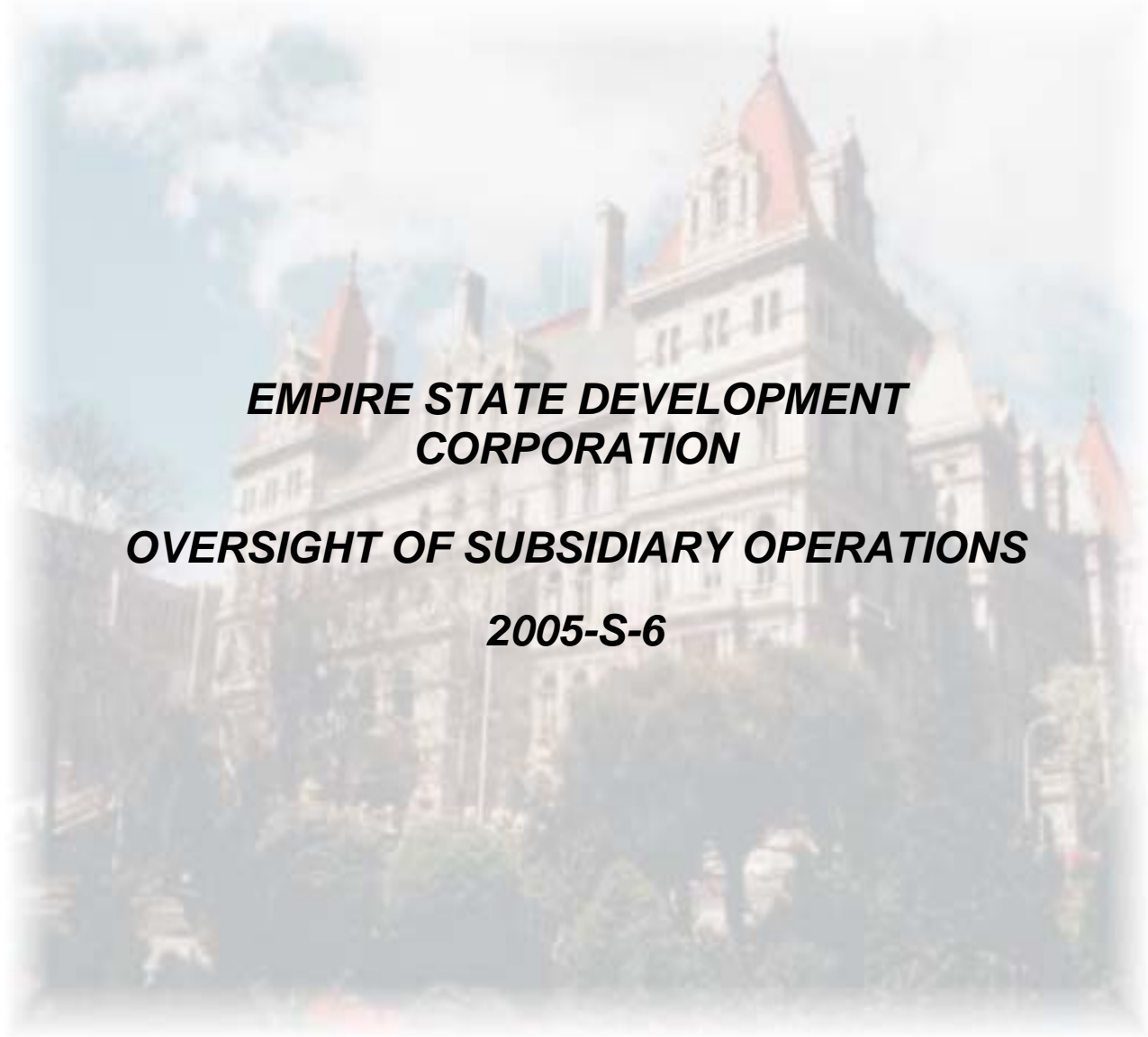


A REPORT BY THE NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**Alan G. Hevesi
COMPTROLLER**



EMPIRE STATE DEVELOPMENT CORPORATION

OVERSIGHT OF SUBSIDIARY OPERATIONS

2005-S-6

DIVISION OF STATE SERVICES

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Alan G. Hevesi
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Report 2005-S-6

Mr. Charles A. Gargano
Chairman
Empire State Development Corporation
633 Third Avenue, 37th Floor
New York, NY 10017-6754

Dear Mr. Gargano:

The following is our audit report addressing the Empire State Development Corporation's oversight of subsidiary operations for the period April 1, 2000 through April 26, 2005.

We performed this audit pursuant to the State Comptroller's authority, as set forth in Article X, Section 5 of the State Constitution and Section 6278 (3) of the New York State Unconsolidated Laws. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of State Services

May 15, 2006

EXECUTIVE SUMMARY

EMPIRE STATE DEVELOPMENT CORPORATION OVERSIGHT OF SUBSIDIARY OPERATIONS

SCOPE OF AUDIT

The Empire State Development Corporation (ESDC) - formerly the Urban Development Corporation (UDC) - is a public benefit corporation that engages in various types of economic development activities. It is authorized by law to issue bonds to finance these activities; it is also authorized to create subsidiary corporations to oversee and perform specific economic development activities. As of March 31, 2004, ESDC reported that there were 70 of these subsidiary corporations in existence. The most active of these subsidiaries oversee the financing, planning, construction and/or management of large-scale economic development projects, such as planning and coordinating the redevelopment of areas affected by the September 11th attacks on the World Trade Center. Other less active subsidiaries oversee smaller economic development projects and maintain an interest in completed housing projects that were financed in the 1970s and 1980s.

Each subsidiary corporation is to be governed by its own Board of Directors. However, most subsidiaries do not have staff of their own and use ESDC staff. In the 2005-06 fiscal year, ESDC, which is governed by its own Board of Directors, had a total workforce of about 260. Our audit addressed the following questions about ESDC's oversight of its subsidiary operations for the period April 1, 2000 through April 26, 2005:

- Does ESDC have an appropriate process in place to control and authorize the creation of subsidiary corporations?
- Does ESDC adequately monitor each subsidiary corporation to ensure that it operates in a manner that is consistent with its established purpose?
- What functions were the existing subsidiary corporations created to perform, and do those functions still need to be performed?
- Does ESDC ensure that subsidiary corporations are dissolved when their purposes are achieved or they are no longer needed?

AUDIT OBSERVATIONS AND CONCLUSIONS

We found that ESDC has an appropriate process in place to control and authorize the creation of subsidiary corporations, and actively monitors subsidiaries that are responsible for managing ongoing large-scale economic development projects. However, ESDC does not adequately oversee the status of many of its other subsidiaries, and rarely dissolves subsidiaries once their purpose has been achieved and they are no longer needed. As a result, ESDC lost track of the status, and even existence, of many of its subsidiaries and failed to move in a timely manner to dissolve subsidiaries whose functions have concluded.

ESDC reported that 70 subsidiary corporations were in existence as of March 31, 2004. However, when we reviewed ESDC's records and the Department of State's records of corporate registrations, we found that 202 subsidiaries were legally in existence at that time. ESDC also reported that only 1 of the 70 subsidiaries was inactive. However, we determined that more than 50 of these 70 subsidiaries were probably inactive, including one that had already been formally dissolved and two that had been dissolved between September and November 2004 by ESDC. We also determined that almost 100 of the 202 subsidiaries are probably inactive and should probably be dissolved because there no longer appears to be any reason for them to exist.

ESDC does not accurately report on the status of its subsidiaries, because it does not maintain complete and accurate management information about subsidiary operations. In addition, ESDC does not periodically attempt to account for all of its subsidiaries and determine whether any can be dissolved. Since new subsidiaries continue to be created, the total number of subsidiaries continues to grow, making it more and more difficult for ESDC to keep track of its inactive and low-profile subsidiaries.

Inactive subsidiaries are not routinely dissolved by ESDC. ESDC officials note that it would be time-consuming to perform the complicated analyses and investigations of corporate records, financial databases and legal agreements that would be necessary to determine whether subsidiaries could safely be dissolved (the corporation may have continuing rights or obligations). In view of the low risk associated with the inactive subsidiaries, ESDC officials generally believe such time-consuming reviews are not worthwhile. We agree that a considerable effort would initially be required, but that is because the subsidiaries have been neglected for so long and so many inactive corporations have been allowed to accumulate. If all the unneeded corporations were dissolved, it would be neither difficult nor time-consuming to oversee the status of those that remain. By its inaction and neglect, ESDC has turned what should have been a small task into a large task.

We therefore recommend that significant improvements be made in ESDC's recordkeeping for and control over subsidiary operations. We further recommend that unneeded subsidiaries be dissolved on an ongoing basis, and the large backlog of unneeded subsidiaries be dissolved at once. In Exhibits A, B and C to this report, we list all 202 subsidiary corporations that we identified. We also list the date each corporation was created, its purpose and its current status.

COMMENTS OF ESDC OFFICIALS

Draft copies of this report were provided to ESDC officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix B.

ESDC officials believe the report reflects a lack of understanding of subsidiary operations. It is ESDC's position that since the subsidiaries are not separate and distinct entities, and their functions are embedded in ESDC's operations and are undertaken by ESDC staff, their continued existence poses no material financial risk to the State.

Although the risk of impropriety is not high because, as ESDC officials point out, the subsidiaries are not separate and distinct from ESDC, our observations that ESDC lost track of the status, and even the existence, of many of its subsidiaries, supports the need for significant improvements in ESDC's recordkeeping and oversight of subsidiary operations. In this regard, ESDC officials generally agree with our recommendations and indicate they will implement them within available resources and priorities.

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INTRODUCTION

Background

The Empire State Development Corporation (ESDC) was established in 1995 to act as an umbrella organization for three public benefit corporations that were created in the 1960s: the Urban Development Corporation (UDC), the Job Development Authority (JDA), and the Science and Technology Foundation (the Foundation was subsequently abolished in January 2000). Both UDC and JDA are authorized by law to create other corporations, and these other corporations are also part of ESDC. While there are important legal differences between the types of corporations created by UDC and the types of corporations created by JDA, for the purposes of this audit report, both types will be called subsidiary corporations.

UDC was created in 1968 by the New York State Urban Development Corporation Act (chapter 174 of the Laws of 1968). UDC is authorized to issue bonds to provide or obtain the capital resources necessary to acquire, construct, rehabilitate or improve industrial, manufacturing, commercial, educational, recreational and cultural facilities, and housing for low-income persons. UDC is also authorized to create subsidiary corporations pursuant to the Business Corporation Law, the Not-for-Profit Corporation Law, and the Private Housing Finance Law. These subsidiary corporations are normally established to perform certain functions or serve certain purposes, and the law bestows upon them all of UDC's powers. In addition, they enjoy the benefit of UDC's tax-exempt status.

JDA was created in 1961 by Title 8 of Article 8 of the Public Authorities Law (chapter 443 of the Laws of 1961) for the purpose of promoting economic development and employment opportunities in New York State. JDA provides loans to companies seeking to expand facilities, build new plants, and acquire machinery and equipment. JDA is authorized to encourage the organization of local development corporations pursuant to Section 1411 of the Not-for-Profit Corporation Law. Unlike the corporations created by UDC, the corporations created at the behest of JDA do not have all the powers of the

JDA; rather, their powers are limited to the purposes enumerated in the Not-for-Profit Corporation Law.

As of March 31, 2004, ESDC reported that there was a total of 70 subsidiary corporations (Exhibit D) in existence (68 subsidiaries created by UDC or subsidiaries of UDC, and two local development corporations created by JDA). The most active of these subsidiary corporations oversee the financing, planning, construction and/or management of large-scale economic development projects. For example, the Lower Manhattan Development Corporation, which was created in December 2001, is charged with planning and coordinating the redevelopment of areas affected by the September 11th attacks on the World Trade Center, while the Harriman Research and Technology Development Corporation, created in May 2004, is overseeing the redevelopment of the Harriman State Office Campus in Albany. Other less active subsidiaries oversee smaller economic development projects and maintain an interest in completed housing projects.

Each subsidiary corporation is to be governed by its own Board of Directors. However, most subsidiaries do not have staff of their own. Rather, they use ESDC staff (who are actually UDC/JDA staff, because "ESDC" is nothing more than the name under which UDC and JDA do business). Only five of the subsidiaries have their own staff: the Lower Manhattan Development Corporation, the Harlem Community Development Corporation, the Governor's Island Preservation and Education Corporation, the USA Niagara Development Corporation, and the Harriman Research and Technology Development Corporation. These five subsidiaries are also the only ones that have mailing addresses at locations other than ESDC headquarters (633 Third Avenue in Manhattan).

UDC and JDA are governed by separate Boards of Directors (the UDC Board serves as ESDC's Board); however, the same individual (the Commissioner of Economic Development) serves as Chairman of both Boards. This same individual also heads the Department of Economic Development (DED) - a New York State agency - and together DED and ESDC comprise Empire State Development, the name given to the joint economic development activities of DED and ESDC. While DED and ESDC are distinct entities, they share senior managers and the staff of the two entities often collaborate and coordinate with one another. In the 2005-06 fiscal year, ESDC had a total workforce of about 260.

Audit Scope, Objectives and Methodology

We audited ESDC's oversight of the subsidiary corporations and related activities for the period April 1, 2000 through April 26, 2005. The overall objective of our performance audit was to clarify the organizational relationships between ESDC and the subsidiaries. We also sought to identify the purpose, status and staffing of each existing subsidiary corporation, as well as the extent to which each was overseen by ESDC. To accomplish our objectives, we examined whether ESDC has an appropriate process in place to (1) control and authorize the creation of subsidiary corporations; (2) ensure each subsidiary corporation continues to operate in a manner that is consistent with its established purpose; and (3) ensure subsidiary corporations are dissolved when their purposes are achieved or they are no longer needed. In addition, for each existing subsidiary corporation, we examined whether the function the corporation was created to perform still needed to be performed.

To identify all the subsidiary corporations in existence, we interviewed ESDC officials and reconciled their listing of subsidiaries against the Department of State's records of active and inactive corporations. To identify the original purpose of each existing subsidiary corporation, we reviewed the binders that are maintained by ESDC for each corporation. These binders should contain the basic legal documents that were filed when the corporation was created, as well as the corporate seal, bylaws, certificate of stock, and minutes of any initial meetings that were held by the corporation's Board of Directors.

To identify the laws, policies and procedures that relate to the creation, monitoring and dissolution of subsidiaries, we interviewed ESDC officials. To determine whether the subsidiaries' activities were consistent with the purposes stated in their certificates of incorporation, we reviewed available subsidiary Board of Director meeting minutes, operating and financial reports, and available housing financial records. We also reviewed the minute indices for the ESDC Board of Director meetings during our audit period, and reviewed the actual minutes for selected meetings. In addition, we contacted officials at the Department of State and the Department of Taxation and Finance to discuss certain actions taken by their agencies in relation to ESDC subsidiaries.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those ESDC operations which are included within our audit scope. Further, these standards require that we understand ESDC's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These duties include operating New York State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Response of ESDC Officials to Audit

Draft copies of this report were provided to ESDC officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix B.

ESDC officials believe the report reflects a lack of understanding of subsidiary operations. It is ESDC's position that since the subsidiaries are not separate and distinct entities, and their functions are embedded in ESDC's operations and are undertaken by ESDC staff, their continued existence poses no material financial risk to the State.

Although the risk of impropriety is not high because, as ESDC officials point out, the subsidiaries are not separate and distinct from ESDC, our observations that ESDC lost track of the status, and even the existence, of many of its subsidiaries, supports the need for significant improvements in ESDC's recordkeeping and oversight of subsidiary operations. In this regard, ESDC officials generally agree with our recommendations and indicate they will implement them within available resources and priorities.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman of the Empire State Development Corporation shall report to the Governor, the State Comptroller and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

OVERSIGHT OF SUBSIDIARY OPERATIONS

We found that ESDC has an appropriate process in place to control and authorize the creation of subsidiary corporations, and actively monitors subsidiaries that are responsible for managing ongoing large-scale economic development projects. However, ESDC does not adequately oversee the status of many of its other subsidiaries, particularly those maintaining an interest in completed housing projects, and rarely dissolves subsidiaries once their purpose has been achieved and they are no longer needed. In fact, we identified almost 100 subsidiaries that are no longer active and should probably be dissolved, because there no longer appears to be any reason for them to exist. ESDC officials were not even aware of the existence of many of these subsidiaries.

We recommend that significant improvements be made in ESDC's recordkeeping for and control over subsidiary operations. We further recommend that unneeded subsidiaries be dissolved on an ongoing basis, and the large backlog of unneeded subsidiaries be dissolved at once. All the existing subsidiary corporations that we identified, 202 in total, are listed in Exhibits A, B and C.

Identification of Subsidiaries

Each year, many of the public authorities operating in New York State are required to report certain financial-related information to the Office of the State Comptroller (OSC). Included in this information is a listing of all affiliated entities, such as subsidiaries. In June 2004, ESDC reported that, during the year ended March 31, 2004, it had a total of 70 subsidiaries. ESDC reported that 55 of these subsidiaries were created by UDC and 13 were created by two subsidiaries of UDC: the New York State Mortgage Loan Enforcement Corporation (MLC) and the Harlem Urban Development Corporation (HUDC). ESDC also reported that it was affiliated with two legally separate local development corporations that had been created by JDA (the Empire State Local Development Corporation and the New York Liberty Development Corporation).

The corporations created by JDA are legally separate from the corporations created by UDC, because JDA and UDC were created by separate laws and are therefore legally separate entities, even though they both “do business as” ESDC. ESDC further reported that there was only one inactive corporation among the 70 total subsidiaries (the 68 created by UDC, MLC and HUDC and the two created by JDA), and no subsidiaries had been dissolved during the year (see Exhibit D for the list of subsidiaries reported to OSC as of March 31, 2004).

To confirm the accuracy of the information reported by ESDC, we reviewed the records maintained by ESDC for its numerous subsidiaries (each subsidiary’s basic legal documents are supposed to be kept in a separate binder). In addition, since all corporations in New York State are supposed to register with the Department of State, we also reviewed its records of corporate registrations.

We found that ESDC significantly underreported the number of subsidiary corporations, as we identified a total of 202 subsidiaries that were legally in existence as of March 31, 2004 (200 created by or through UDC, and two created by JDA). About half of these subsidiaries were active, while the remaining half either were clearly inactive or appeared to be inactive, as follows:

- 50 subsidiaries, created mostly during the 1970s and 1980s, were clearly inactive. Either the economic development projects they were created to manage had been completed or the mortgages of their housing projects had been paid off for as long as 15 years. See Exhibit A for a listing of these subsidiaries.
- 48 subsidiaries appeared to be inactive, as the records we reviewed showed no recent financial activity, and in 26 of the 48 subsidiaries, no financial activity for more than ten years. See Exhibit B for a listing of these subsidiaries.
- 104 subsidiaries were active, either managing ongoing economic development projects or maintaining an interest in public housing projects with outstanding mortgages (until the mortgage is paid off, the corporation maintains a lien on the property in the event the owners default on their mortgage payments). See Exhibit C for a listing of these subsidiaries.

In addition to these 202 subsidiaries, we also identified other subsidiaries that had been dissolved by ESDC prior to March 31, 2004. We note that one of these defunct subsidiaries was reported to be active by ESDC in June 2004.

As is explained in the following sections of this report, the information reported by ESDC in June 2004 was inaccurate because ESDC does not maintain complete and accurate management information about its subsidiaries. ESDC actively monitors high-profile subsidiaries that are involved in ongoing economic development projects, but gives little or no attention to other subsidiaries, including those that are active to determine if they are functioning as intended or those that are inactive to determine if they should be dissolved.

Moreover, ESDC does not periodically attempt to account for all of its subsidiaries and determine whether any can be dissolved, because they are no longer needed. Consequently, unneeded subsidiaries are rarely dissolved. Since new subsidiaries continue to be created, the total number of subsidiaries continues to grow, making it more and more difficult for ESDC to keep track of its inactive and low-profile subsidiaries. We recommend ESDC promptly dissolve all of its unneeded subsidiaries and establish a routine process for identifying such subsidiaries in the future.

Creation of New Subsidiaries

Subsidiary corporations can be useful because they limit the liability of the parent corporation and focus resources on a specific need. UDC and JDA are authorized by law to create or to encourage the organization of such corporations. According to the laws that give UDC and JDA this authority, the corporations may be created for certain specified purposes only. For example, they may be created to finance the construction of civic structures or low-income housing, or to provide a conduit for federal funding. They may also be created to facilitate intergovernmental coordination.

According to ESDC policy, a subsidiary corporation may not be created without the express approval of the ESDC Board of Directors. To determine whether new subsidiaries were appropriately approved by the ESDC Board and whether they were created for the purposes authorized by law, we examined

the records relating to all the subsidiaries that were created by ESDC between April 2000 and April 2005. A total of 15 new subsidiary corporations were created during this five-year period, and we found that all 15 were approved by the Board before they were created. We also found that, in all 15 instances, the Board was provided with appropriate information about the nature and intended purpose of the subsidiary corporation, and in all 15 instances, this intended purpose was consistent with the purposes authorized by the laws creating UDC and JDA.

We also note that, in our review of the documents and records relating to all the subsidiaries that we identified (both those that had been dissolved and those still in existence), we found nothing to suggest that any of the subsidiaries had been created for purposes not authorized by law. As is noted in Exhibits A, B and C, the majority of the subsidiaries were formed by UDC in the 1970s and 1980s to facilitate subsidized housing, or to finance long-term leases through sale-leaseback transactions. Others were formed to manage a specific economic development project or to accommodate a funding request of New York State, New York City or a federal agency. Very few were formed solely in response to a request that originated within ESDC.

We therefore conclude that ESDC has an appropriate process in place to control and authorize the creation of subsidiary corporations.

Monitoring of Ongoing Operations

Subsidiary corporations are created to perform certain specified functions, usually in relation to a specific economic development or public housing project. They should not be used to perform other, unrelated functions. In addition, once a project is completed or the corporation's involvement in the project is no longer needed, the corporation should be dissolved.

We examined the procedures established and the actions taken by ESDC in monitoring its subsidiary corporations' ongoing operations. We found that ESDC actively monitored 12 of its subsidiaries. All 12 subsidiaries were responsible for managing large-scale economic development projects, and 8 of the 12 were created in the last ten years (i.e., since 1995). The 12

subsidiaries are listed as numbers 1 through 11 in Exhibit C, and number 36 in Exhibit B (the subsidiary listed in Exhibit B - MLC - was very active in the past, but appeared to become inactive near the end of our audit period).

ESDC made two senior managers responsible for overseeing these 12 subsidiaries. One senior manager (ESDC's Chief Operating Officer and Senior Vice President for Subsidiaries and Affiliates), who is located in New York City, is responsible for 10 of the subsidiaries, while a counterpart in Albany is responsible for the other two. In addition, ESDC's executive management, which includes the Chief Operating Officer, General Counsel, and Chief Financial Officer, sometimes meet with personnel from these subsidiaries to discuss operations and planning objectives, and ESDC's construction manager may receive construction progress updates from these personnel. The recent activities of these subsidiaries are also documented in formal reports that are presented to ESDC's Board of Directors.

However, ESDC does not actively oversee the status of its other 190 subsidiaries. No ESDC managers or staff are assigned oversight responsibility. In fact, ESDC has no written policies and procedures regarding the oversight of these subsidiaries' ongoing operations, determining whether their corporate purposes have been achieved, or determining whether they have any outstanding contractual agreements.

We further determined that ESDC has no corporate records for many of these entities. We identified some of the entities when we reviewed the Department of State's records of corporate registrations. We also discovered corporate binders for subsidiaries that ESDC officials had never heard of. In some instances, ESDC officials told us that an entity was not an ESDC subsidiary, even though the certificate of incorporation proved otherwise. We further note that most of the corporate files were not kept up to date. ESDC's General Counsel told us that the corporate offices had been moved around over the years and some files might have been lost, left behind or destroyed when an off-site storage facility flooded.

We did determine that as many as 98 of the subsidiaries were no longer active and should probably be dissolved because there no longer appears to be any reason for them to exist. Details about these 98 subsidiaries are provided in the next

section of this report entitled *Dissolution of Inactive Subsidiaries*.

Inactive and low-profile subsidiaries are not actively monitored and their records are not kept up to date, because senior ESDC managers regard these subsidiaries as relatively unimportant and believe there is little risk associated with leaving them unmonitored. ESDC officials also note that it would be very time-consuming to perform the complicated analyses and investigations of corporate records, financial databases and legal agreements that would be necessary to determine whether subsidiaries could safely be dissolved. In view of the low risk associated with these subsidiaries, they do not believe it would be worthwhile to expend this considerable effort.

We agree that a considerable effort would initially be required, but that is because the subsidiaries have been neglected for so long and so many inactive corporations have been allowed to accumulate. If all the unneeded corporations were dissolved, it would be neither difficult nor time-consuming to monitor those that remained, particularly since the high-profile corporations are already actively monitored and the older housing corporations are only minimally active. By its inaction and neglect, ESDC has turned what should be a small task into a large task.

We recommend ESDC periodically perform a review of the status of its subsidiaries. To help ensure that such a review is performed, we recommend that responsibility for the review be assigned to a senior ESDC manager. We further recommend that this manager also be responsible for developing written policies and procedures for the oversight of subsidiary operations, and these policies and procedures address the need to identify, during the periodic review of subsidiary operations, each subsidiary's recent achievements, estimated time remaining before its legal purpose is achieved, and contractual agreements with third-parties.

Dissolution of Inactive Subsidiaries

Just as subsidiary corporations should not be created unless they are needed, such corporations should be dissolved once they are no longer needed. However, ESDC rarely dissolves any of its subsidiaries, even when it is clear that a

corporation has accomplished the purpose for which it was created.

As was previously noted, we identified as many as 98 subsidiaries that should probably be dissolved, because there no longer appears to be any reason for them to exist. Most of these subsidiaries were active in the past, but appear to be inactive now and appear to have accomplished the purpose for which they were created. In addition, some of these subsidiaries were never active. They were created on paper only, and were never actually organized.

For example, in April 2000, ESDC created the Governors Island Redevelopment Corporation (GIRC) to facilitate the development of Governors Island following its anticipated acquisition from the federal government. Two years later, ESDC decided a slightly different focus was needed to emphasize the historical and educational aspects of its plans for the Island and it created the Governors Island Preservation and Education Corporation (GIPEC). Since no directors or officers were ever elected to GIRC and the entity had not engaged in any activity, ESDC's Board of Directors passed a resolution on August 15, 2002 to dissolve the subsidiary. However, the subsidiary was not dissolved and still existed at the time of our audit - more than three years after the Board's vote for dissolution. ESDC's General Counsel told us that this was simply an oversight.

However, we identified other similar instances. For example, according to UDC records, the UDC-Dewitt Development Corporation was established in 1978, but was never organized. No meetings were held, no directors or officers were appointed, and no corporate bylaws were adopted. However, the entity was never dissolved and still existed at the time of our audit.

Similarly, the World University Games Corporation was created to facilitate construction in connection with the 1993 World University Games. However, New York was not selected to host the Games and, consequently, the corporation was not needed. Early in our audit field work we brought this corporation, as well as many other apparently inactive subsidiaries, to the attention of ESDC management, noting that, on the basis of our initial review of corporate files and financial records, these corporations appeared to be dormant and thus possible candidates for dissolution.

In April 2005, ESDC's Chairman issued a press release affirming that, when a subsidiary's work is complete or there is no longer a need for the entity, ESDC should dissolve the entity. To that end, the Chairman announced that, as part of an ongoing effort to streamline the organization, ESDC was dissolving 20 outdated and unneeded subsidiaries. However, when we conducted further review of the corporate records for the 20 subsidiaries named in the press release, we found that four of them had already been dissolved by ESDC years earlier.

ESDC officials indicated that it is not a simple matter to dissolve a subsidiary corporation. The General Counsel told us no subsidiary can be dissolved unless there is "conclusive evidence" that the corporation has no outstanding accounts receivable, accounts payable, contractual obligations, or agreements such as easement rights. Moreover, in response to our preliminary audit findings identifying apparently inactive subsidiaries, ESDC officials noted that without reviewing a wide variety of corporate records, we could not be sure that a subsidiary was truly dormant and had no continuing rights or obligations.

We note that such a review is well beyond the scope of our audit. We identified 98 subsidiaries that appear to be inactive because, in general, their corporate files either (1) contain no documentation of any activity for a period of years, or (2) contain documentation stating that the corporation's project was either completed or aborted. In identifying such a large number of apparently inactive subsidiaries, we have shown that improvements are needed in ESDC's practices. It is ESDC's responsibility to review the "wide variety of corporate records" and determine whether the subsidiaries still have continuing rights and obligations, and if so, ensure that the rights are being protected and the obligations are being met.

Moreover, as was previously noted, the status of all subsidiaries should be reviewed periodically by ESDC. If such a review indicates that a corporation is no longer active, a comprehensive review of the corporate records can be undertaken at that time, and if no continuing rights or obligations are identified, the corporation should be dissolved. ESDC officials indicated that they lack sufficient manpower to stay on top of each and every subsidiary, and to research all of the related financial and legal records. As a result, they do not actively monitor the status of the older subsidiaries, may not

notice when these subsidiaries become inactive, and may not be willing to perform a comprehensive review of corporate records when such instances are identified. However, as we previously noted, once the large backlog of inactive corporations is dissolved, it would not be difficult for ESDC to monitor the remaining subsidiaries and dissolve any that become inactive on an ongoing basis.

The 98 potentially inactive corporations that we identified are listed in Exhibits A and B. Exhibit A contains corporations that are clearly inactive (project termination is documented), while Exhibit B contains corporations that appear to be inactive (no recent activity is documented). A total of 50 corporations are listed in Exhibit A, and a total of 48 are listed in Exhibit B, as follows:

- For the first 30 corporations listed in Exhibit A, corporate activities were documented in records maintained by ESDC. These records clearly indicated that the corporations were inactive, as either the economic development projects the corporations were created to manage had been completed (20 corporations) or the mortgages of their housing projects had been paid off (10 corporations). For example, the Blue Sky Redevelopment Corporation was created in 1980 to facilitate a land use improvement project in Van Buren, New York. According to UDC records, as of November 30, 1982, project construction was completed. As of March 31, 2005, 19 of these 30 corporations had been inactive for more than ten years, seven had been inactive for between five and ten years, and four had been inactive for up to five years. As is indicated in the Exhibit, 16 of the 30 corporations were cited in the ESDC press release about outdated and unneeded subsidiaries. The 30 corporations were created between 1970 and 2000.
- For the next 20 corporations listed in Exhibit A, corporate records were not maintained at ESDC (i.e., we found no corporate binders and no Board of Director meeting minutes). We learned of the corporations' existence when we reviewed ESDC's mortgage payment records for its housing subsidiaries. These records clearly indicated that the 20 corporations were inactive, as all 20 were housing corporations whose mortgages had been paid off, in some instances as early as 1989 and 1992. We confirmed the

corporations' existence and obtained other information about the corporations from records maintained by the Department of State. All 20 corporations were created between 1970 and 1974.

- For the first 36 corporations listed in Exhibit B, corporate activities were documented in records maintained by ESDC. These records indicated that the corporations were probably inactive, as no recent activity was documented. For example, the Audubon Development Corporation was created in 1972 to advise and assist on a community project in Amherst, New York. According to the available records, no action had been taken by the Corporation since 1972. As of March 31, 2005, 26 of these 36 corporations appeared to have been inactive for more than ten years, eight appeared to have been inactive for between five and ten years, and two appeared to have been inactive for up to five years. The 36 corporations were created between 1970 and 2000, and none of the corporations were housing corporations.
- For the next 12 corporations listed in Exhibit B, corporate activities were documented in corporate binders and other ESDC/UDC records that we discovered during our audit. However, ESDC officials were unaware of these corporations' existence. The records we discovered indicated that the corporations were probably inactive, as no recent corporate activity was documented. The 12 corporations were created between 1971 and 1982, and at least three of the corporations appeared to be housing corporations.

We recommend ESDC review the status of these 98 corporations and dissolve all those that can legally be dissolved (i.e., those that are inactive and have no continuing rights or obligations).

The 104 active corporations that we identified are listed in Exhibit C. For the first 34 corporations listed in the Exhibit, corporate activities were documented in records maintained by ESDC. These records clearly indicated that the corporations were active, as either the economic development projects the corporations were created to manage were ongoing (19 corporations) or the mortgages of their housing projects had not

been paid off (15 corporations). These corporations were created between 1969 and 2004.

For the remaining 70 corporations listed in Exhibit C, we found no corporate binders or other corporate records at ESDC. However, certain other records maintained by ESDC and records at the Department of State showed all 70 entities were housing corporations and all 70 were active because their mortgages had not been paid off. Almost all were created between 1970 and 1974. Since these corporations have no staff of their own, their mortgage payments are processed by ESDC staff and the mortgage payment status for each housing project is recorded by ESDC.

As is noted in the Exhibits, ESDC classifies housing projects' outstanding mortgages as either "stabilized," "non-stabilized," or "in workout." This classification reflects the financial stability of the housing corporation, as well as its consistency in making timely mortgage payments. The "stabilized" and "non-stabilized" statuses indicate strong to poor payment records. The "in workout" status indicates that the corporation is unable to make its monthly payments and special payment arrangements have been negotiated with ESDC.

In the early 1970s, UDC financed numerous large-scale housing developments for low to middle-income persons. Since the mid-1970s, UDC activity in this area has generally been limited to the loan servicing of existing projects. Upon completion of the housing project, title of ownership is transferred to the developers via assignment of the outstanding stock. After that time, they operate independently of UDC. Aside from monthly mortgage payments, no other transactions or activities directly involve UDC for the housing companies that do not fall behind on their payments. Although ownership of the project is transferred, the original corporate subsidiary continues to exist. The subsidiary holds a lien on the property, through which UDC retains the right to foreclose on the project in the event the developers/owners default on their mortgage payments.

Management Information System for Subsidiary Operations

In June 2004, ESDC was required to identify all of its subsidiaries in its annual financial report to the Office of the State Comptroller (OSC). We identified a total of 202 subsidiaries that were legally in existence at that time.

However, ESDC identified only 70 subsidiaries in its report to OSC. In addition, the 70 included one subsidiary that was no longer in existence (see Exhibit D for a list of the 70 subsidiaries). Subsequent to the June 2004 report ESDC dissolved two additional subsidiaries. Thus, only 67 subsidiaries are included in the 202.

Some of the remaining 135 subsidiaries were not identified in the report to OSC, because ESDC had no corporate records for these subsidiaries (e.g., numbers 31 through 50 in Exhibit A). Others were not identified because, while ESDC had records for these subsidiaries, ESDC officials were not aware of these records (e.g., numbers 37 through 48 in Exhibit B). Other subsidiaries were not identified because, while some ESDC officials were aware of the subsidiaries, the subsidiaries were not recorded in the records that are used by ESDC when identifying subsidiaries that are to be reported to OSC.

We also note that, in its June 2004 report to OSC, ESDC identified a total of 70 subsidiaries and reported that only 1 of the 70 subsidiaries was inactive. However, we determined that as many as 51 of these 70 subsidiaries were inactive (18 of the 51 were clearly inactive and are included in Exhibit A, 30 appear to be inactive and are included in Exhibit B, 2 were dissolved between September and November 2004, and one was dissolved years earlier by ESDC).

Improvements are clearly needed in ESDC's recordkeeping for subsidiary operations. We recommend ESDC develop a complete and accurate management information system for subsidiary operations. Such a system should identify all existing subsidiaries, note their status, and provide summary information about their purpose and history.

As is summarized in the following table, most of the subsidiaries not identified in ESDC's June 2004 report to OSC were housing corporations:

	Reported by ESDC	Identified in Audit	Active	Inactive	Probably Inactive
Housing Corp.	9	118	85	30	3
Other *	<u>58</u>	<u>84</u>	<u>19</u>	<u>20</u>	<u>45</u>
Total	67	202	104	50	48

* These subsidiaries were created to manage specific economic development projects or serve special financial purposes. Most

are considered “paper” subsidiaries, meaning they have no staff and no separate office (they use ESDC staff and operate out of ESDC’s offices).

Thus, 109 of the 135 unreported subsidiaries were housing corporations, while the other 26 were created to manage specific projects or serve specific financial purposes.

Coordination with State Agencies

When we reviewed corporation registration records maintained by the Department of State, we found that many of ESDC’s older and less active subsidiaries had been dissolved “by proclamation” - an administrative procedure set forth in section 203-a of the Tax Law in which a corporation is dissolved by the Department of State either because it has not paid State taxes or has not filed the required biennial statements with the Department of Taxation and Finance. It is not clear that ESDC subsidiaries can be legally dissolved in this manner under current law, but it was not clear to officials at the Department of State and the Department of Taxation and Finance that the corporations were in fact ESDC subsidiaries. Moreover, because ESDC officials were not monitoring the status of these corporations, they were not aware that the corporations had inappropriately been dissolved by proclamation and did not act to correct the errors.

We recommend ESDC work with the Department of State and the Department of Taxation and Finance to better identify ESDC subsidiaries and prevent their dissolution by proclamation. We identified one instance in which a subsidiary (Harlem Canaan House, Inc.) was dissolved by proclamation and the action was subsequently annulled by ESDC. However, three years later, the same subsidiary was again dissolved by proclamation. It is a waste of time for the three agencies to engage in such needless activity.

We also identified an instance in which a new corporation - one not affiliated with ESDC - took the name of an ESDC subsidiary (the Harlem Community Development Corporation) that had inappropriately been dissolved by proclamation. Since the subsidiary had been dissolved, the name was no longer protected and could be taken by another corporation. The individuals who created the other corporation subsequently agreed to relinquish their rights to the name after being

contacted by ESDC, and ESDC officials told us that ESDC would have been able to recover its rights to the name in court if the other corporation had not cooperated. However, it would be better to avoid such conflicts.

Recommendations

1. Determine the status of the 98 corporations listed in Exhibits A and B and dissolve all those that can legally be dissolved (i.e., those that are inactive and have no continuing rights or obligations).

(ESDC officials agree to continue to review all subsidiaries, to attempt to determine those that can be dissolved. They add that this would be difficult and time-consuming.)

2. Periodically determine the status of all subsidiary corporations. As part of this review, identify each subsidiary's recent achievements, estimated time remaining before its legal purpose is achieved, and contractual agreements with third-parties. If it is determined that a corporation's legal purpose has been achieved, determine whether the corporation has any continuing rights or obligations, and if not, promptly initiate the process of dissolving the corporation. Develop written policies and procedures to guide these actions.

(ESDC officials indicate that to the extent of available resources, they will periodically review the status of all subsidiary corporations.)

3. Develop a complete and accurate management information system for subsidiary operations. The system should identify all existing subsidiaries, note their status, and provide summary information about their purpose and history.

Recommendations (Cont'd)

(ESDC officials indicate they will consider the development of such a management information system, taking into consideration available resources.)

4. Make a senior manager responsible for (a) overseeing the operations of all subsidiary corporations, (b) ensuring that a periodic review is performed to determine the status of all subsidiary corporations, (c) ensuring that unneeded subsidiaries are dissolved without delay, (d) ensuring that corporate files are kept up to date, and (e) overseeing the development and maintenance of a management information system for subsidiary operations.

(ESDC officials indicate that, using its current management structure, they will continue to ensure that subsidiaries are utilized for the purposes for which they were created.)

5. Ensure that all existing subsidiary corporations are identified in the annual financial report to OSC.

(ESDC officials indicate that they will use their best efforts to ensure that all existing subsidiaries are identified in the annual financial report to OSC.)

6. Work with the Department of State and the Department of Taxation and Finance to better identify ESDC subsidiaries and prevent their dissolution by proclamation.

(ESDC officials indicate that they will continue to work with the Departments of State and Taxation and Finance to ensure that ESDC subsidiaries are clearly identified.)

EXHIBIT A

Inactive Subsidiaries As of March 31, 2005					
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
<i>Over 10 Years Inactive</i>					
1. Blue Sky Redevelopment Corporation	Paper	3/11/1980	To facilitate a project in Van Buren, N.Y., which is to be known as the Griffin Environmental Co., Inc. Land Use Improvement Project.	Construction completed (per UDC record of 11/30/82).	No
2. Eagle Bridge - Thomson Redevelopment Corporation	Paper	2/5/1982	To facilitate a project in Washington County, N.Y., which is to be known as the Mohawk and Hudson Project.	Rehabilitation work completed and rail operations commenced (per UDC record of 11/30/82).	No
3. Friendly Homes Houses	Housing	12/26/1972	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act.	<i>To be dissolved</i> , based on 3/7/05 meeting with General Counsel; mortgage paid off in June, 1998.	Yes
4. Jespersen - Rochester Houses, Inc.	Housing	8/16/1972	To develop a UDC project.	Project aborted (per UDC record of 9/25/92). <i>To be dissolved</i> , based on 3/7/05 meeting with General Counsel.	Yes
5. Mermaid Development Corporation	Paper	8/31/1982	To facilitate and exercise public functions of the Sea Park West Land Use Improvement Project located in Kings County, N.Y.	No activities documented for more than 10 years.	Yes
6. Rochester - Goodman Street, Inc.	Paper	7/22/1976	To develop and deal with the real property commonly known as the Bausch & Lomb Goodman Street facilities.	Construction completed (per UDC record of 11/30/82).	No

**Inactive Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
7. UDC General Development I, Inc.	Paper	4/23/1973	To acquire, construct, reconstruct, rehabilitate, manage, operate or finance residential, industrial, commercial, civic, community or other buildings and lands, and to sell, lease, transfer or mortgage any such property.	<i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes
8. UDC General Development II, Inc.	Paper	4/23/1973	To acquire, construct, reconstruct, rehabilitate, manage, operate or finance residential, industrial, commercial, civic, community or other buildings and lands, and to sell, lease, transfer or mortgage any such property.	<i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes
9. UDC Special Development Corporation	Paper	5/31/1973	To acquire, construct, reconstruct, rehabilitate, manage, operate or finance residential, industrial, commercial, civic, community or other buildings and lands, and to sell, lease, transfer or mortgage any such property.	<i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes
10. UDC-Aurora Development Corporation	Paper	5/22/1978	To facilitate a project in Elma, N.Y. to be known as the Moog, Inc. Office and Manufacturing Facility Land Use Improvement Project.	Construction completed (per UDC record of 11/30/82).	No

Inactive Subsidiaries As of March 31, 2005					
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
11. UDC-Clinton Square Development Corporation	Paper	11/10/1971	To implement one or more UDC projects in Syracuse, N.Y. or elsewhere.	Project terminated (per UDC record of 8/28/92). <i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	No
12. UDC-Dewitt Development Corporation	Paper	2/10/1978	To facilitate a project in Dewitt, N.Y. to be known as the Chrysler Corp. New Process Gear Division Facility Land Use Improvement Project.	Corporation never organized; project inactive; no Directors or Officers appointed; no meetings held or bylaws adopted (per UDC record of 11/30/82).	No
13. UDC-Greater Rochester, Inc.	Paper	6/5/1970	To assist and cooperate with UDC in planning, acquisition, construction management or operation of residential, civic, industrial, land use improvement or multi-purposes projects; to finance, sell, lease, transfer or mortgage any such buildings.	Inactive since May, 1975; no Board elections held since 1975 (per UDC record of 11/30/82). <i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes
14. UDC-Hanover, Inc.	Paper	10/24/1977	To facilitate a project in New York City to be known as the Three Hanover Square Land Use Improvement Project.	Construction completed (per UDC record of 11/30/82).	Yes
15. Unity Park Phase Two, Inc.	Housing	5/21/1973	To develop and provide housing and auxiliary facilities for persons of low income located in the county of Niagara.	<i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes

**Inactive Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
16. HUDC 323 St. Nicholas Realty Corporation	Paper	1/9/1989	To develop low-income residential and other properties, including cultural and commercial.	No activities documented for more than 10 years.	Yes
17. Times Square Subway Improvement Corporation	Paper	12/16/1988	To facilitate improvement of the Times Square subway station complex located at the intersection of West 42 nd St. with Seventh Ave. and Broadway.	<i>To be dissolved</i> , based on 3/7/05 meeting with General Counsel.	Yes
18. World University Games Corporation	Paper	7/23/1992	To facilitate performance of public functions in connection with the 1993 World University Games.	<i>To be dissolved</i> , based on 3/7/05 meeting with General Counsel.	Yes
19. Hudson River Park Conservancy, Inc.	Paper	6/24/1992	To develop the Manhattan West Side Waterfront south of 59 th St.	Replaced by Hudson River Park Trust, Inc.	No
<u>5 - 10 Years Inactive</u>					
20. Carlken Manor Houses, Inc.	Housing	10/16/1989	To develop a UDC project known as the Carlken House Residential Project located in Carlton, N.Y..	Mortgage paid off in October, 1997.	No
21. Cherry Hill (Syracuse Hill III) Corporation (original name was Cherry Hill Houses, Inc.)	Housing	11/20/2000	To take and hold title to the Cherry Hill (Syracuse Hill III) residential project, in furtherance of the management of this property located in Syracuse, N.Y.	Project being shut down. Can be dissolved once that is done.	No
22. High Technology Incubators, Inc.	Paper	1/13/1982	To exercise all or any part of such public functions with respect to all or any part of a project in Troy, N.Y. to be known as the RPI Building "J" Incubator Facility Project.	Construction completed (per UDC record of 11/30/82).	No

Inactive Subsidiaries As of March 31, 2005					
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
23. Kennedy Square (Syracuse Hill I) Corporation (original name was Kennedy Square Corporation)	Housing	11/20/2000	To take and hold title to the Kennedy Square (Syracuse Hill I) Residential Project and facilitate performance of this property located in the City of Syracuse.	Project being shut down. Can then be dissolved.	No
24. Mt. Morris West Development Corporation	Paper	5/10/1983	To exercise all or any part of such public functions with respect to all or any part of a project in New York City, which is to be known as the Harlem Interfaith Counseling Services Land Use Improvement Project.	Project terminated (per UDC record of 9/25/92).	No
25. Overcoat Development Corporation	Paper	4/15/1986	To exercise all or any part of a project in the City of Amsterdam, which is known as the Strategic Land Use Improvement Project.	Purpose completed; factory ownership transferred and new company subsequently closed operation.	Yes
26. Unity Park Houses, Inc.	Housing	10/4/1971	To plan, acquire, construct, own, maintain and operate a UDC project known as Unity Park Houses, Inc. in Niagara Falls, N.Y.	<i>To be dissolved</i> , based on 3/7/05 meeting with General Counsel.	Yes
<u>Up to 5 Years Inactive</u>					
27. Cathedral Parkway Houses, Inc.	Housing	6/28/1972	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act.	Mortgage paid off in May 2004.	No
28. Governors Island Redevelopment Corporation	Paper	4/25/2000	To facilitate the redevelopment of Governors Island located in the New York Harbor.	Replaced by the Governors Island Preservation and Education Corporation.	No

**Inactive Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
29. Wright Park Houses, Inc.	Housing	9/14/1970	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act	Mortgage paid off in July 2003. <i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes
30. Wright Park Phase II Houses, Inc.	Housing	8/13/1971	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act	Mortgage paid off in July 2003. <i>To be dissolved, based on 3/7/05 meeting with General Counsel.</i>	Yes
<i>No Corporate Records at ESDC</i>					
31. Briarcliff Manor Houses, Inc.	Housing	11/18/1974	Not Documented	Mortgage paid off 12/2000	No
32. Carousel Park Houses, Inc.	Housing	10/18/1972	Not Documented	Mortgage to be paid off 5/2005	No
33. Cedarwood Towers Houses, Inc.	Housing	8/5/1971	Not Documented	Mortgage paid off 6/2003	No
34. Comfort Street South Houses, Inc.	Housing	9/16/1971	Not Documented	Mortgage paid off 5/2000	No
35. Cosgrove Avenue Houses, Inc.	Housing	11/23/1973	Not Documented	Mortgage paid off 5/2003	No
36. Elmwood-Utica Houses, Inc.	Housing	12/11/1972	Not Documented	Mortgage paid off 11/2004	No
37. English Road Houses, Inc.	Housing	12/26/1972	Not Documented	Mortgage paid off 12/2004	No
38. Frawley Plaza Houses, Inc.	Housing	7/19/1971	Not Documented	Mortgage paid off 3/2005	No
39. Fulton Park Site 4 Houses, Inc.	Housing	7/17/1972	Not Documented	Mortgage paid off 4/2003	No
40. Gleason Estates Houses, Inc.	Housing	5/15/1970	Not Documented	Mortgage paid off 2/1997	No

**Inactive Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status	Included on ESDC Press Release
41. Grasslands Houses, Inc.	Housing	5/10/1972	Not Documented	Mortgage paid off 4/1992	No
42. Hillside Homes (Wellsville Houses, Inc.)	Housing	8/6/1973	Not Documented	Mortgage paid off 8/1989	No
43. Metro North Riverview Houses, Inc.	Housing	8/31/1972	Not Documented	Mortgage paid off 3/2005	No
44. Newburgh Houses on the Lake, Inc.	Housing	10/21/1971	Not Documented	Mortgage paid off 8/2004	No
45. Nodine Terrace Houses, Inc.	Housing	10/24/1972	Not Documented	Mortgage paid off 6/2003	No
46. Peekskill Plaza Houses, Inc.	Housing	10/24/1972	Not Documented	Mortgage to be paid off 4/2005	No
47. Penview Houses, Inc.	Housing	1/15/1973	Not Documented	Mortgage paid off 2/2000	No
48. Perinton-Fairport Houses, Inc.	Housing	11/15/1972	Not Documented	Mortgage paid off 11/2003	No
49. Phillips Village Houses, Inc.	Housing	11/12/1971	Not Documented	Mortgage paid off 12/1994	No
50. Pilgrim Woods Houses, Inc.	Housing	12/19/1973	Not Documented	Mortgage paid off 11/2004	No

EXHIBIT B

Subsidiaries That Appear To Be Inactive As of March 31, 2005				
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
<i>Over 10 Years Inactive</i>				
1. 260-262 W. 125th Street Corporation	Local Development Corporation	9/17/1986	To coordinate and execute programs in the Harlem area.	No activities documented for over 10 years.
2. 900 Woolworth Redevelopment Corporation	Paper	3/18/1980	To facilitate a project in New York City, to be known as the Woolworth Land Use Improvement Project.	No activities documented for over 10 years.
3. Apollo Theatre Redevelopment Corporation	Paper	7/13/1983	To facilitate a project in New York City, to be known as the Apollo Theatre Land Use Improvement Project.	No activities documented for over 10 years.
4. Audubon Development Corporation	Paper	7/14/1972	To advise and assist the Audubon New Community Project in Amherst, N.Y.	No activities documented for over 10 years.
5. Aurelius Cayuga Development Corporation	Paper	1/31/1985	To facilitate a project in Aurelius, N.Y., to be known as the Gulf & Western Manufacturing Facility Land Use Improvement Project.	No activities documented for over 10 years.
6. Beach Redevelopment Corporation	Paper	10/6/1982	To facilitate a project in Long Beach, N.Y., to be known as the West End Neighborhood Land Use Improvement Project.	No activities documented for over 10 years.

**Subsidiaries That Appear To Be Inactive
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
7. City-State Development Corp.	Local Development Corporation	10/29/1980	To reduce adult unemployment; to carry on scientific research; to attract new business and industry to the State and City, including, but not limited to, the area in the vicinity of 42 nd Street and Seventh and Eighth Avenues in New York City; or to encourage the development or retention of business and the reconstruction, redevelopment and rehabilitation of physically and socially blighted areas.	No activities documented for over 10 years.
8. Deposit Industrial Redevelopment Corporation	Paper	11/7/1984	To facilitate a project in Deposit, N.Y., which is to be known as the Medium Density Fiberboard Land Use Improvement Project.	No activities documented for over 10 years.
9. Excelsior Capital Corporation	Paper	12/19/1990	To facilitate participation in economically targeted investments in N.Y.	No activities documented for over 10 years.
10. Fordham Commercial Redevelopment Corporation	Paper	9/24/1980	To facilitate a project in New York City, which is to be known as the Fordham Road Plaza Office and Retail Land Use Improvement Project.	No activities documented for over 10 years.
11. Metro-center Development Corporation	Paper	3/25/1982	To facilitate a project in New York City, to be known as the 42 nd Street Development Land Use Improvement Project.	No activities documented for over 10 years.
12. Niagara Falls Development Corporation	Paper	12/18/1979	To facilitate a project in Niagara Falls, N.Y. to be known as the Hooker Office Building and Land Use Improvement Project.	Construction completed (per UDC record of 11/30/82).

**Subsidiaries That Appear To Be Inactive
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
13. Seaport Redevelopment Corporation	Paper	12/18/1979	To facilitate a project in New York City, to be known as the South Street Seaport Land Use Improvement Project.	No activities documented for over 10 years.
14. Statewide Local Development Corporation (aka Downhill Local)	Local Development Corporation	12/6/1985	To facilitate a project to be known as the CB Sports Land Use Improvement Project.	No activities documented for over 10 years.
15. UDC Nonprofit Houses, Inc.	Membership Corporation	8/31/1970	To sponsor and develop nonprofit housing and auxiliary facilities for persons of low income.	No activities documented for over 10 years.
16. UDC-ALBEE Square Redevelopment Corporation	Paper	4/29/1977	To acquire, develop, improve, lease, or dispose of the real property known as a portion of the Brooklyn Center Urban Renewal Area Facilities.	Construction completed (per UDC record of 11/30/82).
17. UDC-Buffalo Ave Development Corporation	Paper	12/9/1977	To facilitate a project in Niagara Falls, N.Y. to be known as the Carborundum Company Research Facility Industrial Project.	Construction completed (per UDC record of 11/30/82).
18. UDC-Harlem, Inc.	Paper	9/24/1976	To develop the Harlem Neighborhood Improvement Project and Harlem Spruce-Up Program and other ancillary programs in the Harlem area of NYC.	No activities documented for over 10 years.
19. UDC-Niagara, Inc. (originally Rainbow Center Development Corp.)	Paper	10/9/1973	To advise and assist the UDC, the Niagara Falls Urban Renewal Agency and SPUR in the City of Niagara Falls.	No activities documented for over 10 years.
20. UDC-Outer Loop Development Corporation	Paper	5/23/1977	To acquire, develop, dispose of, sell, or lease any real property in the Outer Loop Industrial Park located in Rochester, N.Y.	No activities documented for over 10 years.

**Subsidiaries That Appear To Be Inactive
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
21. UDC-Stadium, Inc.	Paper	10/24/1978	To facilitate a UDC project with respect to the construction of a domed athletic facility for Syracuse University to be known as Syracuse Stadium located in Syracuse, N.Y.	No activities documented for over 10 years.
22. UDC-Ten Eyck Development Corporation II	Paper	12/10/1975	To facilitate a UDC project in Albany, N.Y. to be known as the Ten Eyck Project.	No activities documented for over 10 years.
23. UDC-Ten Eyck Development Corporation III	Paper	12/10/1975	To facilitate a UDC project in Albany, N.Y. to be known as the Ten Eyck Project.	Construction completed (per UDC record of 11/30/82).
24. Upper Lake Redevelopment Corporation	Paper	10/23/1985	To facilitate a UDC project in Lodi, N.Y. to be known as the Venture Vineyards Land Use Improvement Project.	No activities documented for over 10 years.
25. West 45th Street Industrial Condominiums, Inc.	Paper	2/7/1972	To own, hold, rehabilitate, lease, sell, or dispose of condominium units.	No activities documented for over 10 years.
26. West Avenue Redevelopment Corporation	Paper	6/29/1978	To facilitate a UDC project in Rochester, NY to be known as the Sybron Corporation Industrial Project.	Construction completed (per UDC record of 11/30/82).
<u>5 - 10 Years Inactive</u>				
27. Archive Preservation Corporation	Paper	9/13/1979	To exercise all or any part of such functions with respect to all or any part of a project in New York City, to be known as the Federal Archives Building Conversion Project.	No activities documented for at least 5 years.

**Subsidiaries That Appear To Be Inactive
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
28. Empire State Community Development Corporation	Paper	3/1/2000	To exercise activities in furtherance of the implementation and management of US Dept. of Housing and Urban Development Small Cities Community Block Grant Development Program in the State of New York.	According to the General Counsel, this program, also known as the Small Cities Program, may currently be administered through an outside agency.
29. Erie County Stadium Corporation	Paper	2/6/1998	To facilitate a project in Orchard Park, N.Y., to be known as the Erie County Stadium Project.	No activities documented for at least 5 years.
30. UDC-Commercial Center, Inc.	Paper	6/10/1977	To acquire, own, develop, sell, lease, transfer or otherwise dispose of real property and any improvements thereon in the Commercial Center being developed by a subsidiary of the Bedford-Stuyvesant Restoration Corporation in Brooklyn, N.Y., and to take all actions necessary or appropriate in furtherance of these purposes.	Construction completed (per UDC record of 11/30/82).
31. UDC-Love Canal, Inc.	Paper	8/11/1978	To exercise all or any part of such functions, with respect to all or any part of the Love Canal area in Niagara Falls, N.Y.	No activities documented for at least 5 years.
32. UDC-St. George, Inc.	Paper	10/24/1977	To exercise all or any part of such functions, with respect to all or any part of a project in Brooklyn, N.Y., which is to be known as the St. George Hotel Land Use Improvement Project.	Construction completed (per UDC record of 11/30/82).
33. UDC-Ten Eyck Development Corporation	Paper	11/2/1973	To exercise all or any part of such functions, with respect to a project in Albany, N.Y., which is to be known as the Ten Eyck Project.	Construction completed (per UDC record of 11/30/82).

Subsidiaries That Appear To Be Inactive As of March 31, 2005				
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
34. FDA Headquarters, Inc.	Paper	1/4/1999	To develop the northeast regional headquarters and laboratory for the US Food and Drug Administration.	No activities documented for at least 5 years.
<i>Up to 5 Years Inactive</i>				
35. Rebraf Redevelopment Corporation	Paper	11/18/1980	To exercise all or any part of such quasi-public functions with respect to all or any part of a project in Bronx County, N.Y., which is to be known as the Farberware Land Use Improvement Project.	Last documented activities in minutes dated 1/24/2001.
36. New York State Mortgage Loan Enforcement Corporation (MLC)	Large-scale projects	8/7/1979	To enforce, administer, and service all mortgages of the housing subsidiary corporations which are owned or held by UDC or New York State Project Finance Agency.	MLC was created to perform certain UDC functions when UDC was bankrupt. UDC is no longer bankrupt and now handles the housing subsidiaries' mortgages itself. In addition, the Project Finance Agency was recently dissolved. As a result, there is no longer a need for MLC. Last MLC entry in ESDC Board minutes: 12/20/2001. Last entry in MLC minutes: 1/6/2005 (transfer of a project from MLC).
<i>Discovered During Audit</i>				
37. BPC Development Corporation	Paper	1/28/1980	To facilitate functions, with respect to all or any part of a project in New York City, to be known as the Battery Park City Land Use Improvement Project.	Last documented activity on 9/30/1991.
38. JUMA Development Corporation	Not Documented	9/17/1982	Not Documented	The Department of State dissolved this corporation by proclamation on 9/28/1991.
39. Oak Tree Development Corp.	Not Documented	1/13/1982	Not Documented	Not Documented

**Subsidiaries That Appear To Be Inactive
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
40. La Marqueta Redevelopment Corp.	Not Documented	9/28/1981	Not Documented	Not Documented
41. Ogdensburg Crescent Mall Development Corporation	Not Documented	7/7/1972	Not Documented	Not Documented
42. UDC-Painted Post Plaza Corp.	Paper	11/2/1972	To plan, carry out, execute, implement or assist in the implementation of the Urban Renewal Plan for the Comeback '72 Project for the restoration of the Painted Post central business district and its immediate vicinity, to build a modern street network, a pedestrian walkway system and parking facilities, to implement the construction of industrial, commercial and residential projects initiated by UDC.	Last documented activities in minutes of special meeting on 2/1/1988.
43. Rochester-Downtown Center, Inc.	Not Documented	7/30/1976	Not Documented	Not Documented
44. Schemerhorn Houses, Inc.	Housing	1/8/1973	To plan, acquire, construct, own, maintain and operate a State urban development corporation project.	Last documented activities in the minutes of 6/25/1984.
45. Averill Court Houses, Inc.	Housing	12/8/1972	To plan, acquire, construct, own, maintain and operate a State urban development corporation project.	Last documented activities in the minutes of 12/31/1976: resignation of director and president.

**Subsidiaries That Appear To Be Inactive
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
46. Civic Hall Preservation Project Corp.	Paper	4/17/1978	To formulate and implement a preservation program for the premises commonly known as Radio City Music Hall, located in the Borough of Manhattan.	8/31/1978: Rockefeller Center, Inc. agreed to resume operation of Radio City Music Hall through April 1979 at no cost to the taxpayers. As a result, UDC, which had agreed to operate the Hall and assume any operating deficit, will immediately relinquish control.
47. Lindsay-Bushwick Houses, Inc.	Housing	12/14/1971	To plan, acquire, construct, own, maintain and operate, on a non-profit basis, as a residential project of UDC for persons of low income where no adequate housing exists for such persons.	Last documented activities in the minutes of 7/12/1976.
48. Lysander Development Corp.	Paper	7/17/1972	To cooperate with and assist UDC in the planning, financing, development management and operation of the industrial, commercial, residential, civic and community facilities contemplated within UDC's Lysander New Community "Multi-Purpose" Project.	Last documented activities in the minutes of 9/25/1995.

EXHIBIT C

Active Subsidiaries As of March 31, 2005				
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
1. 42 nd Street Development Corporation	Large-scale projects	1/24/1986	To facilitate functions with respect to a project in New York City, known as the 42 nd Street Development Land Use Improvement Project.	Ongoing
2. Brooklyn Bridge Park Development Corporation	Large-scale projects	5/1/2002	To facilitate functions, in furtherance of the implementation of the development of a public park to be known as the Brooklyn Bridge Park located in New York City.	Ongoing
3. Governors Island Preservation and Education Corporation	Large-scale projects	9/13/2002	To facilitate functions, in furtherance of the implementation and management of the redevelopment of Governors Island located in New York Harbor.	Ongoing
4. Harlem Community Development Corporation	Large-scale projects	7/13/1995	To develop a comprehensive development program for the Harlem Community.	Ongoing
5. Harriman Research and Technology Development Corporation	Large-scale projects	5/27/2004	To facilitate functions, in furtherance of the reuse and redevelopment of the Harriman State Office Campus in Albany, N.Y.	Ongoing
6. Lower Manhattan Development Corporation	Large-scale projects	12/17/2001	To facilitate functions, in furtherance of the implementation and management of the redevelopment of the area of Manhattan south of Houston Street in New York City.	Ongoing

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
7. Moynihan Station Development Corporation/ Pennsylvania Station Redevelopment Corporation	Large-scale projects	8/31/1995	To facilitate public functions, in furtherance of an agreement among the State of New York, the City of New York, the Federal Railroad Administration and the National Railroad Passenger Corporation with respect to the redevelopment of the James A. Farley Building and improvements to the existing Pennsylvania Station and ancillary Service Building as an intermodal transportation facility.	Ongoing
8. New York Convention Center Development Corporation	Large-scale projects	4/5/1979	To develop a "Convention Center" in New York City around 39th St. N., 13th St. S., 11th Ave. E., and 12th Ave. W.	Ongoing
9. New York Empowerment Zone Corporation	Large-scale projects	3/1/1996	Assist with implementing and administering the Federal Empowerment Zone located in New York City.	Ongoing
10. Queens West Development Corporation	Large-scale projects	2/10/1992	To facilitate public functions, in furtherance of an agreement among UDC, the Port Authority, the New York City Economic Development Corporation and the City of New York with respect to the development of a major mixed-use project on the waterfront at Hunters Point, New York City.	Ongoing

Active Subsidiaries As of March 31, 2005				
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
11. USA Niagara Development Corporation	Large-scale projects	2/5/2001	To facilitate the economic redevelopment and revitalization of Niagara Falls, N.Y.	Ongoing
12. Roosevelt Island Development Corporation	Paper	11/13/1969	To directly or indirectly acquire, construct, reconstruct, etc., manage or operate residential, industrial, commercial buildings, land, etc. and to sell, lease, mortgage such properties.	Ongoing
13. UDC-Harlem Development Corporation	Paper	12/16/1977	To facilitate a project in New York City, to be known as the 125 th Street Garage Complex Civic Project.	UDC record of 11/30/1982 stated that construction was completed on garage; retail space not completed; property conveyed to New York City; HUDC was managing garage pursuant to Management Agreement with NYC. Active, pending litigation, based on 3/7/2005 meeting with General Counsel.
14. Times Square Hotel, Inc.	Paper	10/9/1979	To exercise all or any part of such functions with respect to all or any part of a project in New York City, to be known as the Times Square Hotel Land Use Improvement Project.	According to the General Counsel, the project is completed, but outstanding tax abatement and insurance agreements are still in effect.
15. Empire State Local Development Corporation	JDA Local Development Corporation	10/2/2003	To relieve and reduce unemployment, and promote and provide for additional and maximum employment.	Ongoing

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
16. New York Liberty Development Corporation	JDA Local Development Corporation	8/14/2002	The Corporation is formed in response to the terrorist attack of September 11, 2001, for the public objective of relieving and reducing unemployment, promoting and providing for additional and maximum employment, and bettering and maintaining job opportunities. It will undertake its public purpose by issuing qualified New York Liberty Bonds and by issuing other non-federally tax-exempt obligations.	Ongoing
17. Apple Walk Houses, Inc. (originally, Grote Street Houses, Inc.)	Housing	1/11/1988	To plan, acquire, own, maintain and operate a UDC project known as the Grote Street residential project located in New York City.	In Workout
18. Borinquen Plaza Housing Company, Inc.	Housing	2/25/1987	To develop a UDC project known as the Borinquen Plaza residential project located in Rochester, N.Y.	Stabilized
19. Broadway East Townhouses, Inc.	Housing	8/29/1984	To develop a UDC project known as the Broadway East Houses located in Kingston, N.Y.	In Workout
20. Buffalo Waterfront Houses, Inc.	Housing	9/29/1969	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act.	No information

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
21. Buffalo Waterfront Phase III Houses	Housing	11/29/1972	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act.	In Workout
22. Clifeen Springs Houses ("Clifton Springs" in Department of State records).	Housing	12/14/1972	To develop a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act.	Non-Stabilized
23. Harlem Canaan House, Inc.	Housing	10/27/1988	To develop a UDC project known as the Harlem Canaan House Residential Project located in New York, N.Y.	In Workout
24. Highland Canal View Houses, Inc.	Housing	5/23/1997	To develop a UDC project known as the Eastern Scattered Sites Residential Project located in Clyde and Lyons, N.Y.	In Workout
25. Parkedge House, Inc.	Housing	11/27/1974	To plan, acquire, construct, own, maintain and operate a UDC project pursuant to the terms and provisions of the Private Housing Finance Law and the UDC Act.	Non-stabilized
26. Rockland Manor Houses, Inc.	Housing	10/9/1991	To develop a UDC project known as the School Street Residential Project located in Rockland, N.Y.	In Workout
27. South Fallsburgh Houses, Inc.	Housing	3/4/1986	To develop a UDC project known as the South Fallsburg Main Street Houses Residential Project located in South Fallsburg, N.Y.	Stabilized

Active Subsidiaries As of March 31, 2005				
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
28. Southeast Loop Phase IIA Houses, Inc.	Housing	12/26/1972	To develop a UDC project pursuant to the terms of provisions of the Private Housing Finance Law and the UDC Act.	In Workout
29. Unity Park II (Niagara Park) Corporation	Housing	11/20/2000	To take hold and title of and to facilitate performance of Unity Park II Residential Project located in Niagara, N.Y.	Non-Stabilized
30. Village Manor Houses, Inc.	Housing	11/19/1974	To develop a UDC project pursuant to the terms of provisions of the Private Housing Finance Law and the UDC Act.	No information
31. St. Paul's Upper Falls Housing Company, Inc.	Housing	2/25/1987	To plan, acquire, own, maintain, and operate a UDC project know as the St. Paul's Upper Falls Housing, Inc., a residential project located in the City of Rochester.	In Workout
32. 125 th Street Mart, Inc.	Paper	4/30/1985	To construct and maintain factories, mills, distribution centers, and stores. To export/import merchandise for purchase and sale in both domestic and foreign markets.	Ongoing
33. UDC-Commodore Redevelopment Corporation	Paper	10/6/1976	To facilitate a project in New York City to be known as the Commodore Hotel Project.	Ongoing; changed to Hyatt Hotel.

Active Subsidiaries As of March 31, 2005				
Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
34. Empire State New Market	Unknown	9/3/2004	To provide investment capital and capital assistance for and to the benefit of low-income communities and persons within its service area, under the New Markets Tax Credit Program.	Ongoing
<i>No Corporate Records at ESDC</i>				
35. Twin Parks Northwest Houses, Inc.	Housing	5/15/1970	Not Documented	In Workout
36. Ely Park Houses Site I, Inc.	Housing	Not found at Dept. of State	Not Documented	Non-Stabilized
37. Twin Parks Southeast Houses, Inc.	Housing	5/15/1970	Not Documented	In Workout
38. Twin Parks Northeast Houses, Inc.	Housing	5/15/1970	Not Documented	In Workout
39. Ellicott Houses, Inc.	Housing	10/29/1971	Not Documented	Non-Stabilized
40. Syracuse Intown Houses, Inc.	Housing	9/4/1970	Not Documented	Non-Stabilized
41. Genesee Gateway Houses, Inc.	Housing	12/26/1972	Not Documented	In Workout
42. Ely Park Site II Houses, Inc.	Housing	12/2/1971	Not Documented	Non-Stabilized
43. Twin Parks SE Modular Houses, Inc.	Housing	12/7/1971	Not Documented	In Workout
44. Twin Parks NE Site 2 Houses, Inc.	Housing	10/4/1971	Not Documented	In Workout
45. Arverne Houses, Inc.	Housing	5/8/1972	Not Documented	Non-Stabilized

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
46. Tompkins Terrace, Inc.	Housing	7/14/1971	Not Documented	Stabilized
47. College Hill Houses, Inc.	Housing	10/12/1971	Not Documented	Stabilized
48. North Town Phase II Houses, Inc.	Housing	5/30/1972	Not Documented	In Workout
49. Charlotte Lake River Houses, Inc.	Housing	8/5/1971	Not Documented	Non-Stabilized
50. Coney Island Site 4A-1 Houses, Inc.	Housing	1/10/1972	Not Documented	Non-Stabilized
51. Coney Island Site 4A-2 Houses, Inc.	Housing	1/10/1972	Not Documented	Non-Stabilized
52. North Town Phase III Houses, Inc.	Housing	8/1/1972	Not Documented	In Workout
53. Coney Island Site 17 Houses, Inc.	Housing	1/10/1972	Not Documented	In Workout
54. Beaver Road Houses, Inc.	Housing	12/26/1972	Not Documented	Stabilized
55. Park Drive Manor Houses, Inc.	Housing	3/21/1972	Not Documented	Non-Stabilized
56. Coney Island Site 1A Houses, Inc.	Housing	1/2/1973	Not Documented	Non-Stabilized
57. Coney Island Site 1824 Houses, Inc.	Housing	3/19/1973	Not Documented	Non-Stabilized
58. Harborview Houses, Inc.	Housing	9/12/1974	Not Documented	In Workout
59. Parkside Houses, Inc.	Housing	8/10/1973	Not Documented	Stabilized
60. Clinton Ave. Paul Place Houses, Inc.	Housing	4/27/1972	Not Documented	Stabilized

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
61. Harrison House, Inc.	Housing	4/12/1972	Not Documented	Non-Stabilized
62. Valley Vista Houses, Inc.	Housing	9/22/1972	Not Documented	Stabilized
63. Spring Valley Homes, Inc.	Housing	10/2/1972	Not Documented	Non-Stabilized
64. Seven Pines Houses, Inc.	Housing	5/10/1972	Not Documented	Stabilized
65. Vark Street Houses, Inc.	Housing	2/13/1973	Not Documented	Stabilized
66. North Town Phase I Houses, Inc.	Housing	8/1/1972	Not Documented	Stabilized
67. Claremont Gardens Houses, Inc.	Housing	10/6/1972	Not Documented	Stabilized
68. Edgerton Estates, Inc.	Housing	10/24/1972	Not Documented	Stabilized
69. Centerville Court Houses, Inc.	Housing	12/14/1972	Not Documented	Stabilized
70. Stanwix Houses, Inc.	Housing	12/26/1972	Not Documented	Stabilized
71. Marcus Garvey Brownstone Houses, Inc.	Housing	6/8/1973	Not Documented	In Workout
72. Ashland Place Houses, Inc.	Housing	5/30/1974	Not Documented	Stabilized
73. Marinus Houses, Inc.	Housing	5/24/1974	Not Documented	Stabilized
74. Creek Bend Heights Houses, Inc.	Housing	11/1/1973	Not Documented	Stabilized
75. Harriet Homes, Inc.	Housing	6/8/1973	Not Documented	Non-Stabilized
76. Presidential Plaza Apartments, Inc.	Housing	2/11/1974	Not Documented	Non-Stabilized

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
77. Vernon Avenue Houses, Inc.	Housing	7/22/1974	Not Documented	Stabilized
78. Dutcher House, Inc.	Housing	9/3/1974	Not Documented	Stabilized
79. State Street Houses, Inc.	Housing	4/27/1970	Not Documented	Non-Stabilized
80. Coney Island Site Nine Houses, Inc.	Housing	8/31/1971	Not Documented	Stabilized
81. Ithaca Elm-Maple Houses, Inc.	Housing	5/26/1970	Not Documented	Stabilized
82. Twin Parks SW Houses, Inc.	Housing	4/27/1970	Not Documented	In Workout
83. Buffalo Waterfront Homes Site 2, Inc.	Housing	4/27/1970	Not Documented	In Workout
84. Woodrow Wilson Houses, Inc.	Housing	9/14/1970	Not Documented	Non-Stabilized
85. Harlem River Park Houses, Inc.	Housing	9/2/1970	Not Documented	In Workout
86. Hampton Houses, Inc.	Housing	8/27/1971	Not Documented	In Workout
87. SE Loop Area Three B Houses, Inc.	Housing	6/22/1971	Not Documented	Stabilized
88. Van Rensselaer Village Houses	Housing	8/23/1971	Not Documented	Non-Stabilized
89. Woodbrook Houses, Inc.	Housing	11/1/1971	Not Documented	Stabilized
90. North Town Phase I Houses, Inc.	Housing	8/3/1971	Not Documented	In Workout
91. Young Manor, Inc.	Housing	11/18/1971	Not Documented	Non-Stabilized
92. Buena Vista Houses	Housing	8/16/1971	Not Documented	In Workout

**Active Subsidiaries
As of March 31, 2005**

Subsidiary	Type of Subsidiary	Date Created	Purpose / Project	Status
93. Warburton Houses, Inc.	Housing	6/30/1971	Not Documented	Non-Stabilized
94. Fulton Park Site 2 Houses, Inc.	Housing	7/17/1972	Not Documented	Non-Stabilized
95. Rutland Road Houses, Inc.	Housing	11/30/1972	Not Documented	Non-Stabilized
96. 106th Street Houses, Inc.	Housing	5/23/1973	Not Documented	Stabilized
97. Melrose Site D-1 Houses, Inc.	Housing	10/26/1972	Not Documented	In Workout
98. Malone Town Houses, Inc.	Housing	12/26/1972	Not Documented	Non-Stabilized
99. Ulster Senior Citizens Houses, Inc.	Housing	10/20/1972	Not Documented	Stabilized
100. Ten Broeck Manor Houses, Inc.	Housing	11/12/1992	Not Documented	In Workout
101. Liberty Sr. Citizens Houses, Inc.	Housing	2/16/1973	Not Documented	Stabilized
102. Upaca Terrace Houses, Inc.	Housing	10/27/1988	Not Documented	In Workout
103. Painted Post Village Square Apts., Inc.	Housing	6/15/1973	Not Documented	Stabilized
104. Canisteo Homes, Inc.	Housing	7/11/1973	Not Documented	Stabilized

EXHIBIT D

ESDC Annual Report of Subsidiaries to OSC As of March 31, 2004			
Subsidiary	Status Per ESDC Report	Audited Status	
		Classification	See Exhibit
125 th Street Mart, Inc.	Active	Active	C
260-262 W. 125 th Street Corp.	Active	Inactive	B
HUDC 323 St. Nicholas Realty Corp.	Active	Inactive	A
Broadway East Townhouses, Inc.	Active	Active	C
Carlken Manor Houses, Inc.	Active	Inactive	A
Cathedral Parkway Houses, Inc.	Active	Inactive	A
Cherry Hill (Syracuse Hill III) Corp.	Active	Inactive	A
Highland Canal View Houses, Inc.	Active	Active	C
Kennedy Square (Syracuse Hill I) Corp.	Active	Inactive	A
Sea Park East Houses, Inc.	Active	Dissolved 11/15/04	Not applicable
Sea Park West Houses, Inc.	Active	Dissolved 9/27/04	Not applicable
West 45 th St. Industrial Condominiums, Inc.	Active	Inactive	B
Unity Park II (Niagara Park) Corp.	Active	Active	C
42 nd St. Development Project, Inc.	Active	Active	C
900 Woolworth Redevelopment Corp.	Active	Inactive	B
Apollo Theatre Redevelopment Corp.	Active	Inactive	B
Archive Preservation Corp.	Active	Inactive	B
Audubon Development Corp.	Active	Inactive	B
Aurelius Cayuga Dev. Corp.	Active	Inactive	B
Beach Redevelopment Corp.	Active	Inactive	B
Blue Sky Redevelopment Corp.	Active	Inactive	A
Brooklyn Bridge Park Development Corp.	Active	Active	C
Deposit Industrial Redevelopment Corp.	Active	Inactive	B
Eagle Bridge-Thomson Redevelopment Corp.	Active	Inactive	A
Empire State Community Development Corp.	Active	Inactive	B
Erie County Stadium Corp.	Active	Inactive	B
Excelsior Capital Corp.	Active	Inactive	B
FDA Headquarters, Inc.	Active	Inactive	B
Fordham Commercial Redevelopment Corp.	Active	Inactive	B
Governors Island Redevelopment Corp.	Active	Inactive	A
Governors Island Preservation & Education Corp.	Active	Active	C
Harlem Community Development Corp.	Active	Active	C
High Technology Incubators, Inc.	Active	Inactive	A
Hudson River Park Conservancy, Inc.	Inactive	Inactive	A

**ESDC Annual Report of Subsidiaries to OSC
As of March 31, 2004**

Subsidiary	Status Per ESDC Report	Audited Status	
		Classification	See Exhibit
Lower Manhattan Development Corp.	Active	Active	C
Mermaid Development Corp.	Active	Inactive	A
Metro-Center Dev. Corp.	Active	Inactive	B
Mt. Morris West Development Corp.	Active	Inactive	A
New York Convention Center Dev. Corp.	Active	Active	C
New York Empowerment Zone Corp.	Active	Active	C
New York Harbor Preservation and Dev. Corp.	Active	Dissolved 11/30/98	Not Applicable
New York State Mortgage Loan Enforcement Corp.	Active	Inactive	B
Niagara Falls Development Corp.	Active	Inactive	B
Overcoat Development Corp.	Active	Inactive	A
Pennsylvania Station Redevelopment Corp.	Active	Active	C
Queens West Development Corp.	Active	Active	C
Rebraf Development Corp.	Active	Inactive	B
Rochester-Goodman Street, Inc.	Active	Inactive	A
Roosevelt Island Development Corp.	Active	Active	C
Seaport Redevelopment Corp.	Active	Inactive	B
Statewide Local Development Corp.	Active	Inactive	B
Times Square Hotel, Inc.	Active	Active	C
Times Square Subway Improvement Corp.	Active	Inactive	A
UDC-Albee Square Redevelopment Corp.	Active	Inactive	B
UDC-Aurora Development Corp.	Active	Inactive	A
UDC-Buffalo Avenue Redevelopment Corp.	Active	Inactive	B
UDC-Commercial Center, Inc.	Active	Inactive	B
UDC-Commodore Redevelopment Corp.	Active	Active	C
UDC-Hanover, Inc.	Active	Inactive	A
UDC-Harlem, Inc.	Active	Inactive	B
UDC-Love Canal, Inc.	Active	Inactive	B
UDC-St. George, Inc.	Active	Inactive	B
UDC-Ten Eyck Development Corp. I	Active	Inactive	B
UDC-Ten Eyck Development Corp. II	Active	Inactive	B
UDC-Ten Eyck Development Corp. III	Active	Inactive	B
Upper Lake Redevelopment Corp.	Active	Inactive	B
USA Niagara Development Corp.	Active	Active	C
World University Games Corp.	Active	Inactive	A
Empire State Local Development Corp.	Active	Active	C
New York Liberty Development Corp.	Active	Active	C

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