



**CAPITALIZE ALBANY**  
**CORPORATION**

**Monday, September 15, 2014**

21 Lodge Street

10:00 a.m.

Capitalize Albany Corporation  
Audit Committee

## Agenda

1. Review of Minutes from the Audit Committee Meeting of March 18, 2014
2. 2014 UHY Audit Engagement Letter
3. UHY Form 990 and Form CHAR500 Engagement Letter
4. Not For Profit Law Change
  - Amendments to Audit Committee Charter
  - Amendments to Whistleblower Policy
5. Other Business

Draft have not been approved

**Capitalize Albany Corporation  
Audit Committee Meeting  
MINUTES  
Tuesday, March 18, 2014**

The meeting of the Capitalize Albany Corporation Audit Committee Meeting was held at 10:00a.m., Tuesday, March 18 at 21 Lodge, Albany, NY.

The following were in attendance:

**Committee Members:**

Michael Fancher  
James Linnan

**Other:**

Alex Zhang and Brian Kearns from UHY

**Staff:**

Michael Yevoli, Erik Smith, Mark Opalka and Amy Gardner.

The regular meeting of the Capitalize Albany Corporation Audit Committee Meeting was called to order at 10:00 a.m.

**UHY Audit Presentation**

UHY presented the Review of Audit Results and Report dated December 31, 2013. Mr. Zhang advised the Committee that like the 2012 audit the 2013 audit was be conducted using government auditing standards, a comparative overview was provided. The audited financials are in compliance with PAAA. UHY reviewed the Independent Auditor's report and noted the Corporation received a clean opinion with no exceptions. UHY presented the financial highlights of the Balance Sheet and Income Statement. UHY stated that the open dialog and continued communication with management Audit Committee and the Board throughout the year lead to a successful audit and shows good governance principles.

CAC staff advised the Committee that the PARIS reports would be filed by the March 31<sup>st</sup> deadline and there was ongoing communication with the ABO. The Corporation's 990 tax return will be filed without extension and will be available to the Board on the Corporation's website.

There being no further business the Capitalize Albany Corporation Audit Committee meeting was adjourned at 10:37 a.m.

May 31, 2014

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Mr. Michael Fancher  
Chair, Audit Committee  
The Capitalize Albany Corporation  
21 Lodge Street  
Albany, New York 12207

Dear Mr. Fancher:

We are pleased to confirm our understanding of the services we are to provide for The Capitalize Albany Corporation (the "Corporation") for the year ended December 31, 2014.

We will audit the financial statements of the Corporation, which comprise the statements of financial position as of December 31, 2014, the related statements of activities and cashflows for the year ended December 31, 2014, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Corporation's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Corporation's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

### **Audit Objectives**

The objective of our audit is the expression of opinion as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Corporation and other procedures we consider necessary to enable us to express such an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion on the financial statements is other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 2

Government Auditing Standards. The Government Auditing Standards report on internal control and on compliance and other matters will include a paragraph that the purpose of the report is intended solely to (1) describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Corporation is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will provide tax services and assist with preparation of your financial statements and related notes. These nonaudit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. You will be required to acknowledge in the representation letter the tax services provided and our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to assume all management responsibilities for the tax services and any other nonattest services we provide; oversee the service by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities; for helping to ensure that appropriate goals and objectives are met; for following laws and regulations; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. Management is also responsible for implementing systems designed to achieve compliance with applicable laws and regulations.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statement, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Corporation received in

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 3

communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Corporation complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, and noncompliance with provision of laws, regulations, contracts, and grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported, on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

### **Audit Procedures – General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and Government Auditing

Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 4

inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures – Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Government Auditing Standards.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and Government Auditing Standards.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Corporation's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to Government Auditing Standards.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Corporation; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of UHY LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals, will be made available upon request and in a timely manner to your regulator or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 5

We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of UHY LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by your regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We estimate that our fees for these services will range from \$26,000 to \$32,000 for the audit. You will also be billed for out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from the Corporation's personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with the Corporation and arrive at a new fee estimate before we incur the additional costs.

Our invoices for these fees are due and payable as of the invoice date and will generally be sent in advance of the scheduled work. In accordance with our firm's policies, work may be suspended if the Corporation's account becomes 60 days or more overdue and will not be resumed until the account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. The Corporation will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of additional series and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

UHY LLP has a contractual arrangement with UHY Advisors, Inc. and its subsidiary entities (collectively, "UHY Advisors") whereby UHY Advisors provides UHY LLP with professional and support personnel who perform services in connection with our engagements under the supervision of one or more of our partners. To avoid duplication of efforts arising out of this arrangement, and unless you indicate otherwise, your acceptance of the terms of this engagement shall be understood by us as your consent to allow us to make disclosures to UHY Advisors and its employees of confidential information that we may obtain from you in the course of our engagement.

UHY Advisors, Inc. and UHY LLP are U.S. members of Urbach Hacker Young International Limited, a UK company, and form part of the international UHY network of legally independent accounting and consulting firms. "UHY" is the brand name for the UHY international network. Any services described herein are provided by UHY LLP and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

As a result of our prior or future services to the Corporation, we might be requested to provide information or documents to the Corporation or a third party in a legal, administrative, arbitration, or similar proceeding in which we are not a party. If this occurs, our efforts in complying with such requests will be deemed billable to the Corporation as a separate engagement. We shall be entitled to compensation for our time and reasonable reimbursement for our expenses (including legal fees) in complying with the request. For all requests we will observe the confidentiality requirements of our profession and will notify the Corporation promptly of the request.

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 6

It is agreed by The Capitalize Albany Corporation and UHY LLP or any successors in interest that no claim by or on behalf of either party arising out of services rendered pursuant to this agreement shall be asserted more than one year after the date of the audit report or one year after the date of termination of UHY LLP's services if sooner.

If you hire an employee of UHY Advisors NY, Inc. or UHY LLP, at any time during our relationship, or within one year of the end of our relationship, you will be billed a normal contingency placement fee of 30% of that employee's first year salary with The Capitalize Albany Corporation. This placement fee will be paid to UHY Advisors NY, Inc. or UHY LLP. The fee is necessary to recoup a portion of training costs in experienced people. It will also allow coverage of part of the cost of replacing the departed employee and ensure that you will receive continued, uninterrupted, professional services.

If you intend to publish or otherwise reproduce the financial statements and make reference to our Firm name, you agree to provide us with printers' proofs or masters for our view and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on an internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2011 peer review report accompanies this letter.

We appreciate the opportunity to be of service to The Capitalize Albany Corporation and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as describe in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*UHY LLP*

AZ/bly  
0404379.AUD.14

Enclosure  
cc: Michael Yevoli, President

**AGREED TO AND ACCEPTED BY:**  
The Capitalize Albany Corporation

\_\_\_\_\_  
Mr. Michael Fancher  
Chair, Audit Committee

\_\_\_\_\_  
Date



UHY Advisors NY, Inc.  
66 South Pearl Street, Suite 400  
Albany, NY 12207

May 31, 2014

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Mr. Michael Fancher  
Chair, Audit Committee  
The Capitalize Albany Corporation  
21 Lodge Street  
Albany, New York 12207

Dear Mr. Fancher:

This letter is to confirm and specify the terms of our engagement with The Capitalize Albany Corporation (the "Corporation") for the year ended December 31, 2014 and to clarify the nature and extent of the services we will provide. Also, by sending you this engagement letter, we have assumed that you are the person responsible for the tax matters of the Corporation. If this is not a correct assumption, please furnish us with the name of the individual with whom this work should be coordinated.

We will prepare the Corporation's federal Return of Organization Exempt from Income Tax (Form 990), and the Annual Filing for Charitable Organization (Form CHAR500) for the tax year ended December 31, 2014. We will not be responsible for preparing any other state filings that may be required for the Corporation unless you separately engage us to prepare such returns. The returns will be prepared from information that you furnish to us. Our work in connection with the preparation of your income tax returns does not include any procedures designed to discover defalcations or other irregularities, should any exist.

We will also be available to perform other services if necessary; however, these services will be discussed in detail prior to the engagement and will be added as an addendum to this letter. We will advise you where the tax law is unclear, or where there may be conflicts between the taxing authorities' interpretations of the law and other supportable positions.

The law provides various penalties that may be imposed when taxpayers understate their tax liability. If you would like information on the amount or circumstances of these penalties, please contact us.

Management is responsible for the proper recording of transactions in the books of accounts, for the safeguarding of assets, and for the substantial accuracy of the financial records. By accepting the terms of this engagement letter as described below, you certify that: (i) you will maintain substantiation to support all recorded expenses; and (ii) to the best of your knowledge, you have advised us of all of your gross income (and for which you have documentation) in the current tax year. You have the final responsibility for the accuracy of the income tax returns and, therefore, you should review them carefully before you sign and file them.

Your returns may be selected for review by the taxing authorities. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of such government tax examination, we will be available upon request to represent you and will render additional invoices for the time and expenses incurred.

Our fees for these services will be approximately \$4,500 for preparation of the returns. Our fees are based on anticipated cooperation for your personnel and the assumption that unexpected circumstances will not be encountered during the review. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 2

Our fees for the above services will be based upon the amount of time required at standard billing rates plus out-of-pocket expenses. Our invoices for these fees will be rendered as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

In today's technological environment, businesses and individuals are continuously interacting through e-mail. This often involves sending data, documents, and other information, including sensitive tax and financial information. Although convenient, a business or individual that chooses to exchange such information via e-mail should ensure that their e-mail server and the information stored in their systems are secure. By providing your financial information to us for the preparation of your tax return you authorize us to send information to you (or to other authorized recipients) via the e-mail addresses that you provide. Our firm is not responsible for any transmission problems or the failure of you or any authorized recipient of the information to receive the file containing the information or maintaining the confidentiality of any information transmitted via e-mail or in the possession of you or any authorized recipient. You are solely responsible for (i) notifying the firm of the failure to receive your file containing the information so that a copy can be provided in an alternate form; (ii) the security of your e-mail server and for restricting access to your e-mail in order to maintain confidentiality of the information transmitted; (iii) storing the electronic file containing the information; and (iv) acquiring and maintaining the software needed to open and access the files containing the information.

If you hire an employee of UHY Advisors NY, Inc. or UHY LLP, at any time during our relationship, or within one year of the end of our relationship, you will be billed a normal contingency placement fee of 30% of that employee's first year salary with The Capitalize Albany Corporation. This placement fee will be paid to UHY Advisors NY, Inc. or UHY LLP. The fee is necessary to recoup a portion of training costs in experienced people. It will also allow coverage of part of the cost of replacing the departed employee and ensure that you will receive continued, uninterrupted, professional services.

UHY Advisors, Inc. and its various wholly owned subsidiaries including our firm ("UHY Advisors") have contractual arrangements with UHY LLP pursuant to which UHY Advisors provides UHY LLP with services in connection with engagements for which licensure as a CPA firm is not required. In order to avoid duplication of efforts arising out of this arrangement, we request that you consent to our sharing with UHY LLP and UHY LLP sharing with UHY Advisors the information that may be obtained from you in the course of our engagement. Unless you indicate otherwise, your acceptance of the terms of this engagement shall be understood by us as your consent to make disclosures to UHY LLP of confidential information that we may obtain in the course of our engagement.

UHY Advisors, Inc. and UHY LLP are U.S. members of Urbach Hacker Young International Limited, a UK company, and form part of the international UHY network of legally independent accounting and consulting firms. "UHY" is the brand name for the UHY international network. Any services described herein are provided by UHY Advisors and/or UHY LLP (as the case may be) and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

UHY Advisors NY, Inc. is subject to certain standards of conduct for preparing tax returns and potential penalties for not meeting those standards of conduct. In certain cases, we may be required to do additional work to determine if one or more of the tax positions in your return meets the reporting standards as required by the law. If we determine, in our sole discretion, that we may be subject to a preparer penalty due

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 3

to a tax position in your return should it be filed with the Internal Revenue Service, you agree to either adequately disclose that position on your return or change the position to one that we confirm would not subject us to penalty. If you do not choose to change your position or adequately disclose the tax position so as to eliminate, in our sole opinion, our exposure to the preparer penalty, we, in our sole discretion and at any time, may withdraw from the engagement without completing or delivering tax returns to you. Such withdrawal will complete our engagement and you will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenses through the date of our withdrawal.

UHY Advisors NY, Inc. has historically adhered to the standards governing the confidentiality of taxpayer information as prescribed by the Internal Revenue Service, AICPA, state boards of public accountancy and other governing agencies. Internal Revenue Code ("IRC") Section 7216 and the related Treasury Regulations require that we obtain your affirmative consent to disclose or use your information obtained by us in the process of preparing your tax returns. IRC Section 7216 is intended to protect taxpayers' privacy and limit the use of their information for purposes other than tax return preparation. By signing this engagement letter, The Capitalize Albany Corporation agrees, for the period covered by this consent, to the disclosure and/or use by UHY Advisors NY, Inc. of any portion or all of its tax return(s) and tax return information which has been previously provided or will be provided to us for purposes of preparing or assisting with the preparation of the federal income tax return(s) for the tax year ended December 31, 2014 and any prior tax year, for the following purposes:

- Any disclosure or use in connection with the utilization of the services or expertise of one of UHY Advisors NY, Inc.'s domestic affiliated companies, UHY LLP, any independent member firm of UHY International, or any third party tax preparation providers in order to accurately and efficiently complete the tax return(s);
- Any disclosure or use in connection with the rendering of business, legal, accounting or other professional advice/services (including but not limited to bookkeeping assistance, the preparation or certification of financial statements, valuation services, financing, and legal services) to you by UHY Advisors NY, Inc., any of UHY Advisors NY, Inc.'s domestic affiliated companies, UHY LLP, any independent member firm of UHY International, or any other professional advisor to the Corporation;
- Any disclosure or use of your name, address, email address, and other contact information to entities that facilitate the distribution of information in connection with the development and dissemination of UHY Advisors NY, Inc.'s tax or similar updates, newsletters, and seminars that may be of interest to you; and
- Any disclosure by UHY Advisors NY, Inc. to any affiliated entity, UHY LLP, or third party accounting services provider (including but not limited to tax return preparation and documentation software providers, document imaging and storage providers, and financial data and reporting software providers) in connection with the common use by UHY Advisors NY, Inc., its affiliated entities, and UHY LLP of the same software programs (e.g., document management, tax return documentation and processing, and practice management programs) whereby tax return information contained in these software programs may be disclosed to any such affiliates, UHY LLP, and the third party service providers.

The above-referenced consent shall be valid hereafter until the Corporation provides written notice to us of its intent to terminate the consent. The Corporation may terminate the above referenced consent at any time by providing written notice to us.

The IRS and some states have promulgated rules that require taxpayers to disclose their participation in reportable transactions by attaching a disclosure form to their federal and/or state income tax returns and,

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 4

when necessary, by filing a copy of that disclosure form with the IRS and/or the applicable state agency. These rules impose significant requirements to disclose certain transactions and such disclosures may encompass transactions entered into in the normal course of business. You are responsible for ensuring that you have properly disclosed all reportable transactions and that failure to make the required disclosures will result in substantial penalties. We will not be liable for any penalties resulting from your failure to accurately and timely file any required reportable transaction disclosure.

Unless outlined below or the subject of a separate engagement letter, the tax compliance services that are the subject of this engagement letter do not include any obligation on our part to identify any reportable transactions that have not been the subject of a prior consultation between you and us.

At the present time, we are not aware of any Corporation reportable transactions that require disclosure, and have not been informed about any such transaction that should be so disclosed. If you are aware of a transaction that may constitute a reportable transaction, you must inform us accordingly.

Any disclosure required by or made pursuant to the reportable transaction provisions is separate and distinct from any other disclosure that you might be required or choose to make with your tax returns (e.g., disclosure on federal Form 8275 or similar state disclosure). Unless specifically requested, this engagement letter does not cover such other disclosures. In no event will the tax assistance provided pursuant to this engagement letter encompass any analysis or advice with respect to any financial accounting information or disclosure.

UHY Advisors NY, Inc. provides certain non-attest services, while UHY LLP provides certain attest services. In order to maintain independence with respect to any attest services that UHY LLP may be providing, you agree to make all management decisions and perform all management functions, agree to assign a competent employee to oversee and evaluate the adequacy and results of the services that are provided, agree to accept responsibility for the results of those services, and agree to establish and maintain internal controls over the preparation of related financial information. We, in our sole professional judgment, reserve the right to refuse to do or permit any procedure or action that could be construed as being in violation of any of the aforesaid agreements.

The Internal Revenue Service and many State taxing authorities are mandating taxpayers to e-file their tax return. Accordingly, your eligible return(s) will be e-filed.

This engagement letter and all services rendered hereunder shall be governed, construed, and enforced by the laws of the State of New York, without the need to resort to principles of conflicts of laws. New York State law shall apply to any legal proceeding that shall be instituted in any way arising out of this engagement letter, any obligations contained or allegedly contained herein, and all services rendered touching or relating in any way to the obligations of this engagement letter. All parties to this engagement consent to the jurisdiction of the federal and state courts located in New York.

By accepting the terms of this engagement letter as described in the following paragraph, you agree to indemnify us and hold us harmless from any liability and costs from misrepresentation of any item of income or expense, or any other information supplied to us, to prepare your tax return. Further, you agree that if any part of this engagement letter is found to be non-binding or illegal, all other parts hereof shall remain binding.

You may terminate this engagement letter at any time. Upon written notice of termination, we will stop all work immediately. You will be responsible for all fees and expenses incurred prior to our stopping work.

Mr. Michael Fancher  
The Capitalize Albany Corporation  
May 31, 2014  
Page 5

We shall be pleased to discuss this letter with you at any time.

If the foregoing is not in accordance with your understanding, please contact us immediately.

We want to express our appreciation for this opportunity to work with The Capitalize Albany Corporation.

Very truly yours,

**UHY ADVISORS NY, INC.**



Alex Zhang  
Managing Director

AZ/bly  
0404379.TAX.14

**AGREED TO AND ACCEPTED BY:**  
The Capitalize Albany Corporation

\_\_\_\_\_  
Mr. Michael Fancher  
Chair, Audit Committee

\_\_\_\_\_  
Date

## CAPITALIZE ALBANY CORPORATION

### AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of Directors of the Capitalize Albany Corporation (CAC; formerly known as the Albany Local Development Corporation), a not-for-profit corporation established under the laws of the State of New York, on this 31<sup>st</sup> day of October, 1979.

#### **Purpose**

The purpose of the Audit Committee shall be to (1) assure that the Corporation's Board fulfills its responsibilities for the Corporation's internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication between management, the independent auditors, and the Board of Directors.

#### **Powers of the Audit Committee**

It shall be the responsibility of the Audit Committee to:

- Appoint, compensate, and oversee the work of any public accounting firm employed by the Corporation.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from Corporation employees, all of whom should be directed by the Board to cooperate with Committee requests.
- Meet with Corporation staff, independent auditors or outside counsel, as necessary.
- Retain, at the Corporation's expense, such outside counsel, experts and other advisors as the Audit Committee may deem appropriate.

The CAC board will ensure that the Audit Committee has sufficient resources to carry out its duties.

#### **Composition of Committee and Selection of Members**

The Audit Committee shall be established as set forth in and pursuant to Article IV, Section 9 of the Corporation's bylaws. The Audit Committee shall consist of at least three "independent" members of the Board of Directors ~~who are independent~~. The term "independent director" shall mean: a director who: (i) is not, and has not been within the last three years, an employee of the Corporation or an affiliate of the Corporation, and does not have a relative who is, or has been within the last three years, a key employee of the Corporation or an affiliate of the Corporation; (ii) has not received, and does not have a relative who has received, in any of the last three fiscal years, more than ten thousand dollars in direct compensation from the Corporation or an affiliate of the Corporation (other than reimbursement for expenses reasonably incurred as a director or reasonable compensation for service as a director as permitted by paragraph(a) of section 202 (General and special powers)); and (iii) is not a current employee of or does not have a substantial financial interest in, and does not have a relative who is a current officer of or has a substantial financial interest in, any entity that has made payments to, or received payments from, the Corporation or an affiliate of the Corporation for property or services in an amount

which, in any of the last three fiscal years, exceeds the lesser of twenty-five thousand dollars or two percent of such entity's consolidated gross revenues. For purposes of this subparagraph, "payment" does not include charitable contributions.  
~~of Corporation operations.~~

The Corporation's Chairperson will appoint the Audit Committee members and the Audit Committee Chair.

~~Audit Committee members shall be prohibited from being an employee of the Corporation or an immediate family member of an employee of the Corporation. In addition, Audit Committee members shall not engage in any private business transactions with the Corporation or receive compensation from any private entity that has material business relationships with the Corporation, or be an immediate family member of an individual that engages in private business transactions with the Corporation or receives compensation from an entity that has material business relationships with the Corporation.~~

Ideally, all members on the Audit Committee shall possess or obtain a basic understanding of financial reporting and auditing.

### **Meetings**

The Audit Committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill ~~all~~ the obligations and duties outlined in the Charter.

Members of the Audit Committee are expected to attend each Committee meeting, in person or via telephone or videoconference. ~~The~~ The Audit Committee may invite other individuals, such as members of management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The Audit Committee will meet with the Corporation's independent auditor at least annually to discuss the financial statements of the Corporation.

Meeting agendas will be prepared for every meeting and provided to the Audit Committee members along with briefing materials ~~three~~ (3) business days before the scheduled Audit Committee meeting. ~~The~~ The Audit Committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. ~~Minutes~~ Minutes of these meetings will be recorded.

### **Responsibilities**

The Audit Committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) the Corporation's internal auditors; (c) oversight of management's internal controls, compliance and risk assessment practices; (d) special investigations and whistleblower policies; and (e) miscellaneous issues related to the financial practices of the Corporation.

## A. Independent Auditors and Financial Statements

The Audit Committee shall:

- Appoint, compensate and oversee the independent auditors retained by the Corporation and pre-approve all audit services provided by the independent auditor. Such oversight of the independent auditors will include:
  - Review with the independent auditor the scope and planning of the audit prior to the audit commencement; and
  - Upon completion of the audit, review and discuss with the independent auditor: (A) any material risks and weaknesses in internal controls identified by the auditor; (B) any restrictions on the scope of the auditor's activities or access to requested information; (C) any significant disagreements between the auditor and management; and (D) the adequacy of the corporation's accounting and financial reporting processes; and
  - Annually consider the performance and independence of the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Corporation's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the Audit Committee. Non-audit services include tasks that directly support the Corporation's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Corporation, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve the Corporation's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm on a regular basis to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

## B. Internal Controls, Compliance and Risk Assessment

The Audit Committee shall:



- Review management's assessment of the effectiveness of the Corporation's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

### **C. Special Investigations**

The Audit Committee shall:

- Ensure that the Corporation has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers, or employees of the Corporation or any persons having business dealings with the Corporation or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate outside body for further investigation ~~(for example, issues may be referred to the State Inspector General or, other investigatory organization.)~~
- ~~• Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.~~

### **D. Other Responsibilities of the Audit Committee**

The Audit Committee shall:

- Present annually to the Corporation's Board a written report of how it has discharged its duties and met its responsibilities as outlined in the Charter.
- Obtain any information and training needed to enhance the Committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the Committee's Charter annually, reassess its adequacy, and recommend any proposed changes to the Board of the Corporation. The Audit Committee Charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Charter and request the Board approval for proposed changes.

## **CAC Whistleblower Policy and Procedures**

**Purpose.** It is the policy of Capitalize Albany Corporation (“CAC”) to afford certain protections to individuals who in good faith report violations of CAC’s Code of Ethics or other instances of potential wrongdoing. The Whistleblower Policy and Procedures set forth below are intended to encourage and enable employees to raise concerns in good faith within CAC and without fear of retaliation or adverse employment action.

### **Definitions.**

“Good Faith”: Information concerning potential wrongdoing is disclosed in “good faith” when the individual making the disclosure reasonably believes such information to be true and reasonably believes that it constitutes potential wrongdoing.

“CAC Employee”: All CAC board members, and officers and staff employed whether full-time, part-time, employed pursuant to contract, employees on probation and temporary employees.

“Whistleblower”: Any CAC Employee who in good faith discloses information concerning wrongdoing by another CAC employee, or concerning the business of CAC.

“Wrongdoing”: Any alleged corruption, fraud, criminal or unethical activity, misconduct, waste, conflict of interest, intentional reporting of false or misleading information, or abuse of authority engaged in by a CAC Employee (as defined herein) that relates to CAC.

“Personnel action”: Any action affecting compensation, appointment, promotion, transfer, assignment, reassignment, reinstatement or evaluation of performance.

### **Section 1: Reporting Wrongdoing.**

All CAC Employees who discover or have knowledge of potential wrongdoing concerning board members, officers, or employees of CAC; or a person having business dealings with CAC; or concerning the CAC itself, shall report such activity in accordance with the following procedures:

- a) The CAC Employee shall disclose any information concerning wrongdoing either orally or in a written report to his or her supervisor, or to the CAC’s Board Chairman, or general counsel.
- b) All CAC Employees who discover or have knowledge of wrongdoing shall report such wrongdoing in a prompt and timely manner.
- c) The identity of the whistleblower and the substance of his or her allegations will be kept confidential to the best extent possible.
- d) The individual to whom the potential wrongdoing is reported shall investigate and handle the claim in a timely and reasonable manner, which may include referring such

information to the Authorities Budget Office or an appropriate law enforcement agency where applicable.

e) Should a CAC Employee believe in good faith that disclosing information pursuant to Section 1(a) above would likely subject him or her to adverse personnel action or be wholly ineffective, the CAC Employee may instead disclose the information to the Authorities Budget Office or an appropriate law enforcement agency, if applicable. The Authorities Budget Office's toll free number (1-800-560-1770) should be used in such circumstances.

## **Section 2: No Retaliation or Interference.**

No CAC Employee shall retaliate against any Whistleblower for the disclosure of potential wrongdoing, whether through threat, coercion, or abuse of authority; and, no CAC Employee shall interfere with the right of any other CAC Employee by any improper means aimed at deterring disclosure of potential wrongdoing. Any attempts at retaliation or interference are strictly prohibited and:

a) No CAC Employee who in good faith discloses potential violations of CAC's Code of Ethics or other instances of potential wrongdoing, shall suffer harassment, retaliation or adverse personnel action.

b) All allegations of retaliation against a Whistleblower or interference with an individual seeking to disclose potential wrongdoing will be thoroughly investigated by CAC.

c) Any CAC Employee who retaliates against or had attempted to interfere with any individual for having in good faith disclosed potential violations of CAC's Code of Ethics or other instances of potential wrongdoing is subject to discipline, which may include termination of employment.

d) Any allegation of retaliation or interference will be taken and treated seriously and irrespective of the outcome of the initial complaint, will be treated as a separate matter.

## **Section 3: Other Legal Rights Not Impaired.**

The Whistleblower Policy and Procedures set forth herein are not intended to limit, diminish or impair any other rights or remedies that an individual may have under the law with respect to disclosing potential wrongdoing free from retaliation or adverse personnel action.

a) Specifically, these Whistleblower Policy and Procedures are not intended to limit any rights or remedies that an individual may have under the laws of the State of New York, including but not limited to the following provisions: Civil Service Law § 75-b, Labor Law § 740, and State Finance Law § 191 (commonly known as the "False Claims Act).

b) With respect to any rights or remedies that an individual may have pursuant to Civil Service Law § 75-b or Labor Law § 740, any employee who wishes to preserve such rights shall prior to disclosing information to a government body, have made a good faith effort to provide the appointing authority or his or her designee the information to be disclosed and shall provide

the appointing authority or designee a reasonable time to take appropriate action unless there is imminent and serious danger to public health or safety.

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