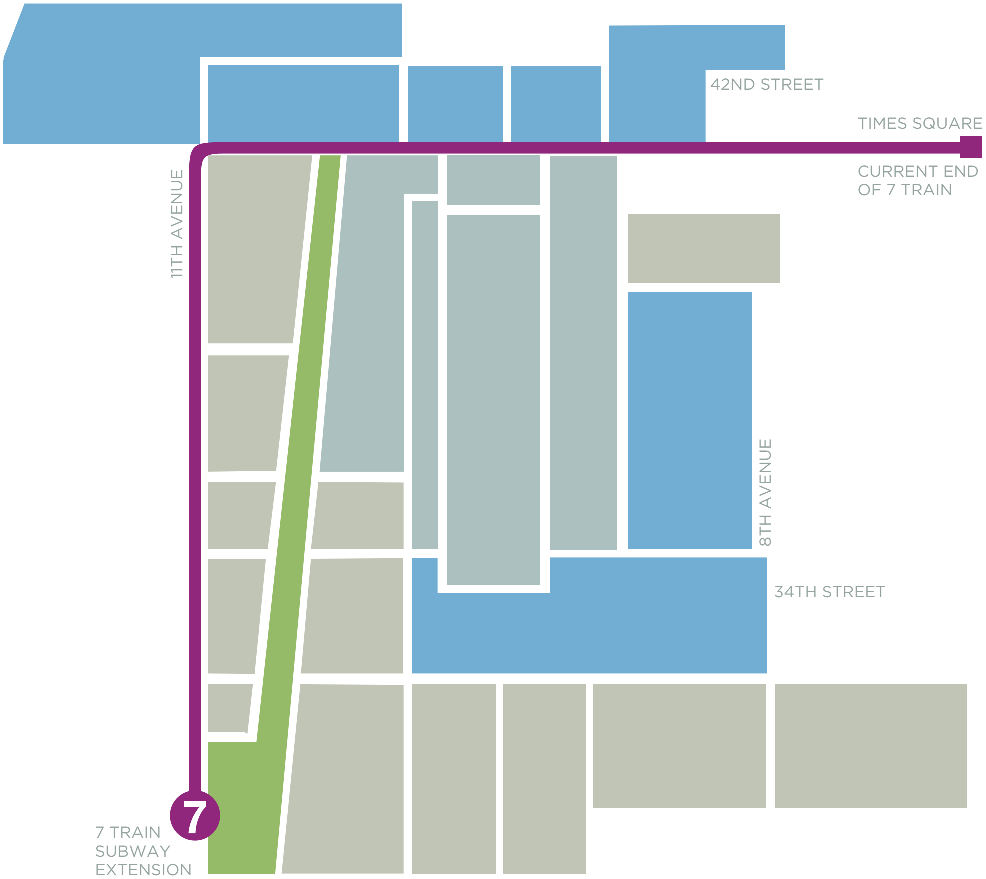
HYIC Hudson Yards Infrastructure Corporation

2007



NEW YORK CITY

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Letter From the President

We are pleased to present the annual report for the Hudson Yards Infrastructure Corporation (“HYIC”) for the first two fiscal years of its operations, the fiscal years ended June 30, 2007 and June 30, 2006. HYIC is a local development corporation created in 2004 by the City of New York (the “City”) under the Not-For-Profit Corporation Law of the State of New York.

The Corporation was created to finance certain property acquisition and infrastructure work (the “Project”), including the extension of the No. 7 subway line, as part of the development of the Hudson Yards Financing District, the approximately 45 square block area generally bounded by Seventh and Eighth Avenues on the east, West 43rd Street on the north, Eleventh and Twelfth Avenues on the west, and West 29th and 30th Streets on the south (the “Project Area.”)

The Hudson Yards Development Corporation (“HYDC”) is a local development corporation created by the City to manage and implement the Project. It has its own distinct audited financial statements, which are published separately from the audited financial statements of HYIC. Financial statements for HYDC may be obtained from HYDC at 225 West 34th Street, Suite 1402, New York, NY 10122.

The HYIC’s operations consist of carrying out the requirements of its indenture, including collecting revenues, applying revenues to pay principal and interest on its bonds and disbursing bond proceeds to pay Project costs. HYIC is legally separate both from the City and from the HYDC. As an instrumentality of the City, HYIC is included in the City’s financial statements as a blended component unit. HYIC does not have any employees; its affairs are administered by the employees of the City and of another component unit of the City, for which HYIC pays a management fee, rent and overhead.

On December 21, 2006, HYIC issued $2 billion of bonds. The bonds received credit ratings of “A”, “A3”, and “A-” from Standard & Poor’s Ratings Services, Moody’s Investors Service, and Fitch, Inc. HYIC stated in the official statement relating to its bonds that it expects to issue additional bonds in the aggregate amount of $1 billion for the Project in 2011. Under the Support and Development Agreement (the “Agreement”) between HYIC, HYDC and the City, the City has agreed to make payments, subject to annual appropriation, in an amount sufficient, together with any revenues HYIC receives from development, to pay interest on HYIC’s bonds, for as long as those bonds are outstanding. The principal amount of bonds which HYIC may issue that would be entitled to the benefits of the Agreement is capped at $3 billion.

HYIC resources pledged to HYIC bonds, in addition to interest support payments from the City, include payments in lieu of property taxes and mortgage recording taxes received as a result of development in the Project Area, tax equivalency payments by the City equal to real property taxes or payments in lieu of taxes received by the City on new developments in the Project Area, certain revenues from the sale of the transferable development rights over the Eastern Railyard purchased by HYIC from the Triborough Bridge and Tunnel Authority and payments by property owners pursuent to the New York City Zoning Resolution to obtain additional density for developments in the Project Area.

A Subway Extension Memorandum of Understanding entered into between the HYIC, the City, HYDC and the Metropolitan Transportation Authority (the “MTA”) provided that HYIC, the City or HYDC would provide up to $2.1 billion of the cost of extending the No. 7 subway line approximately two miles from its terminus on West 41st Street between Seventh and Eighth Avenues westward under West 41st Street to Eleventh Avenue and then southward to a new terminal station at West 34th Street and Eleventh Avenue. The No. 7 line extension will be constructed and operated by the MTA.

On November 13, 2007 the Board of the MTA approved the initial tunneling contract for the No. 7 line extension for a cost of $1,144,995,900 and a term of 57 months. This contract excluded provision for a shell for a second subway station at 41st Street and 10th Avenue, but included an option for the construction of a shell for the second station at a higher combined cost. The option will not be considered by the MTA Board unless there is identification of funding sources for such additional cost, and these are incorporated in a new or amended funding agreement between the City and the MTA.

On July 13, 2007, the MTA received five bids for the development of the Eastern and Western Rail Yards. The Board of the MTA is expected to designate developer(s) for the rail yards at one of its Board meetings the first quarter of 2008.

Alan L. Anders

December 5, 2007

Hudson Yards Redevelopment Plan

Hudson Yards is the area on the west side of Manhattan generally bounded by 29th and 30th Streets, 7th and 8th Avenues, 42nd and 43rd Streets, and the Hudson River.

- Rezoned for a mix of uses and building types including commercial development
- Extend No. 7 Line
- Create a system of new parks and streets
- Develop the MTA Railyards*
  - HYDC and the City participate in the oversight of the development
  - HYDC will sell air rights from Eastern Railyards to developers in the Hudson Yards district

*Not funded by HYIC

Current View of Hudson Yards
Looking North from 28th Street

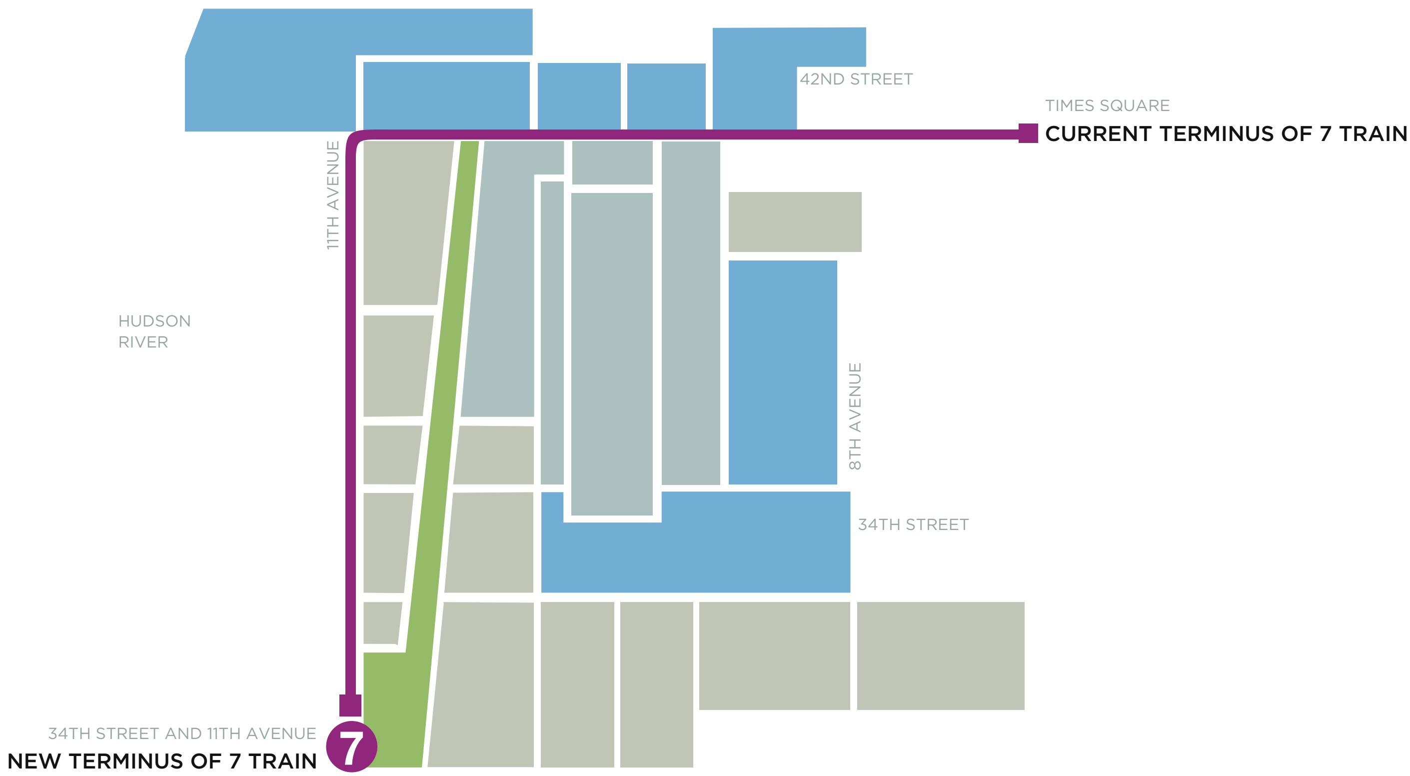
Current View of Hudson Yards
Looking East from 29th Street

Rezone for a mix of uses and building types

In 2005 the City approved a comprehensive rezoning of the Hudson Yards area.

The rezoning accommodates the creation over the next several decades of an estimated 24 million square feet of office space, 13,600 residential units, 2 million square feet of hotels, and 1 million square feet of retail space.

- High Density- Primarily Commercial
- Residential with Limited Commercial
- Medium Density- Residential and Commercial
- New Hudson Park and Boulevard
- 7 Train Subway Extension



No. 7 Subway Extension

The No. 7 Subway line will be extended from its current terminus at Times Square to a new terminal station at 34th Street and Eleventh Avenue.

Extending mass transit into the district will help make Hudson Yards an attractive location for new Class A office and mixed-use development.

On December 3, 2007 the Mayor and Governor participated in the groundbreaking for the construction of the No. 7 Subway Extension. Construction activities have already commenced and the new line is planned to be operational in 2013.

No. 7 Subway Extension Groundbreaking
December 3, 2007
Mayor Bloomberg, Governor Spitzer, Council Speaker Quinn and MTA Executive Director Elliot Sander

Create a system of new parks and streets

Create a new Hudson Park and Boulevard between 10th and 11th Avenues, from W. 33rd Street to W. 42nd Street.

Hudson Park and Boulevard will be constructed in two phases, with the first phase from W. 33rd to W. 36th Streets funded by HYIC. HYDC will issue a request for proposals and hold a competition in early 2008 to select a design team. Hudson Park and Boulevard will create an amenity to help attract Class A office tenants and will serve both workers and future residents.

Construction of the first phase will be completed in 2013.

Illustrative View from West 36th Street Looking South (left) Illustrative View from West 39th Street Looking South (right)
Hudson Boulevard is a design element and amenity to create an exciting new place for office workers and residents
The park and boulevard divides the 800 ft long blocks into sites that are well suited for commercial, mixed use and residential development, much as Madison Avenue does between Fifth and Park Avenues.

Develop the MTA Railyards

The City and the MTA have cooperated over the past five years to prepare for the development of the 26 acre MTA West Side Yards.

In July 2007 the MTA issued, after working closely with the City in shaping appropriate design guidelines, a request for proposals to select developer(s) of the railyards. In October submissions to develop the railyards were received from five development teams and the MTA plans to select developer(s) in the first quarter of 2008. In addition to commercial and residential space, the railyards will include approximately 10 acres of public open space, a new cultural facility, a school, and affordable housing.

The following are images from the 5 submissions:

Above Left, Above Right
Rail Yards, looking east. Firm: **Related**
Rail Yards, 12th Avenue, Northwest view. Firm: **Durst/Vornado**

Right Column from Top Down:
Rail Yards, Residential Towers. Firm: **Brookfield**
Model, Southwest view of Rail Yards. Firm: **Extell**
Rail Yards, view from 12th Avenue. Firm: **Tishman Speyer**

The private market has already responded strongly to the redevelopment plan

Since the adoption of the rezoning in 2005 there has been a dramatic surge in investment in Hudson Yards. Several large residential and hotel projects have been completed. Currently there are over 7 million square feet of residential and hotel projects completed and in construction in the district, and numerous more in planning.

Below are examples of completed projects.

The Atelier
627 W. 42nd Street
500 unit condominium

502 9th Avenue
40 unit condominium

Selected projects currently in construction:

440- 450 W. 42nd Street
500 Residential Units, 250 room hotel, retail. New Non-Profit Theatres.
60 Stories
Firm: **Related, Twining Properties**

455 W. 37th Street
394 Residential Rental Units, 21,000 sf retail. 20% of units low income
24 Stories
Firm: **Rockrose Development Corp.**

Right Column from Top Down:
600 W. 42nd Street
1360 Residential Units. Firm: **Silverstein Properties**
320 W. 38th Street
600 Units Firm: **Glenwood Development**

Independent Auditors' Report

To the Members of the Board of Directors and Audit Committee of the Hudson Yards Infrastructure Corporation:

We have audited the accompanying financial statements of the governmental activities of the Hudson Yards Infrastructure Corporation ("HYIC"), a component unit of The City of New York, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of HYIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HYIC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of HYIC as of June 30, 2007 and 2006, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 10 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of HYIC's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Deloitte & Touche LLP

September 27, 2007

Management's Discussion and Analysis

For the years ended June 30, 2007 and 2006

OVERVIEW OF THE FINANCIAL STATEMENTS

The following is a narrative overview and analysis of the financial activities of the Hudson Yards Infrastructure Corporation ("HYIC") as of and for the years ended June 30, 2007 and 2006. It should be read in conjunction with HYIC's entity-wide financial statements, governmental funds financial statements and the notes to the financial statements.

The financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the entity-wide financial statements; and (3) the governmental funds financial statements.

The entity-wide financial statements, which include the statements of net (deficit) assets and the statements of activities, are presented to display information about HYIC as a whole, in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended. This is to provide the reader with a broad overview of HYIC's finances. The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, in which all revenues and expenses are taken into account regardless of when cash is paid or received.

HYIC's governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenue is recognized when it becomes susceptible to accrual; that is, when it becomes both measurable and available to finance expenditures in the current fiscal period. Expenditures are recognized when the related liability is incurred, except for un-matured interest on bonds payable and estimated arbitrage rebate liabilities, which are recognized when due.

ORGANIZATIONAL OVERVIEW

HYIC's purpose is the financing of certain infrastructure improvements in the Hudson Yards area on the West Side of Manhattan (the "Project"). HYIC does not engage in development directly, but finances development to be spearheaded by Hudson Yards Development Corporation ("HYDC") and carried out by existing public entities. The Project is in an area generally bounded by Seventh and Eighth Avenues on the east, West 43rd Street on the north, Twelfth Avenue on the west and West 29th and 30th Streets on the south (the "Project Area"). The Project consists of (1) design and construction of an extension of the No. 7 Subway from its current terminus at 7th Avenue and 41st Street to a new station at 11th Avenue and West 34th Street (the "Subway Extension"), (2) acquisition from the Metropolitan Transportation Authority ("MTA") of certain transferable development rights ("TDRs") over its rail yards between Tenth and Eleventh Avenues and between West 30th and West 33rd Streets ("Eastern Rail Yards"or "ERY"), (3) construction of the first phase of a system of parks, public open spaces, and streets in the Project Area ("Public Amenities") and (4) property acquisition for the Project.

HYIC fulfills its purpose through the issuances of bonds to finance the Project, including the operations of HYDC, and the collection of revenues to support its operations and service its debt. HYIC revenues include and/or will include: (1) Interest Support Payments ("ISP") to be made by the City of New York ("the City") under the terms of the Support and Development Agreement ("Agreement") that obligates the City to pay to HYIC, subject to annual appropriation, ISPs on up to $3 billion of HYIC bonds in an amount equal to the difference between the amount of funds available to HYIC to pay interest on those bonds and the amount of interest due on such bonds; (2) payments in lieu of real estate taxes ("PILOTs") that have been assigned to HYIC under agreements with the New York City Industrial Development Agency ("IDA"), the City, and the MTA, and that are to be made in accordance with agreements between developers and IDA and others ("PILOT Agreements"); (3) Tax Equivalency Payments ("TEP") to be made by the City under the terms of the Agreement, which obligates the City to pay to HYIC, subject to annual appropriation, the amount of real property taxes collected by the City on new development (including substantial rehabilitation of existing buildings) in the Project Area; (4) District Improvement Bonuses ("DIB") paid by private developers in exchange for the

ORGANIZATIONAL OVERVIEW (continued)

right to create additional density in the Project Area; and (5) payments in lieu of the mortgage recording tax ("PILOMRT") required to be made by private developers entering into PILOT Agreements. The PILOT Agreements are expected to be entered into by developers because the PILOTs during the first 19 years will be substantially lower than the real estate taxes that would otherwise be due. Interest earned on unspent bond proceeds is used for debt service.

Proceeds received by HYIC for sales of the Transferable Development Rights (as discussed below), up to the amount of HYIC's investment (including the $200 million purchase price and interest costs thereon), will also be used by HYIC to support its operations and service its debt.

The Conversion Date is the date on which HYIC certifies that, for each of the two preceding Fiscal Years, HYIC's PILOT Payments plus TEP revenues less HYIC's operating expenses ("Net Recurring Revenues") were not less than 125% of the maximum annual debt service on all then outstanding senior bonds and not less than 105% of maximum annual debt service on all outstanding bonds. After the date on which bonds are first callable and prior to the Conversion Date, all revenues received by HYIC in a fiscal year remaining after funding expenses and interest must be used to purchase or redeem senior bonds in advance of their maturity, except that, if, during such fiscal year, the City has made ISPs, then HYIC must first reimburse the City for such ISPs. Prior to the Conversion Date, HYIC is not obligated to make any payments of principal of its bonds prior to maturity unless and until HYIC receives revenues in amounts sufficient to make such payments. After the Conversion Date, HYIC must establish a schedule of sinking fund installments for all outstanding debt no later than June 30th of that year. Bonds issued by HYIC after the Conversion Date are not entitled to ISPs under the Agreement.

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—ENTITY-WIDE FINANCIAL STATEMENTS

(amounts in thousands, except as noted)

On December 21, 2006, HYIC issued its Fiscal 2007 Series A Senior Revenue Bonds ("Bonds") in the amount of $2 billion, to partially finance the Project. The Bonds are term bonds with semiannual interest payment dates beginning in August, 2007 and maturing on February 15, 2047. As discussed above, prior to the Conversion Date, HYIC is not obligated to make any payments of principal on the Bonds prior to maturity, unless and until – and to the extent that - HYIC receives revenues in amounts sufficient to make such payments.

On December 28, 2006, HYIC acquired a 50% interest in Transferable Development Rights ("TDRs") upon making the first $100 million payment required under the terms of the purchase agreement among the City, MTA, the Triborough Bridge and Tunnel Authority and the Long Island Rail Road Company ("TDR Agreement"). The TDR Agreement requires HYIC to make three more annual payments in the amount of $33.3 million in each of the next three fiscal years for this interest. The full value of the TDR is reflected as an asset in HYIC's financial statements (on the debt service fund balance sheet and the statement of net (deficit) assets), and the amount due to the MTA is reflected as a long-term liability on the statement of net (deficit) assets.

Management's Discussion and Analysis (continued)

For the years ended June 30, 2007 and 2006

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—ENTITY-WIDE FINANCIAL STATEMENTS

(amounts in thousands, except as noted) **(continued)**

The following summarizes the activities of HYIC for the years ended June 30, 2007 and 2006:

	2007	2006	Change
REVENUES			
Program revenue	$ 62,946	$ 11,120	$ 51,826
Other revenue	43,257	59	43,198
Total Revenue	106,203	11,179	95,024
EXPENSES			
Project	114,703	1,500	113,203
Bond interest	46,542	-	46,542
Arbitrage rebate	3,814	-	3,814
Other	1,144	393	751
Total Expenses	166,203	1,893	164,310
CHANGE IN NET ASSETS	(60,000)	9,286	(69,286)
NET ASSETS, beginning of period	9,286	-	9,286
NET (DEFICIT) ASSETS, end of period	$ (50,714)	$ 9,286	$ (60,000)

Program revenue, primarily DIBs, increased as more developers submitted applications for additional-density development in the project area and other revenue, primarily investment earnings, increased because of increased holdings of bond proceeds and DIB funds in 2007 compared to 2006. Project expenses increased from 2006 in 2007 primarily for property acquisition and preliminary costs for the subway extension, and to fund the first full year of full-scale operation of HYDC. HYIC will not be the owner of the Project assets constructed or acquired as those assets become the property of the City. Therefore, HYIC reports no infrastructure assets or construction work in progress. Bond interest expense was incurred for the first time in 2007, as was the expense for arbitrage rebate which reflects the estimated amount of interest earnings on bond proceeds above the yield of the tax exempt bonds, which HYIC expects to be required to rebate to the United States Internal Revenue Service in the future. The increase in other expenses is primarily for the first year of amortization of bond issuance costs.

Management's Discussion and Analysis (continued)

For the years ended June 30, 2007 and 2006

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—ENTITY-WIDE FINANCIAL STATEMENTS

(amounts in thousands, except as noted) **(continued)**

The following summarizes HYIC's assets, liabilities and net (deficit) assets as of June 30, 2007 and 2006:

	2007	2006	Change
ASSETS			
Total Assets	$ 2,204,865	$ 9,679	$ 2,195,186
LIABILITIES			
Current liabilities	$ 37,185	$ 393	$ 36,792
Long-term liabilities	2,218,394	-	2,218,394
Total Liablilities	2,255,579	393	2,255,186
NET (DEFICIT) ASSETS			
Restricted	1,967,493	-	1,967,493
Unrestriced	(2,018,207)	9,286	(2,027,493)
TOTAL NET (DEFICIT) ASSETS	$ (50,714)	$ 9,286	$ (60,000)

The increase in assets between June 30, 2006 and 2007 is primarily the result of unspent bond proceeds, DIB revenues, and interest earnings on-hand at June 30, 2007, as well as the value of the TDRs purchased during the year. The increase in current liabilities primarily reflects bond interest payable at June 30, 2007 and the installment payment due during 2008 for the TDRs. The increase in long-term liabilities primarily reflects the bonds outstanding and the portion of the TDR installment payments due after one year.

The large negative unrestricted and total net assets balances at June 30, 2007 are primarily due to the issuance of bonds that will be repaid from future revenues.

Management's Discussion and Analysis (continued)

For the years ended June 30, 2007 and 2006

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—GOVERNMENTAL FUND FINANCIAL STATEMENTS (amounts in thousands, except as noted)

HYIC reports governmental activity using two funds: (1) a debt service fund ("DSF") and (2) a capital projects fund ("CPF").

The following summarizes the changes in DSF balances for the years ended June 30, 2007 and 2006:

	2007	2006	Change
REVENUES			
Program revenue	$ 62,946	$ 11,120	$ 51,826
Other revenue	798	59	739
Total Revenue	63,744	11,179	52,565
EXPENDITURES	396	393	3
OTHER FINANCING SOURCES (uses)	213,116	(1,500)	214,616
NET CHANGE IN FUND BALANCE	276,464	9,286	267,178
FUND BALANCE, beginning of period	9,286	-	9,286
FUND BALANCE, end of period	$ 285,750	$ 9,286	$ 276,464

During the year ended June 30, 2007, DSF DIB and other revenues (investment income) increased, as previously discussed. Expenditures for both years consist of general and administrative costs. The other financing sources in 2007 represents bond proceeds and the installment purchase debt used to purchase the TDRs, while the 2006 other financing source was a transfer to the capital projects fund made out of DIB revenue earned during that year.

The following summarizes the changes in CPF balances for the years ended June 30, 2007 and 2006:

	2007	2006	Change
REVENUE	$ 42,459	$ -	$ 42,459
EXPENDITURES			
Project	114,703	1,500	113,203
Other	29,904	-	29,904
Total expenditures	144,607	1,500	143,107
OTHER FINANCING SOURCES	1,992,069	1,500	1,990,569
CHANGE IN FUND BALANCE	1,889,921	-	1,889,921
FUND BALANCE, beginning of period	-	-	-
FUND BALANCE, end of period	$ 1,889,921	$ -	$ 1,889,921

Revenue in the CPF in 2007 was composed of investment income on unspent bond proceeds. Project expenses in the CPF increased from 2006 in 2007 primarily for property acquisition and preliminary costs for the subway extension, and to fund a full year of full-scale operation of HYDC. The increase in other financing sources in 2007 compared to 2006 resulted from the bond issuance.

Management's Discussion and Analysis (continued)

For the years ended June 30, 2007 and 2006

FINANCIAL HIGHLIGHTS AND OVERALL ANALYSIS—GOVERNMENTAL FUND FINANCIAL STATEMENTS (amounts in thousands, except as noted) (continued)

The following summarizes the DSF assets, liabilities, and fund balances as of June 30, 2007 and 2006:

	2007	2006	Change
ASSETS			
Cash and investments	$ 78,250	$ 9,679	$ 68,571
Transferable development rights	202,345	-	202,345
Other	5,193	-	5,193
Total assets	$ 285,788	$ 9,679	$ 276,109
LIABILITIES			
Accrued expenses	$ 38	$ 393	$ (355)
Total liabilities	38	393	(355)
FUND BALANCE			
Reserved	77,572	-	77,572
Unreserved	208,178	9,286	198,892
Total fund balance	285,750	9,286	276,464
Total liabilities and fund balance	$ 285,788	$ 9,679	$ 276,109

DSF assets increased during 2007 primarily as a result of additional DIB revenues retained for HYIC's short-term operating needs, and the purchase of TDRs, as discussed previously. Accrued expenses at year end were lower in 2007 than in 2006 because the 2006 balance included a fee for non-recurring consulting work for which HYIC made payment during 2007.

The following summarizes the CPF assets, liabilities, and fund balances as of June 30, 2007 and 2006:

	2007	2006	Change
ASSETS			
Cash and investments	$ 1,889,921	$ -	$ 1,889,921
Total assets	$ 1,889,921	$ -	$ 1,889,921
LIABILITIES	$ -	$ -	$ -
FUND BALANCE			
Unreserved	1,889,921	-	1,889,921
Total fund balance	1,889,921	-	1,889,921
Total liabilities and fund balance	$ 1,889,921	$ -	$ 1,889,921

CPF cash and investments on hand, as well as the fund balance, at June 30, 2007 represent unspent bond proceeds. There were no bonds outstanding and thus no unspent proceeds as of June 30, 2006.

* * * * *

Hudson Yards Infrastructure Corporation

Statements of Net (Deficit) Assets

As of June 30, 2007 and 2006 (amounts in thousands)

	2007	2006
ASSETS		
Unrestricted cash and cash equivalents	$ 683	$ 9,679
Restricted cash and cash equivalents	60,405	-
Restricted investments	1,907,083	-
Interest receivable	5	-
Tax equivalency payments receivable	5,008	-
Prepaid insurance	180	-
Transferable development rights	202,345	-
Unamortized bond issue costs	29,156	-
Total assets	2,204,865	9,679
LIABILITIES		
Accrued expenses	38	393
Arbitrage rebate liability	3,814	-
Accrued bond interest payable	51,458	-
Long-term debt:		
portion due within one year	33,333	-
portion due after one year	2,066,667	-
Unamortized bond premium	100,269	-
Total liabilities	2,255,579	393
NET (DEFICIT) ASSETS		
Restricted for Debt Service	77,572	-
Restricted for Capital Projects and TDR Purchases	1,889,921	-
Unrestricted	(2,018,207)	9,286
Total net (deficit) assets	$ (50,714)	$ 9,286

See notes to financial statements.

Statements of Activities

For the years ended June 30, 2007 and 2006 (amounts in thousands)

	2007	2006
REVENUES		
District improvement bonus revenue	$ 57,938	$ 11,120
Property tax equivalency payment revenue	5,008	-
Investment income	43,257	59
Total revenues	106,203	11,179
EXPENSES		
Project - Subway Extension	37,553	-
Project - Land Acquisition and Public Amenities	70,964	-
Project - Transfers to Hudson Yards Development Corporation	6,186	1,500
Bond interest	46,542	-
Arbitrage rebate	3,814	-
Amortization of bond issuance costs	748	-
General and administrative	396	393
Total expenses	166,203	1,893
CHANGE IN NET ASSETS	(60,000)	9,286
NET ASSETS - Beginning of period	9,286	-
NET (DEFICIT) ASSETS - End of period	$ (50,714)	$ 9,286

See notes to financial statements.

Governmental Funds Balance Sheets

As of June 30, 2007 (amounts in thousands)

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Unrestricted cash and cash equivalents	$ 683	$ -	$ 683
Restricted cash and cash equivalents	57,885	2,520	60,405
Restricted investments	19,682	1,887,401	1,907,083
Interest receivable	5	-	5
Tax equivalency payments receivable	5,008	-	5,008
Prepaid insurance	180	-	180
Transferable development rights	202,345	-	202,345
Total assets	285,788	1,889,921	2,175,709
LIABILITIES			
Accrued expenses	38	-	38
Total liabilities	38	-	38
FUND BALANCE			
Reserved for debt service	77,572	-	77,572
Unreserved	208,178	1,889,921	2,098,099
Total fund balance	285,750	1,889,921	2,175,671
Total liabilities and fund balance	$ 285,788	$ 1,889,921	$ 2,175,709

See notes to financial statements.

Governmental Fund Balance Sheets

As of June 30, 2006 (amounts in thousands)

		Debt Service Fund
ASSETS		
Unrestricted cash and cash equivalents	$	9,679
Total assets		9,679
LIABILITIES		
Accrued expenses		393
Total liabilities		393
FUND BALANCE		
Unreserved		9,286
Total liabilities and fund balance	$	9,679

See notes to financial statements.

Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2007 (amounts in thousands)

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
District improvement bonus revenue	$ 57,938	$ -	$ 57,938
Tax equivalency payment revenue	5,008	-	5,008
Investment income	798	42,459	43,257
Total revenues	63,744	42,459	106,203
EXPENDITURES			
Project Expenditures- Subway Extension	-	37,553	37,553
Project Expenditures- Land Acquisition and Public Amenities	-	70,964	70,964
Project Expenditures- Transfers to Hudson Yards Development Corporation	-	6,186	6,186
General & administrative	396	-	396
Costs of bond issuance	-	29,904	29,904
Total expenditures	396	144,607	145,003
OTHER FINANCING SOURCES (USES)			
Transfers from Capital Projects Fund (to Debt Service Fund)	112,771	(112,771)	-
Transfers (from Debt Service Fund) to Capital Projects Fund	(2,000)	2,000	-
Principal amount of bonds issued	-	2,000,000	2,000,000
Bond premium	-	102,840	102,840
Other — Transferable Development Rights installment purchase agreement	102,345	-	102,345
Total other financing sources	213,116	1,992,069	2,205,185
NET CHANGE IN FUND BALANCE	276,464	1,889,921	2,166,385
FUND BALANCE — Beginning of period	9,286	-	9,286
FUND BALANCE — End of period	$ 285,750	$ 1,889,921	$ 2,175,671

See notes to financial statements.

Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2006 (amounts in thousands)

	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
District improvement bonuses	$ 11,120	$ -	$ 11,120
Investment income	59	-	59
Total revenues	11,179	-	11,179
EXPENDITURES			
Project expenditures funds transferred to Hudson Yards Development Corporation	-	1,500	1,500
General and administrative	393	-	393
Total expenditures	393	1,500	1,893
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	(1,500)	1,500	-
NET CHANGE IN FUND BALANCE	9,286	-	9,286
FUND BALANCE — Beginning of period	-	-	-
FUND BALANCE — End of period	$ 9,286	$ -	$ 9,286

See notes to financial statements.

Reconciliations of Governmental Funds Balance Sheets to Statements of Net (Deficit) Assets

As of June 30, 2007 and 2006 (amounts in thousands)

		2007		2006
FUND BALANCE — TOTAL GOVERNMENTAL FUNDS	$	2,175,671	$	9,286
Amounts reported for governmental activities in the statements of net (deficit) assets are different because:				
Costs of bond issuance are reported as expenditures in the governmental funds financial statements. However, in the statements of net (deficit) assets, the costs of bond issuance are reported as capitalized assets and amortized over the life of the bond.		29,156		-
Bond premiums are reported as other financing sources in the governmental funds financial statements. However, in the statements of net (deficit) assets, bond premiums are reported as a component of bonds payable and amortized over the life of the bond.		(100,269)		-
Some liabilities are not due and payable in the current period from currently available financial resources and are therefore not reported in the governmental funds financial statements, but are reported in the statements of net (deficit) assets. Those liabilities:				
Bonds payable		(2,000,000)		-
Accrued interest payable		(51,458)		-
Installment payments on Transferable Development Rights		(100,000)		-
Arbitrage rebate		(3,814)		-
NET (DEFICIT) ASSETS	$	(50,714)	$	9,286

See notes to financial statements.

Reconciliations of Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities

For the years ended June 30, 2007 and 2006 (amounts in thousands)

		2007		2006
NET CHANGE IN TOTAL GOVERNMENTAL FUNDS BALANCE	$	2,166,385	$	9,286
Amount reported for governmental activities in the statements of activities are different because:				
Bond proceeds provide current financial resources to governmental funds, but bond issued increases long-term liabilities on the statements of net (deficit) assets.		(2,000,000)		-
Installment purchases of assets held for re-sale provide current financial resources to governmental funds, but the unpaid purchase price increases long-term liabilities on the statements of net (deficit) assets.		(102,345)		-
Governmental funds report costs of bond issuance as expenditures. However, on the statements of activities, the cost of bond issuance is amortized over the life of the bond.		29,156		-
Governmental funds report bond premiums as other financing sources. However, on the statements of activities, premiums are amortized over the life of the bond.		(102,840)		-
Interest is reported on the statements of activities on the accrual basis. However, interest is reported as an expenditure in governmental funds when the outlay of financial resources is required.		(46,542)		-
Arbitrage earnings rebatable to the Federal government are reported on the statements of activities an accrual basis, however arbitrage expenditures are reported in governmental funds when the outlay of financial resources is required.		(3,814)		-
CHANGE IN NET ASSETS	$	(60,000)	$	9,286

See notes to financial statements.

Notes to Financial Statements

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

1. ORGANIZATION

Hudson Yards Infrastructure Corporation ("HYIC") is a local development corporation established by The City of New York (the "City") under Article 14 of the Not-for-Profit Corporation Law of the State of New York. HYIC's purpose is the financing of certain infrastructure improvements in the Hudson Yards area on the West Side of Manhattan (the "Project"). The HYIC does not engage in development directly, but finances development to be spearheaded by Hudson Yards Development Corporation ("HYDC") and carried out by existing public entities. The Project is in an area generally bounded by Seventh and Eighth Avenues on the east, West 43rd Street on the north, Twelfth Avenue on the west and West 29th and 30th Streets on the south (the "Project Area"). The Project consists of (1) design and construction of an extension of the No. 7 Subway from its current terminus at 7th Avenue and 41st Street to a new station at 11th Avenue and West 34th Street (the "Subway Extension"), (2) acquisition from the Metropolitan Transportation Authority ("MTA") of certain transferable development rights over its rail yards between Tenth and Eleventh Avenues and between West 30th and West 33rd Streets ("Eastern Rail Yards"or "ERY"), (3) construction of the first phase of a system of parks, public open spaces, and streets in the Project Area ("Public Amenities") and (4) property acquisition for the Project.

HYIC fulfills its purpose through the issuance of bonds to finance the Project, including the operations of HYDC, and the collection of revenues, including payments in lieu of taxes and district improvement bonuses from private developers and appropriations from the City, to support its operations and pay principal and interest on its outstanding bonds. HYIC is governed by a Board of Directors elected by its five members, all of whom are officials of the City. HYIC's Certificate of Incorporation requires the vote of an independent director as a condition to taking certain actions; the independent director would be appointed by the Mayor prior to any such actions. HYIC does not have any employees; its affairs are administered by employees of the City and of another component unit of the City, for which HYIC pays a management fee, rent and overhead, based on its allocated share of personnel and others costs.

Although legally separate from the City, HYIC is an instrumentality of the City and, accordingly, is included in the City's financial statements as a blended component unit, in accordance with the Governmental Accounting Standards Board ("GASB") Statement 14, as amended.

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement focus and basis of accounting.

The Entity-wide financial statements of HYIC, which include the statements of net (deficit) assets and the statements of activities, are presented to display information about the reporting entity as a whole, in accordance with GASB Statement No. 34, as amended. The statements of net (deficit) assets and the statements of activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

HYIC's governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes susceptible to accrual, which is when it becomes both measurable and available to finance expenditures in the current fiscal period. Revenue is generally considered available if expected to be received within one year after period end. Expenditures are recognized when the related liability is incurred, except for un-matured interest on bonds payable, which is recognized when due.

HYIC uses two governmental funds for reporting its activities: a debt service fund ("DSF") and a capital projects fund ("CPF"). The DSF is used to account for the receipt and disbursement of resources – including Transferable Development Rights (see note #5) - used to pay interest and principal on long term debt and for all of the administrative operations of HYIC. Fund balance reserved for debt service identifies the portion of fund balance limited only to debt service. The unreserved fund balance may be used, in accordance with the Trust Indenture between HYIC and US Bank dated December 1, 2006 (the "Indenture"), for administrative purposes or for debt service. The CPF is used to account for the bond issuances and proceeds, and for project expenditures including the operations of HYDC.

Capital Assets

HYIC will not be the owner of the Project assets constructed or acquired as those assets become the property of the City. Therefore, HYIC reports no infrastructure assets or construction work in progress.

For fixed assets used in the operations of HYIC, HYIC's policy is to capitalize the purchase or construction costs of assets having a minimum useful life of five years and having a cost of more than $35 thousand; no such assets have been acquired or constructed.

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues

HYIC revenues include:

1) Interest Support Payments ("ISP") to be made by the City under the terms of the Support and Development Agreement ("Agreement") that obligates the City to pay to HYIC, subject to annual appropriation, ISP on up to $3 billion of HYIC bonds issued prior to the Conversion Date (described below), for so long as such bonds are outstanding, in an amount equal to the difference between the amount of funds available to HYIC to pay interest on those bonds and the amount of interest due on such bonds;

2) Payments in lieu of real estate taxes ("PILOT Payments") which have been assigned to HYIC under agreements with the New York City Industrial Development Agency ("IDA"), the City, and the MTA, and that are to be made in accordance with agreements between developers and IDA and others ("PILOT Agreements");

3) Tax Equivalency Payments ("TEP") to be made by The City under the terms of the Agreement that obligates the City to pay to HYIC, subject to annual appropriation, the amount of real property taxes collected by the City on New Development (including substantial rehabilitation of existing buildings) in the Project Area;

4) District Improvement Bonuses ("DIB") paid by private developers in exchange for the right to create additional density in the Project Area; and

5) Payments in lieu of the mortgage recording tax ("PILOMRT") required to be made by private developers entering into PILOT Agreements.

6) Interest earned on unspent bond proceeds, which is used for debt service.

The Conversion Date is the date on which HYIC certifies that, for each of the two preceding Fiscal Years, HYIC's PILOT Payments plus TEP revenues less HYIC's operating expenses ("Net Recurring Revenues") were not less than 125% of the maximum annual debt service on all then outstanding senior bonds and not less than 105% of maximum annual debt service on all outstanding bonds. After the date on which bonds are first callable and prior to the Conversion Date, all revenues received by HYIC in a fiscal year remaining after funding expenses and interest must be used to purchase or redeem senior bonds in advance of their maturity, except that, if, during such fiscal year, the City has made ISPs, then HYIC must first reimburse the City for such ISPs. Prior to the Conversion Date, HYIC is not obligated to make any payments of principal of its bonds prior to maturity unless and until HYIC receives revenues in amounts sufficient to make such payments. After the Conversion Date, HYIC must establish a schedule of sinking fund installments for all outstanding debt no later than June 30th of that year. Bonds issued by HYIC after the Conversion Date are not entitled to ISPs under the Agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Arbitrage Rebate

To maintain the exemption from Federal income tax of interest on bonds issued on December 21, 2006, HYIC will fund amounts required to be rebated to the Federal Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess of the amount earned on all obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter, and within 60 days after retirement of the bonds.

During 2007 HYIC made no rebate payments, but has estimated its accrued liability to rebate excess earnings during the fiscal year to be approximately $3,814. That amount is reported as an expense and a liability in the entity-wide financial statements, but is not reported in the fund financial statements as it is not expected to be paid out of current resources. It will be reported as an expenditure of the debt service fund in the year it becomes payable to the Federal Government.

Bond Premium and Issuance Costs

Bond premium and issuance costs are capitalized and amortized over the lives of the related debt using the interest method in the entity-wide financial statements. The amount of unamortized bond premium at June 30, 2007 is $100,269, which is net of accumulated amortization of $2,571. The amount of unamortized issuance costs at June 30, 2007 is $29,156, which are net of accumulated amortization of $748.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires HYIC's management to make estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Restricted Resources

Resources set aside for debt service or for project expenditures in accordance with the Indenture are classified as restricted on the statement of net (deficit) assets. When both restricted and unrestricted resources are available for use, it is HYIC's policy to use restricted resources first, then unrestricted resources as they are needed.

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

As a component unit of the City, HYIC implements new GASB standards in the same fiscal year as they are implemented by the City. The following pronouncements have been issued by GASB but not yet implemented by HYIC:

- **GASB Statement 48:** Sales and Pledges of Receivables and Future Revenues and Intra-entity Transfers of Assets and Future Revenues. HYIC has not completed the process of evaluating the impact that will result from adopting Statement 48. Therefore, HYIC is unable to disclose the impact adopting this statement will have on its financial statements. This statement is effective for fiscal periods beginning after December 15, 2006, which will be for the HYIC's fiscal year ending June 30, 2008.
- **GASB Statement 51:** Accounting and Financial Reporting for Intangible Assets. HYIC's only intangible assets are the Eastern Rail Yards Transferable Development Rights, discussed in note 5, below. As intangible assets acquired primarily for the purpose of directly obtaining income, they are excluded from the scope of GASB 51, and thus Statement 51 will not impact HYIC's financial statements

3. DEPOSITS

HYIC's cash, including deposits in transit, consisted of the following at June 30, 2007 and 2006:

	June 30, 2007		June 30, 2006	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
UNRESTRICTED				
FDIC insured deposits	$ -	$ -	$ 80	$ 80
Uninsured and not collateralized	-	-	-	-
Subtotal	-	-	80	80
RESTRICTED FOR DEBT SERVICE				
FDIC insured deposits	-	-	-	-
Uninsured and not collateralized	8,901	3,293	-	-
Subtotal	8,901	3,293	-	-
RESTRICTED FOR CAPITAL PROJECTS				
FDIC insured deposits	-	-	-	-
Uninsured and not collateralized	-	-	-	-
Subtotal	-	-	-	-
Total deposits	$ 8,901	$ 3,293	$ 80	$ 80

The uninsured and uncollateralized balance at June 30, 2007 represents DIB payments received by HYIC too late for investment or after the close of business on June 29, 2007 and thus not able to be invested until after year end.

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

4. INVESTMENTS

Investments consist of the following at June 30, 2007 and 2006:

	June 30, 2007	June 30, 2006
UNRESTRICTED		
Money Market Funds	$ 13	$ -
Federal Home Loan Bank discount notes (maturing within 90 days)	670	9,599
Subtotal	683	9,599
RESTRICTED FOR DEBT SERVICE		
Federal Home Loan Mortgage Corporation discount notes (maturing within 90 days)	12,548	-
Federal Home Loan Bank discount notes (maturing within 90 days)	9,726	-
Federal National Mortgage Association discount notes (maturing within 90 days)	46,391	-
Subtotal	68,665	-
RESTRICTED FOR CAPITAL PROJECTS		
Money Market Funds	3	-
Repurchase agreements	1,787,760	-
Federal Home Loan Bank discount notes (maturing within 90 days)	2,517	-
Federal National Mortgage Association discount notes (maturing within 90 days)	99,641	-
Subtotal	1,889,921	-
Total investments	$ 1,959,269	$ 9,599

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

4. INVESTMENTS (continued)

HYIC's management invests funds which are not immediately required for operations, debt service or capital project expenses. HYIC is generally authorized to invest in direct obligations of, or obligations guaranteed by, the U.S. government and highly rated U.S. municipal obligations. HYIC is also authorized to invest in certain highly rated commercial paper, highly rated short-term corporate securities, highly rated taxable money market funds, and repurchase agreements and investment contracts with highly rated financial institutions or corporations.

Unspent proceeds of HYIC's Senior Revenue Bonds Fiscal 2007 Series A (the "Series 2007A Bonds") are primarily invested in flexible repurchase agreements ("Repurchase Agreements") which guarantee fixed rates of return (ranging from 4.635% to 4.835%) on the daily balances and permit HYIC to withdraw funds for project expenditures as needed, but no later than March 31, 2011. Securities underlying the Repurchase Agreements are limited to obligations of the United States of America with a maturity of ten years or less or to certain senior debt obligations of Government National Mortgage Association, Federal National Mortgage Association or Federal Home Loan Mortgage Corporation rated "AAA"by S&P and "Aaa"by Moody's, with a maturity of ten years or less. Underlying securities are held by a third-party custodian as HYIC's agent and must have a market value of at least 104% of their cost.

The fair value of the Repurchase Agreements as of June 30, 2007 reported in the Capital Projects Fund and in the Statement of Net (Deficit) Assets ($1,788 million) reflects the value of the underlying investments, including accrued interest ($1,794 million) adjusted for the fair value of the fixed-interest-rate aspect of the contract (-$6 million).

Investments, other than the Repurchase Agreements, are reported at cost plus accrued interest which approximates fair value.

All investments, other than the Repurchase Agreements, are registered and are held by HYIC's agent in HYIC's name.

Credit Risk

All investments held by HYIC at June 30, 2007 and 2006, including those underlying the Repurchase Agreements, are obligations of, or guaranteed by, the United States of America, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System, or are shares of money market funds, and are rated "AAA"or "A-1+"by S&P and "Aaa"or "P-1"by Moody's.

Interest Rate Risk

Over 91% of HYIC's investments are in Repurchase Agreements with guaranteed fixed rates of return. The fair value of the Repurchase Agreements, the terms of which are discussed above, is highly susceptible to changes in market interest rates; however HYIC does not expect these Repurchase Agreements to terminate. The remainder of HYIC's investments will mature within 90 days after June 30, 2007; for these investments HYIC's risk that changes in interest rates will adversely affect the fair value of investments is very limited.

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

5. TRANSFERABLE DEVELOPMENT RIGHTS

HYIC acquired a 50% interest in Eastern Rail Yards Transferable Development Rights ("TDRs") for the purpose of resale, under an agreement among the City, the MTA, the Triborough Bridge and Tunnel Authority and the Long Island Rail Road Company ("TDR Agreement"). The purchase by developers of TDRs will permit the construction of buildings of larger size than would otherwise be permissible as-of-right under applicable zoning law. Proceeds received by HYIC for sales of the TDRs, up to the amount of HYIC's investment (including the $200 million total purchase price and interest costs thereon) will be used by HYIC to support its operations and service its debt.

Under the terms of the TDR Agreement, HYIC made the initial installment payment of $100 million in FY 2007, and is required to make three more annual payments in the amount of $33 1/3 million in each of the next three fiscal years for this interest. The full value of the TDRs, including the full purchase price and HYIC's cost of funds for payment made to date, is reflected as an asset in HYIC's financial statements (in the debt service fund and in the statement of net (deficit) assets), and the amount due to the MTA is reflected as a long-term liability on the statement of net (deficit) assets (see also note 6, below).

6. LONG-TERM DEBT

On December 21, 2006, HYIC issued the Series 2007A Bonds in the amount of $2,000 million. They are the first bonds issued by HYIC and the only bonds issued and outstanding as of June 30, 2007. HYIC has pledged all revenues and its proceeds from sales of TDRs to secure the bonds.

Interest on the Series 2007A Bonds will be payable semiannually on February 15 and August 15 beginning on August 15, 2007. Payments of principal on the Series 2007A Bonds will be made by HYIC from revenues and TDR sale proceeds received as a result of development in the Hudson Yards Financing District. Prior to the Conversion Date (discussed in Note 2 above), HYIC is not obligated to make any payments of principal on the Series 2007A Bonds prior to maturity unless and until - and to the extent that - HYIC receives revenues and TDR sale proceeds in amounts sufficient to make such payments. After the first call date for the Series 2007A Bonds and prior to the Conversion Date, all revenues remaining after funding expenses and interest must be used to purchase or redeem Series 2007A Bonds (except that, if the City has made ISPs during such fiscal year, then HYIC must first reimburse the City for such ISPs).

The Trust Indenture between HYIC and the Trustee dated December 1, 2006 ("Indenture") specifies that a schedule of sinking fund installments must be established for the Series 2007A Bonds no later than the June 30th following the Conversion Date. The bonds bear interest at fixed rates ranging from 4.5% to 5.0%.

Notes to Financial Statements (continued)

For the years ended June 30, 2007 and 2006 (amounts in thousands, except as noted)

6. LONG-TERM DEBT (continued)

A summary of changes in outstanding bonds and other long term debt during the year ended June 30, 2007 follows:

	Period Ended June 30, 2007			
	Balance			Balance
Series	**June 30, 2006**	**Additions**	**Deletions**	**June 30, 2007**
Fiscal 2007 Series A	$ -	$ 2,000,000	$ -	$ 2,000,000
Total bonds payable	-	2,000,000	-	2,000,000
Due to MTA for TDR	-	200,000	100,000	100,000
Total changes in long-term debt	$ -	$ 2,200,000	$ 100,000	$ 2,100,000

Debt service requirements on bonds, including principal and interest, at June 30, 2007, are as follows:

Years Ended June 30,	Principal	Interest	Total
2008	$ -	$ 112,125	$ 112,125
2009	-	97,500	97,500
2010	-	97,500	97,500
2011	-	97,500	97,500
2012	-	97,500	97,500
2013 to 2017	-	487,500	487,500
2018 to 2022	-	487,500	487,500
2023 to 2027	-	487,500	487,500
2028 to 2032	-	487,500	487,500
2033 to 2037	-	487,500	487,500
2038 to 2042	-	487,500	487,500
2043 to 2047	2,000,000	487,500	2,487,500
Totals	$ 2,000,000	$ 3,914,625	$ 5,914,625

* * * * *

Hudson Yards Infrastructure Corporation

Directors & Management

DIRECTORS

Mark Page
Chairperson
Director of Management & Budget

William C. Thompson, Jr.
Comptroller of
The City of New York

Christine Quinn
Speaker of the Council
The City of New York

Edward Skyler
Deputy Mayor for Administration of
The City of New York

Daniel L. Doctoroff
Deputy Mayor for Economic Development
and Rebuilding of The City of New York

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Jeffrey M. Werner
Assistant Secretary

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