovation, improvement and expansion costs (net of interest income)		(133,493,092)	(95,485,921)
Net cash used in investing activities		(37,482,385)	(33,626,417)
Net increase (decrease) in cash and equivalents		299,841	(192,887)
Cash and equivalents at beginning of year		154,567	347,454
Cash and equivalents at end of year	$	454,408	154,567
Reconciliation of excess of revenue over expenses to net cash provided by operating activities:			
Excess of revenue over expenses		27,876,302	21,751,725
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:			
Depreciation expense		10,975,767	10,975,766
Changes in receivables		(1,069,843)	706,039
Net cash provided by operating activities	$	37,782,226	33,433,530
Supplemental disclosure of noncash investing and financing activities - capital assets financed by accounts payable and accrued expenses	$	15,628,010	9,045,307

See accompanying notes to financial statements.

Note 1 - Corporate Background and Activities

The Senate and Assembly of the State of New York (the "State") approved legislation, the 1979 Act, authorizing a first instance appropriation from the State's Capital Construction Fund (subsequently repaid from bond proceeds) to the New York State Urban Development Corporation ("UDC") for the acquisition and initial planning of a convention and exhibition center in the City of New York (the "Facility"). The 1979 Act also established the New York Convention Center Development Corporation (the "Corporation") as a subsidiary of UDC to plan and design, develop and construct the Facility, and amended the Public Authorities Law to empower the Triborough Bridge and Tunnel Authority ("TBTA") to finance the cost of the Facility through issuance of up to $375,000,000 of its negotiable bonds and notes, which was subsequently increased to $443,700,000. An additional $60,000,000 in surplus funds of the Municipal Assistance Corporation of the City of New York ("MAC") was contributed to the cost under a tripartite agreement among the State, the City of New York and MAC. The Facility was completed and began operations in 1986 as the Jacob K. Javits Convention Center (the "Javits Center").

The Corporation was established with two classes of common stock, one class of which was issued at par to UDC (100 shares, $1 par value per share) and the other class was issued at par to TBTA (50 shares, $2 par value per share). The Corporation is a subsidiary of UDC and a component unit of UDC and the State of New York for financial reporting purposes.

The 1979 Act also authorized formation of the New York Convention Center Operating Corporation ("NYCCOC"), a public benefit corporation, to operate the Javits Center after completion of its construction, and appropriated state funds for the initial working capital requirements of that entity. The rights to the Javits Center are leased to the TBTA by the Corporation which in turn is subleased to the State. The State, in turn, subleases the Javits Center to the NYCCOC.

The State is responsible for ensuring that all lease and sublease payments are sufficient to meet the debt service on the TBTA bonds and notes by making annual appropriation in lieu of rent, equal to the debt service to be paid by TBTA on the outstanding bonds.

In 2005, the State legislature passed legislation related to the future expansion of the Javits Center. The legislation provided for issuance of bonds sufficient to fund the planned expansion and renovation and establishment of a hotel unit fee of $1.50 a day imposed on certain hotel room rentals in all five boroughs of the City, to provide revenue to cover debt payments on the bonds.

Note 2 - Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

(b) Capitalized Costs

Capitalized costs include all costs and expenditures associated with the planning, development and construction of the convention center facility as authorized in the enabling legislation and presented in the Facility Program Plan, as approved by the Director of the Budget of the State of New York. Capitalized costs also include all capital costs related to the Javits Center since it began operations, including improvements, renovation and expansion. These expenditures include land acquisition, construction, design and engineering costs, legal costs related to construction of the Facility and all related expenditures, including bond financing costs, net of amounts recovered as the result of successful legal actions, generally against contractors.

Depreciation and amortization on buildings and improvements are calculated on a straight-line basis over 40 years, which is the estimated useful life of the assets and improvements. No depreciation is currently being computed the construction in process capital cost (planning and construction costs related to the expansion of the Javits Center) amounting to $360,532,822 and $220,420,342 at March 31, 2011 and 2010, respectively. Depreciable machinery, furniture and equipment, as well as short-term improvements such as carpeting and wall covering, etc. are the responsibility of NYCCOC.

(c) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(d) Cash and Equivalents

The Corporation considers cash to consist of all cash on deposit with financial institutions that can be withdrawn without prior notice or penalty. Cash equivalents, principally certificates of deposit and United States Treasury Bills, are carried at cost plus accrued interest which approximates fair value. Cash and equivalents are wholly collateralized with government securities held by a financial institution in the name of the Corporation.

(e) Investments

Investments are reported at fair value in the statements of net assets and investment income, including changes in fair value and are reported as revenue in the statements of revenue, expenses and changes in net assets.

Note 2 - Summary of Significant Accounting Policies, Continued

(e) Investments, Continued

The fair value of investments, which include United States government and Federal agency obligations, is generally based on quoted market prices. Collateral for those investments is held in the Corporation's name by financial institutions as custodians. Investment income also includes realized gains and losses from the disposition of investments on a specific identification basis.

(f) Subsequent Events

The Corporation has evaluated events after March 31, 2011 and through June 3, 2011, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

Note 3 - Cash and Equivalents

At March 31, 2011 and 2010, cash held in demand and custodial deposits, as well as cash equivalents were fully insured by the Federal Deposit Insurance Corporation.

Note 4 - Hotel Unit Fee Receivables

On April 1, 2005, the State legislature passed a law related to the future expansion of the Javits Center. The law established a hotel unit fee of $1.50 a day imposed on certain hotel room rentals in all five boroughs of the City to provide revenue to cover debt payments on the bonds issued in November 2005. The receivable balance amounting to $9,559,950 and $8,490,974 at March 31, 2011 and 2010, respectively, represents the hotel unit fee earned by the Corporation which has not been remitted by the State. The collection of the unit fee is the responsibility of the State.

Note 5 - Fair Value of Financial Investments

Financial Investments

Authorization for investments is governed by written internal guidelines, statutes, State guidelines, and bond resolutions. Investments at March 31, 2011 and 2010 are as follows:

	2011		
	Cost	Fair value	Unrealized gain
U.S. Government and Federal Agency obligations	$ 508,174,809	508,734,899	560,090

Note 5 - Fair Value of Financial Investments, Continued

	2010		
	Cost	Fair value	Unrealized gain
U.S. Government and Federal Agency obligations	$ 603,996,042	604,607,284	611,242

Fair Value Measurements

The Financial Accounting Standards Board established a framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 are assets and liabilities whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access. The Corporation holds U.S. Government and Federal Agency obligations with a quoted price in active markets for identical assets (level 1) of $508,734,899 and $604,607,284 at March 31, 2011 and 2010, respectively.

The investments are reported at fair value in the statements of net assets as of March 31, 2011 and 2010 as follows:

	2011	2010
Investments restricted	$ 442,304,314	538,373,101
Investments - debt service reserve	66,430,585	66,234,183
	$ 508,734,899	604,607,284

The interest rate earned on investments approximates 0.22% and 0.94% for the years ended March 31, 2011 and 2010, respectively.

Note 6 - Capital Assets

Capital assets activity for the years ended March 31, 2011 and 2010 are summarized as follows:

	2011			
	Balance at March 31, 2010	Additions	Retirements	Balance at March 31, 2011
Capital costs:				
Land	$ 86,246,626	-	-	86,246,626
Exhibition center	430,750,298	-	-	430,750,298
Construction in progress	220,420,342	140,112,481	-	360,532,823
Total capital costs	737,417,266	140,112,481	-	877,529,747
Less accumulated depreciation	(255,679,032)	(10,975,767)	-	(266,654,799)
	$ 481,738,234	129,136,714	-	610,874,948

	2010			
	Balance at March 31, 2009	Additions	Retirements	Balance at March 31, 2010
Capital costs:				
Land	$ 86,246,626	-	-	86,246,626
Exhibition center	430,750,298	-	-	430,750,298
Construction in progress	124,874,752	95,545,590	-	220,420,342
Total capital costs	641,871,676	95,545,590	-	737,417,266
Less accumulated depreciation	(244,703,266)	(10,975,766)	-	(255,679,032)
	$ 397,168,410	84,569,824	-	481,738,234

Construction in progress additions for the year ended March 31, 2011 also include bond related net interest expense of $33,163,013, net of interest income of $2,244,090, for the expansion of the Javits Center. Construction in progress additions for the year ended March 31, 2010 also include bond related net interest expense of $32,537,424, net of interest income of $2,217,249, for the expansion of the Javits Center.

Depreciation expense for the years ended March 31, 2011 and 2010 amounted to $10,975,767 and $10,975,766, respectively.

Note 6 - Capital Assets, Continued

In August 2006, the Corporation entered into an agreement to purchase the Yale Building site from NYCCOC. The agreement provided that the Corporation defease certain outstanding bonds of NYCCOC in the amount of $66,200,000, subsequently reduced to $62,400,000. In addition to the defeasance amount, the Corporation has agreed to make an additional $15,000,000 payment to NYCCOC 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 the Corporation. All amounts incurred in connection with this purchase are recorded as land.

Note 7 - Bonds Payable

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

The Corporation maintains debt service reserve funds in accordance with the terms of the individual bond resolutions and enabling legislation. As of March 31, 2011 and 2010, the outstanding bonds were as follows:

	Bonds outstanding		Coupon	Remaining payments
	2011	2010	rates (%)	to
Serial (a)	$ 95,615,000	95,710,000	3.50-5.00	2045
Term	50,930,000	50,930,000	5.00	2030
Term	121,000,000	121,000,000	5.00	2035
Term	357,270,000	357,270,000	5.00	2044
Term	75,000,000	75,000,000	4.75	2045
	699,815,000	699,910,000		
Unamortized bond premium	10,678,694	11,244,340		
	$ 710,493,694	711,154,340		

Interest is payable semiannually on November 15 and May 15 of each year.

(a) Early redemption options may commence in 2016 at 100%.

Note 8 - Deferred Interest Earnings

During construction of the Facility, the Corporation earned interest on the investment of TBTA bond proceeds (note 1). Deferred interest earnings amounted to $1,167,642 at March 31, 2011 and 2010. The amount earned has been deferred pending resolution by the State as to whether to ultimately pay these earnings to TBTA or transfer the balances to equity.

Note 9 - Contingencies

The Corporation has been named as a defendant in a variety of personal injury actions arising in the normal course of its activities. Management believes that the ultimate outcome of such litigation will not have a material adverse effect on the financial condition of the Corporation.

Note 10 - Accounting Standards Issued But Not Yet Implemented

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. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 57 - "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," amends GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," to allow agent employers that have individual employer OPEB plans, with less than 100 plan members to use the alternate measurement method, regardless of the total number of plan members in the multiple-employer OPEB plan in which it participates. The requirements of this statement are effective for periods beginning after June 15, 2011, which is the fiscal year beginning April 1, 2012 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 59 - "Financial Instruments Omnibus" updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for periods beginning after June 15, 2010, which is the fiscal year beginning April 1, 2011 for HCDC. This statement is not expected to have a material effect on the financial statements of the Corporation.

Note 10 - Accounting Standards Issued But Not Yet Implemented, Continued

GASB Statement No. 60 - "Accounting and Financial Reporting for Service Concession Arrangements" addresses how to account for and report service concession arrangements, a type of public-private partnership. This statement provides guidance on whether the transferor or the operator should report the capital asset in its financial statements, when to recognize up-front payments from an operator as revenue and how to record any obligation of the transferor to the operator. The requirements of this statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 61 - "The Financial Reporting Entity: Omnibus" is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14 "The Financial Reporting Entity" and No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This statement amends the criteria for including component units by only including those component units for which the elected officials are financially accountable or that the government determines would be misleading to exclude. This statement also amends the criteria for blending of component units to include only those component units that are so intertwined with the primary government that they are essentially the same as the primary government. The requirements of the statement are effective for periods beginning after June 15, 2012, which is the fiscal year beginning April 1, 2013 for the Corporation. This statement is not expected to have a material effect on the financial statements of the Corporation.

GASB Statement No. 62 - "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. This statement incorporates into the GASB's authoritative literature the applicable guidance issued before November 30, 1989 from FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. The requirements of the statement are effective for periods beginning after December 15, 2011, which is the fiscal year beginning April 1, 2012 for HCDC. This statement is not expected to have a material effect on the financial statements of the Corporation.

TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

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

The Board of Directors
New York Convention Center
Development Corporation:

We have audited the financial statements of New York Convention Center Development Corporation (the "Corporation"), a subsidiary of New York State Urban Development Corporation, as of and for the year ended March 31, 2011, and have issued our report thereon dated June 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

EMAIL: toski@toskischaefer.com
WEBSITE: www.toskischaefer.com

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, grants, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an 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 Corporation, 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
June 3, 2011

TOSKI, SCHAEFER & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.
WILLIAMSVILLE, NY 14221
(716) 634-0700

14 CORPORATE WOODS BLVD.
ALBANY, NY 12211
(518) 935-1069

INDEPENDENT AUDITORS' REPORT ON INVESTMENT COMPLIANCE

The Board of Directors
New York Convention Center
Development Corporation:

We have examined the New York Convention Center Development Corporation's (the "Corporation"), a subsidiary of New York State Urban Development Corporation, compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2011. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2011.

In accordance with Government Auditing Standards, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grants, and abuse that are material to the Corporation's compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Corporation complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under Government Auditing Standards.

EMAIL: toski@toskischaefer.com
WEBSITE: www.toskischaefer.com

This report is intended solely for the information and use of the Board of Directors, management, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Senate, the New York State Division of the Budget, and the New York State Authorities Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Toski, Schaefer & Co, P.C.

Williamsville, New York
June 3, 2011