

September 25, 2013

The Members of the Board of Directors of the  
Hudson Yards Development Corporation

In planning and performing our audit of the financial statements of Hudson Yards Development Corporation ("HYDC") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered HYDC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HYDC's internal control. Accordingly, we do not express an opinion on the effectiveness of HYDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we made a recommendation and suggestion, which, if implemented, could further strengthen the internal controls and business practices (see attached Exhibit I).

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management of Hudson Yards Development Corporation and is not intended to be and should not be used by anyone other than these specified parties, unless permission is granted.

Sincerely,



MARKS PANETH LLP

**HUDSON YARDS DEVELOPMENT CORPORATION  
MANAGEMENT LETTER RECOMMENDATION  
RESULTING FROM THE JUNE 30, 2013 AUDIT**

Included in Exhibit I is an observation and recommendation that we noted during our audit of HYDC's June 30, 2013 financial statements. There were no observations and recommendations noted in the prior year audit.

**EXHIBIT I – CURRENT YEAR NEW OBSERVATION AND RECOMMENDATION**

**1. SEGREGATION OF DUTIES**

**Observation:** During our testing of bank reconciliations and journal entries, we noted many critical duties are combined and given to the available employees due to the limited number of people working in the office. While there was a secondary of review of bank reconciliations and journal entries prepared by the Fiscal Manager, we feel that the reviewer, the Administrative Assistant, does not necessarily possess the background and experience to be in a position to approve such bank reconciliations and journal entries.

**Recommendation:** We recommend that the bank statements be provided to the Senior Vice President & General Counsel who can scan and initial prior to the preparation of the bank reconciliations. We also recommend that some periodic review of journal entries prepared by the Fiscal Manager be performed by someone in a higher position.

**Management's Response:** Going forward, upon HYDC's receipt of bank statements, we will provide to the General Counsel or the Vice President whose duties include finance and budget matters who will scan and initial them prior to the Fiscal Manager's preparation of the bank reconciliations. Also, one of the two HYDC staff members will review a random sample of the Fiscal Manager's journal entries periodically, but not less than monthly.

**\*\* END OF CURRENT YEAR NEW OBSERVATION AND RECOMMENDATION \*\***