

**BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION**

**Financial Statements and
Supplemental Information**

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Report on Internal Control Over Financial Reporting	3
Financial Statements:	
Statements of Financial Position	4
Statements of Revenue, Expenses and Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11
Supplemental Schedules:	
Schedule 1 - Statement of Financial Position by Revolving Loan Fund	12
Schedule 2 - Statement of Revenue, Expenses and Changes in Net Assets by Revolving Loan Fund	13
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters, Including Compliance with Investment Guidelines, Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	14 - 15

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Buffalo and Erie County Regional
Development Corporation:

We have audited the accompanying statements of financial position of Buffalo and Erie County Regional Development Corporation (RDC) as of December 31, 2011 and 2010, and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. We also have audited RDC's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). RDC's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on these financial statements and an opinion on RDC's internal control over financial reporting based on our audits.

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting

includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RDC as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, RDC maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on Internal Control - Integrated Framework issued by COSO.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2012 on our consideration of RDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Toski & Co., CPAs, P.C.

Williamsville, New York
February 12, 2012

MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

Buffalo and Erie County Regional Development Corporation's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting. Management assessed the effectiveness of Buffalo and Erie County Regional Development Corporation's internal control over financial reporting as of December 31, 2011, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on that assessment, management concluded that, as of December 31, 2011, Buffalo and Erie County Regional Development Corporation's internal control over financial reporting is effective based on the criteria established in Internal Control - Integrated Framework.

Toski & Co., CPAs, P.C.

Buffalo and Erie County Regional Development Corporation
February 12, 2012

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
Statements of Financial Position
December 31, 2011 and 2010

	<u>Assets</u>	<u>2011</u>	<u>2010</u>
Current assets:			
Cash		\$ 7,576,243	9,875,967
Cash - restricted		2,799,805	-
Receivables:			
Notes		2,646,448	2,639,537
Participations		105,610	136,849
Interest		<u>1,051</u>	<u>5,222</u>
Total receivables		<u>2,753,109</u>	<u>2,781,608</u>
Total current assets		13,129,157	12,657,575
Notes receivable, less current portion and net of allowance for doubtful notes of \$1,123,300 in 2011 and \$624,000 in 2010		8,889,860	9,574,841
Participations receivable, less current portion and net of allowance for doubtful participations of \$50,000 in 2011 and \$75,000 in 2010		<u>372,108</u>	<u>480,470</u>
Total assets		<u>\$ 22,391,125</u>	<u>22,712,886</u>
 <u>Liabilities and Net Assets</u> 			
Current liabilities:			
Accounts payable and accrued expenses		1,517,531	1,509,903
Due to affiliate		208,633	245,760
Participations payable		<u>-</u>	<u>12,801</u>
Total liabilities		1,726,164	1,768,464
Temporarily restricted net assets		20,664,961	20,944,422
Commitments and contingencies (notes 7 and 8)		<u> </u>	<u> </u>
Total liabilities and net assets		<u>\$ 22,391,125</u>	<u>22,712,886</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
Statements of Revenue, Expenses and Changes in Net Assets
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue:		
Interest income from notes and participations receivable	\$ 575,117	607,702
Loan commitment fees	15,124	12,350
Bad debt recoveries	<u>12,584</u>	<u>7,404</u>
Total operating revenue	<u>602,825</u>	<u>627,456</u>
Operating expenses:		
General and administrative	356,969	301,825
Provision for loan losses	<u>530,059</u>	<u>202,224</u>
Total operating expenses	<u>887,028</u>	<u>504,049</u>
Increase (decrease) in net assets from operating activities	(284,203)	123,407
Non-operating activities - interest income	<u>4,742</u>	<u>4,856</u>
Increase (decrease) in net assets	(279,461)	128,263
Net assets at beginning of year	<u>20,944,422</u>	<u>20,816,159</u>
Net assets at end of year	<u>\$ 20,664,961</u>	<u>20,944,422</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
Statements of Cash Flows
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (279,461)	128,263
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Provision for loan losses	530,059	202,224
Capitalized loan interest	(9,598)	(21,451)
Changes in:		
Interest receivable	4,171	5,139
Accounts payable and accrued expenses	7,628	(1,975)
Due to affiliate	(37,127)	(230,171)
Net cash provided by operating activities	<u>215,672</u>	<u>82,029</u>
Cash flows from investing activities:		
Repayments of notes and participations receivable	3,202,087	3,264,959
Issuance of notes and participations receivable	(2,904,877)	(2,739,120)
Repayments of participations payable	(12,801)	(51,216)
Net cash provided by investing activities	<u>284,409</u>	<u>474,623</u>
Net increase in cash	500,081	556,652
Cash at beginning of year	<u>9,875,967</u>	<u>9,319,315</u>
Cash at end of year	<u>\$ 10,376,048</u>	<u>9,875,967</u>
Reconciliation of cash:		
Unrestricted	7,576,243	9,875,967
Restricted	<u>2,799,805</u>	<u>-</u>
	<u>\$ 10,376,048</u>	<u>9,875,967</u>

See accompanying notes to financial statements.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Buffalo and Erie County Regional Development Corporation (RDC) was incorporated for the purpose of encouraging the expansion of existing companies in target areas of the County of Erie by establishing an Industrial Revolving Loan Fund from which RDC makes loans to individual companies. RDC manages a number of revolving loan funds. Each revolving loan fund is maintained under an agreement or an established loan administration plan approved by the grantor governing the management of the revolving loan fund.

RDC has a related party relationship with the Erie County Industrial Development Agency (ECIDA), Buffalo and Erie County Industrial Land Development Corporation (ILDC) and the ATC of Buffalo and Erie County, Inc. (ATC). All four entities are managed by the same personnel. RDC and ECIDA share the same board of directors as their oversight body. These entities share the same mission, which is to provide the resources that encourage investment, innovation, growth, and global competitiveness thereby creating a successful business climate that benefits the residents of the region.

(b) Basis of Presentation

RDC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. RDC had only temporarily restricted net assets in 2011 and 2010.

(c) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of three revolving loan funds. These assets are deemed temporarily restricted based on the fact that they can be used only to lend to qualified businesses, as defined by criteria within the respective grants. All repayments of principal and interest are added back to the self-perpetuating fund to be used for future lending purposes.

(d) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Notes Receivable and Allowance for Doubtful Loans

Notes receivable are stated at their principal amount outstanding, less an allowance for doubtful loans. Loans are accounted for from inception within the individual fund from which the grant funds were received. Similarly, interest income and commitment fees on loans are recorded directly to the individual fund in which the loan is maintained. The allowance for doubtful loans is established through charges against current operations and is maintained at a level which management considers adequate to provide for potential loan losses based on an evaluation of past loan experience, current economic conditions and known risks in the loan portfolio. Interest is not accrued on notes receivable when management believes that the borrower's financial condition, after giving consideration to economic and business conditions and collection efforts, is such that collection of interest is doubtful. In such cases, interest is recognized on a cash basis when collection occurs.

(f) Participations Receivable and Allowance for Doubtful Loans

Participations receivable are stated at their principal amount outstanding, less an allowance for doubtful loans.

(g) Stock Option Accounting

In connection with certain loans, RDC receives stock purchase options from the borrower. The borrower is sometimes given the right to repurchase these options from the RDC at a predetermined price. RDC also receives rights to convert certain loans to equity of the borrower. RDC does not allocate a cost to these options when received, and has determined that these options have no recordable value at December 31, 2011 and 2010.

(h) Participations Payable

Participations payable represent amounts due to Buffalo Economic Renaissance Corporation (BERC) for loans in which it participated with RDC. BERC contributed a percentage of the funds for the loan, and thus, assumes a similar percentage of risk. RDC assumes full responsibility for administering and collecting on the loan, and for remitting payments to BERC.

(i) Subsequent Events

RDC has evaluated events after December 31, 2011, and through February 12, 2012, which is the date the financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these financial statements.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) Income Taxes

RDC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the financial statements. The RDC has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The RDC presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the RDC has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the RDC are subject to examination by taxing authorities. The RDC is no longer subject to tax examination for the year ended December 31, 2007 and prior.

(2) Cash

Cash balances as of December 31, 2011 and 2010 were either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the RDC's investment policy.

(3) Notes and Participations Receivable

Notes receivable represent loans made to local businesses to compliment private financing at interest rates between 4% and 8.25% with varying repayment terms. Participations receivable consist primarily of Small Business Administration (SBA) loans in which RDC participates with various local financial institutions. At December 31, 2011 and 2010, notes and participations receivable were comprised of the following:

	<u>December 31, 2011</u>		
	<u>Notes receivable</u>	<u>Participations receivable</u>	<u>Total</u>
Total balance at December 31, 2011	\$ 12,659,608	527,718	13,187,326
Less allowance for doubtful amounts	<u>(1,123,300)</u>	<u>(50,000)</u>	<u>(1,173,300)</u>
	11,536,308	477,718	12,014,026
Less current portion	<u>(2,646,448)</u>	<u>(105,610)</u>	<u>(2,752,058)</u>
Long-term portion	\$ <u>8,889,860</u>	<u>372,108</u>	<u>9,261,968</u>

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(3) Notes and Participations Receivable, Continued

	December 31, 2010		
	Notes receivable	Participations receivable	Total
Total balance at December 31, 2010	\$ 12,838,378	692,319	13,530,697
Less allowance for doubtful amounts	<u>(624,000)</u>	<u>(75,000)</u>	<u>(699,000)</u>
	12,214,378	617,319	12,831,697
Less current portion	<u>(2,639,537)</u>	<u>(136,849)</u>	<u>(2,776,386)</u>
Long-term portion	<u>\$ 9,574,841</u>	<u>480,470</u>	<u>10,055,311</u>

A summary of current, past due and nonaccrual loans and participations receivable as of December 31, 2011 are as follows:

<u>Category</u>	<u>Current</u>	<u>30 - 90 days past due</u>	<u>Nonaccrual</u>	<u>Total</u>
Commercial	\$ <u>12,224,621</u>	<u>12,184</u>	<u>950,521</u>	<u>13,187,326</u>

(4) Allowance for Doubtful Notes and Participations Receivable

Changes in the allowance for doubtful notes and participations receivable for the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Allowance for doubtful receivables:		
Balance at beginning of year, notes	\$ 624,000	631,300
Balance at beginning of year, participations	<u>75,000</u>	<u>75,000</u>
	<u>699,000</u>	<u>706,300</u>
Provision for loan losses:		
Increase in allowance for doubtful notes	555,059	202,224
Decrease in allowance for doubtful participations receivable	<u>(25,000)</u>	<u>-</u>
	<u>530,059</u>	<u>202,224</u>
Current year charge-offs, notes	<u>(55,759)</u>	<u>(209,524)</u>
Balance at end of year	\$ <u>1,173,300</u>	<u>699,000</u>
Balance at end of year, notes	1,123,300	624,000
Balance at end of year, participations	<u>50,000</u>	<u>75,000</u>
	\$ <u>1,173,300</u>	<u>699,000</u>

(5) Accounts Payable and Accrued Expenses

Included in accounts payable and accrued expenses is \$1,514,193 and \$1,503,274 due to the U.S. Treasury for interest on cash held in the County Fund at December 31, 2011 and 2010, respectively. This amount has not yet been paid due to ongoing discussions between the U.S. Department of Housing and Urban Development, U.S. Department of Commerce Economic Development Administration (EDA) and the RDC.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION

Notes to Financial Statements, Continued

(6) Related Party Transactions

ECIDA allocates a portion of its personnel and overhead costs to RDC under a cost allocation plan. RDC was charged \$280,428 and \$219,166 for the years ended December 31, 2011 and 2010, respectively, for such costs. In addition, ECIDA allocates to RDC a portion of its rental costs which are paid to ATC. RDC was charged \$14,844 and \$13,546 for the years ended December 31, 2011 and 2010, respectively, for such costs. RDC had a net amount due to ECIDA amounting to \$208,633 and \$245,760 at December 31, 2011 and 2010, respectively, related to these costs.

(7) Commitments

At December 31, 2011, RDC had outstanding loan commitments to several businesses totaling \$2,282,825.

(8) Contingencies

Contingencies at December 31, 2011 consist of the following:

(a) Legal Proceedings

RDC is involved in various legal proceedings which, in the opinion of management, will not have a material adverse effect on its financial position or changes in net assets.

(b) Loan Fund Utilization

The RDC is not in compliance with EDA regulations regarding the utilization of revolving loan funds. These regulations require that 85% of the revolving loan fund be loaned or committed at all times. During 2011, RDC's utilization increased from 67.9% to 70.8%. RDC management is aggressively promoting the loan fund to local businesses and expects to increase its utilization in 2012.

If RDC cannot meet the loan fund utilization requirement, the EDA requires that the excess funds be segregated and any interest earned on the funds is to be remitted to the U.S. Treasury quarterly. RDC can access the segregated funds only with EDA's approval. Additionally, the EDA may impose additional sanctions such as suspension or termination.

Effective May 2011, the RDC was ordered by the EDA, to quantify the amount of funds subject to sequestration. The funds subject to sequestration are retained in a separate restricted cash account. The amounts subject to sequestration as of December 31, 2011 amounted to \$2,799,805.

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
Statement of Financial Position by Revolving Loan Fund
December 31, 2011

<u>Assets</u>	<u>EDA fund</u>	<u>City fund</u>	<u>County fund</u>	<u>Total</u>
Cash	\$ 2,056,133	612,759	4,907,351	7,576,243
Cash - restricted	1,762,747	453,524	583,534	2,799,805
Receivables:				
Notes	10,860,119	1,778,326	21,163	12,659,608
Allowance for doubtful notes	(1,053,579)	(69,721)	-	(1,123,300)
Participations	527,718	-	-	527,718
Allowance for doubtful participations	(50,000)	-	-	(50,000)
Interest	1,051	-	-	1,051
Total assets	<u>\$ 14,104,189</u>	<u>2,774,888</u>	<u>5,512,048</u>	<u>22,391,125</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and accrued expenses	3,338	-	1,514,193	1,517,531
Due to (from) affiliate	173,821	39,829	(5,017)	208,633
Total liabilities	177,159	39,829	1,509,176	1,726,164
Temporarily restricted net assets	<u>13,927,030</u>	<u>2,735,059</u>	<u>4,002,872</u>	<u>20,664,961</u>
Total liabilities and net assets	<u>\$ 14,104,189</u>	<u>2,774,888</u>	<u>5,512,048</u>	<u>22,391,125</u>

BUFFALO AND ERIE COUNTY REGIONAL
DEVELOPMENT CORPORATION
Statement of Revenue, Expenses and Changes in Net Assets by Revolving Loan Fund
Year ended December 31, 2011

	<u>EDA</u> <u>fund</u>	<u>City</u> <u>fund</u>	<u>County</u> <u>fund</u>	<u>Total</u>
Operating revenue:				
Interest income from notes and participations receivable	\$ 493,491	79,304	2,322	575,117
Loan commitment fees	15,124	-	-	15,124
Bad debt recoveries	4,148	8,436	-	12,584
Total operating revenue	<u>512,763</u>	<u>87,740</u>	<u>2,322</u>	<u>602,825</u>
Operating expenses:				
General and administrative	320,586	30,250	6,133	356,969
Provision for loan losses	460,339	69,720	-	530,059
Total operating expenses	<u>780,925</u>	<u>99,970</u>	<u>6,133</u>	<u>887,028</u>
Decrease in net assets from operating activities	(268,162)	(12,230)	(3,811)	(284,203)
Non-operating activities - interest income	3,127	1,615	-	4,742
Decrease in net assets	(265,035)	(10,615)	(3,811)	(279,461)
Net assets at beginning of year	<u>14,192,065</u>	<u>2,745,674</u>	<u>4,006,683</u>	<u>20,944,422</u>
Net assets at end of year	<u>\$ 13,927,030</u>	<u>2,735,059</u>	<u>4,002,872</u>	<u>20,664,961</u>

TOSKI & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS, INCLUDING COMPLIANCE
WITH INVESTMENT GUIDELINES, BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
Buffalo and Erie County Regional
Development Corporation:

We have audited the financial statements of Buffalo and Erie County Regional Development Corporation (RDC), and RDC's internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as of and for the year ended December 31, 2011, and have issued our report thereon dated February 12, 2012. We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and our audit of internal control over financial reporting in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered RDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, and for the purpose of expressing an opinion on the effectiveness of RDC's internal control over financial reporting.

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 RDC's financial statements will not be prevented or detected and corrected, on a timely basis.

Our audits would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including Investment Guidelines for Public Authorities and RDC's Investment Guidelines, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management of RDC and is not intended to be and should not be used by anyone other than these specified parties.

Toski & Co., CPAs, P.C.

Williamsville, New York
February 12, 2012