

Empire State Development

September 21, 2009

TO: The Directors

FROM: Peter Wohl

SUBJECT: Harriman Research & Technology Development Corporation, ("HR&TDC") Internal Audit

On July 20, 2009, Sebi Vitale of the Empire State Development Corporation's Internal Audit Department issued a notice that it would be "conducting a review of the operations, activities, and financial records" of the HR&TDC. A copy of Mr. Vitale's notice is attached for your information.

I am advised that this is the first audit of the corporation since its inception in 2004 and I look forward reviewing the results as a means to improve the organization.

MEMORANDUM

TO: Peter Wohl, President HRTDC

FROM: Sebi Vitale, Senior Auditor

CC: Dennis Mullen, Chairman and CEO
Frances A. Walton, CFO
Thomas Brennan, SVP and Audit Director
Kathleen Mize, Controller
Carlos Otero, VP Contracts Admin and Sub Finance
Natasha Pallan, Director Subsidiary Finance
Richard Usas, VP of HRTDC
Nathan Cohen, Project Director

DATE: July 20, 2009

RE: Audit of Harriman Research & Technology Development Corp

The Internal Audit Department will be conducting a review of the operations, activities, and financial records of the Harriman Research & Technology Development Corporation (HRTDC). This review, along with separate reviews of certain other subsidiaries, was included in ESD's 2009-10 Internal Audit Plan approved by ESD's Audit Committee. The objectives include but are not limited to evaluating the processes and internal controls over disbursement of project funds, accounting and budget records, review of leases associated with the project's business center, and review agreement(s) with OGS and project contractors.

In order to accomplish this review, we will require input and documentation from ESD Departments who participate in the finances and accounting of HRTDC, including Subsidiary Finance, Contracts Administration, Accounts Payable and the Controller's group.

Our audit will commence over the next few days in which we will begin to request certain documents and records. We will strive to minimize any disruption to HRTDC, as well as to Subsidiary Finance, Contracts Administration, and the Controller's group.

The audit will be conducted by me under the supervision of Audit management. If you have any questions or comments, please do not hesitate to call me on extension 3557 or Tom Brennan to discuss them.