

September 30, 2013

The Members of the Board of Directors of
Governors Island Corporation (d/b/a The Trust for Governors Island)

In planning and performing our audit of the financial statements of Governors Island Corporation (d/b/a The Trust for Governors Island) ("TGI") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered TGI'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 TGI's internal control. Accordingly, we do not express an opinion on the effectiveness of TGI'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. In addition, we made recommendations and suggestions, which, if implemented, could further strengthen the internal controls and business practices (see attached Exhibit).

This report is intended solely for the information and use of the Board of Directors, Audit Committee and management of Governors Island Corporation (d/b/a The Trust for Governors Island) 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

MARKS PANETH LLP

**THE TRUST FOR GOVERNORS ISLAND
MANAGEMENT LETTER RECOMMENDATIONS
RESULTING FROM THE JUNE 30, 2013 AUDIT**

Included in Exhibit I is an observation and recommendation that we noted during our audit of TGI's June 30, 2013 financial statements. Included in Exhibit II is the observation and recommendation from the prior year's audit that appears not to require further attention.

EXHIBIT I – CURRENT YEAR NEW OBSERVATION AND RECOMMENDATION

1. POLICIES AND PROCEDURES

Observation: During the year ended June 30, 2013, TGI transitioned its accounting function in-house and has implemented some new internal controls as TGI is no longer reliant on the accounting services provided by the New York City Economic Development Corporation (“EDC”). Given these changes in the internal controls, the accounting policies and procedures manual of TGI should be updated to reflect the new internal controls. In addition, we were also informed that TGI still follows EDC's employee handbook, which also covers the vacation policy, and other policies and procedures.

Recommendation: We recommend that the accounting policies and procedures manual be updated to reflect the new internal control policies and procedures. We also recommend that TGI consider formalizing in writing other policies and procedures, such as an employee handbook and a nepotism policy, rather than continuing to rely on EDC's documentation of policies and procedures.

Management's Response: As of July 1, 2012, TGI took full responsibility for its accounting, managing all accounting functions independent of EDC.

Separately, TGI remained under the EDC policy umbrella through May 31, 2013, up until the point TGI joined a professional employer organization (“PEO”) in June. For 11 out of 12 months of the fiscal year, TGI continued to be covered by EDC's Human Resource policies, insurance policies, and payroll procedures. Moving forward, TGI's policies will be integrated into those of the PEO and compiled in an employee handbook.

TGI annually adopts its own policies related to corporate governance. These include, among others, a code of ethics, whistleblower policy, salary policy, business expense reimbursement policy, and property disposition policies.

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

EXHIBIT II – PRIOR YEAR RECOMMENDATION THAT APPEARS NOT TO REQUIRE FURTHER ACTION

2. ACCOUNT RECONCILIATION

**** END OF ALL RECOMMENDATIONS ****