

Marks Paneth LLP
685 Third Avenue
New York, NY 10017
P 212.503.8800
F 212.370.3759
www.markspaneth.com

Manhattan
Long Island
Westchester
Cayman Islands

M A R K S P A N E T H
ACCOUNTANTS & ADVISORS

September 29, 2014

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, 2014, 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, 2014 AUDIT**

Included in Exhibit I is an observation and recommendation that we noted during our audit of HYDC's June 30, 2014 financial statements. Exhibit II includes the recommendation from the prior year audit that appears to require further action.

EXHIBIT I – CURRENT YEAR NEW OBSERVATION AND RECOMMENDATION

1. BOARD APPROVAL OF PRESIDENT'S EXPENSES

Observation: As part of our audit procedures we reviewed the reimbursable expenses of the employees. During our review of the reimbursable expenses of the President, we noted that the Vice President approved such reimbursable expenses. While the President's reimbursable expenses are not material to HYDC's overall financial statements, best practices dictate that consideration be given to having approvals documented for such transactions on a periodic basis from a Board member (such as the Treasurer) instead of a subordinate.

Recommendation: We recommend that the Board or an authorized representative of the Board review and approve the reimbursable expenses of the President and/or the Vice President.

Management's Response: Management has taken the recommendation made in this audit and immediate action will be put into effect reflecting the new procedure of requesting a representative of the Board review and approve the reimbursable expenses of the President. The President shall continue to approve expenditures by the Vice President with a representative of the Board having the ability to review the approved reimbursable expenses made by the President.

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

**HUDSON YARDS DEVELOPMENT CORPORATION
MANAGEMENT LETTER RECOMMENDATION
RESULTING FROM THE JUNE 30, 2014 AUDIT**

EXHIBIT II – PRIOR YEAR RECOMMENDATION THAT REQUIRES FURTHER ACTION

2. SEGREGATION OF DUTIES

Prior Year 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.

Prior Year 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 Prior Year 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.

2014 Status: We understand the HYDC experienced further staff reductions in fiscal year 2014 and there are currently only two employees. Therefore, it is difficult for HYDC to develop internal control policies and procedures to ensure an optimal segregation of duties. However, we noted that the journal entries prepared by the Fiscal Manager did not contain documentation that they were reviewed by someone other than the preparer. We have recommended that the Vice President sign off and document his review and approval of the journal entries prepared by the Fiscal Manager on a monthly basis.

Management's 2014 Response: Management agrees with the recommendation made in this audit. Action will immediately be taken to place into effect the new procedure of having the Vice President sign off and document his review and approval of the journal entries prepared by the Fiscal Manager on a monthly basis.

**** END ****