KPMG

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
Fort Schuyler Management Corporation:

We have audited the accompanying consolidated financial statements of Fort Schuyler Management Corporation, which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fort Schuyler Management Corporation as of June 30, 2016 and 2015, and the results of its activities, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Albany, New York
December 6, 2016

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Balance Sheets

June 30, 2016 and 2015

Assets		**2016**	**2015**
Cash	$	373,407	—
Due from member		2,450	194,903
Grants and other receivables		3,455,409	7,969,180
		3,831,266	8,164,083
Assets limited as to use:			
Under grant agreements		125,339,454	59,048,516
By debt agreements		8,741,485	7,552,022
		134,080,939	66,600,538
Land, buildings and equipment, net		968,303,110	388,911,016
Total assets	$	1,106,215,315	463,675,637
Liabilities and Net Assets			
Liabilities:			
Construction and other expenses payable	$	138,297,278	79,497,184
Deferred rental revenue		1,325,000	1,475,000
Line of credit		1,592,395	17,878,170
Loan agreements payable		69,772,081	49,706,598
Interest rate swap		1,690,399	—
Total liabilities		212,677,153	148,556,952
Commitments and contingencies (notes 4, 5, and 9)			
Net assets:			
Unrestricted		782,605,663	254,448,690
Temporarily restricted		110,932,499	60,669,995
Total net assets		893,538,162	315,118,685
Total liabilities and net assets	$	1,106,215,315	463,675,637

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Statements of Activities

Years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	**Temporarily restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Total**
Support and revenue:						
Rental income and other support	$ 2,465,335	—	2,465,335	212,610	—	212,610
Grant revenue	—	598,834,123	598,834,123	—	248,026,341	248,026,341
Net assets released from restrictions	548,571,619	(548,571,619)	—	197,982,723	(197,982,723)	—
Total support and revenue	551,036,954	50,262,504	601,299,458	198,195,333	50,043,618	248,238,951
Expenses:						
Contracted services	1,243,109	—	1,243,109	161,452	—	161,452
Utilities, repairs and maintenance	215,627	—	215,627	131,329	—	131,329
Rent	2,426,242	—	2,426,242	—	—	—
Insurance and other	172,350	—	172,350	70,411	—	70,411
Professional fees	2,172,491	—	2,172,491	247,620	—	247,620
Interest	1,055,982	—	1,055,982	24,882	—	24,882
Depreciation and amortization	4,653,781	—	4,653,781	—	—	—
Transfers to the Research Foundation for the State University of New York	9,250,000	—	9,250,000	—	—	—
Total expenses and transfers	21,189,582	—	21,189,582	635,694	—	635,694
Increase in net assets, before change in fair value of interest rate swaps	529,847,372	50,262,504	580,109,876	197,559,639	50,043,618	247,603,257
Change in fair value of interest rate swaps	(1,690,399)	—	(1,690,399)	—	—	—
	(1,690,399)	—	(1,690,399)	—	—	—
Increase in net assets	528,156,973	50,262,504	578,419,477	197,559,639	50,043,618	247,603,257
Net assets, beginning of year	254,448,690	60,669,995	315,118,685	56,889,051	10,626,377	67,515,428
Net assets, end of year	$ 782,605,663	110,932,499	893,538,162	254,448,690	60,669,995	315,118,685

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2016 and 2015

		2016	2015
Operating activities:			
Change in net assets	$	578,419,477	247,603,257
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Grants restricted to long-term capital investment		(598,834,123)	(248,026,341)
Change in value of interest rate swap		1,690,399	—
Depreciation and amortization		4,653,781	—
Transfers to the Research Foundation for the State University of New York		9,250,000	—
Change in operating assets and liabilities:			
Due from member		192,453	223,767
Rent receivable		(797,954)	—
Accounts payable		2,248,370	2,058
Accrued interest payable		80,522	63,550
Deferred rental revenue		(150,000)	(150,000)
Net cash used in operating activities		(3,247,075)	(283,709)
Investing activities:			
Net increase in assets limited as to use		(67,480,401)	(60,136,735)
Cash paid for construction and project development		(527,101,933)	(266,425,313)
Net cash used in investing activities		(594,582,334)	(326,562,048)
Financing activities:			
Borrowings on amended loan agreement		15,293,402	41,846,400
Payments on amended loan agreement		(7,202,850)	—
Borrowing on supplemental loan note		5,000,000	—
Payments on supplemental loan note		(1,159,831)	—
Borrowing on loan agreement		8,134,762	—
Cash provided by line of credit		1,592,395	31,429,246
Cash paid on line of credit		(17,878,170)	(13,551,076)
Payment of debt issuance costs		(472,740)	(1,372,920)
Transfers to the Research Foundation for the State University of New York		(9,250,000)	—
Cash received from grants restricted to long-term capital investment		604,145,848	268,494,107
Net cash provided by financing activities		598,202,816	326,845,757
Change in cash		373,407	—
Cash, beginning of year		—	—
Cash, end of year	$	373,407	—
Supplemental disclosure of noncash transactions:			
Cash paid for interest, including amounts capitalized	$	1,803,731	340,075

See accompanying notes to consolidated financial statements.

(1) Organization

Fort Schuyler Management Corporation (the Corporation) is a New York not-for-profit corporation incorporated on October 20, 2009 under Section 402 of the New York State Not-for-Profit Corporation Law. The founding members of the Corporation are The Research Foundation for The State University of New York (the Research Foundation) and the SUNY Polytechnic Institute Foundation (formerly the Institute of Technology Foundation at Utica/Rome, Inc.).

Effective June 2, 2014, the Corporation formed Quad C Phase I, LLC for which the Corporation is the sole member. Quad C Phase I, LLC is a New York limited liability company formed to support the financing infrastructure necessary for the Quad C project. All transactions between the Corporation and Quad C Phase I, LLC have been eliminated in the accompanying consolidated financial statements.

The Corporation was formed and shall be operated exclusively for scientific, educational, and charitable purposes. Its objectives are to facilitate research and economic development activities in support of the research and educational mission of The State University of New York (SUNY). The Corporation accomplishes this objective by purchasing, constructing, developing and managing research focused facilities on behalf of the SUNY Polytechnic Institute (SUNY Poly).

In order to advance its corporate purpose, the Corporation has undertaken or completed the following activities:

- *Quad C Building (Quad C)* – During 2016, the Corporation completed construction on Quad C, a 252,000 square foot facility with class 1,000 and class 100 cleanrooms built on land leased by the Corporation in Utica (notes 4 and 5). The Corporation will lease the premises to third party corporate partners. The building cost $126.0 million and, as more fully described in note 6, was funded by a permanent loan with state grant revenue utilized to repay the financing.
- *Buffalo High-Tech Manufacturing Complex (Buffalo High-Tech or Riverbend)* – During 2016, construction continued on this high-tech complex located in Buffalo. Work is expected to be complete on the building portion of the project by January 2017. The campus will house a top tier clean energy company and enable advanced manufacturing at what is planned to become a state-of-the-art, multibillion-dollar high-tech campus. The clean energy company will lease the facility and begin equipment installation in December 2016 and will continue throughout 2017. Limited manufacturing production is expected to begin in the second quarter of 2017. This project is funded by grants from New York State.
- *Buffalo Medical Innovation and Commercialization Hub (Buffalo Medical)* – During 2016, construction was completed on a state-of-the-art shared user facility for biomedical research, development and testing. Installation and testing of equipment continues. This project is located in an existing facility in spaces both leased and purchased by the Corporation in Buffalo with project funding provided by a grant from New York State.
- *Central New York Hub for Emerging Nano Industries (CNY Hub):*
  - *Syracuse Film* – In 2016, construction was completed on a $13.0 million advanced visual production, research and education facility located in Syracuse on land to be purchased by the Corporation. This project was funded by a grant from New York State.

- *LED Tech* – In May of 2015 the Corporation began work on a facility for state of the art LED manufacturing facility that is expected to be complete near the end of 2017. This project is funded by a grant(s) from New York State.

- *Buffalo Information Technologies and Commercialization Hub (Buffalo Info)* – During 2016, work continued on purchased space in an existing facility to establish a research facility to be used to create cutting edge software for energy, health and defense industries. One floor of the seven floors has been completed and is occupied by a tenant (see note 5). The remaining construction is expected to be substantially complete by January 2017. This project is being funded by grants from New York State.
- *North Country Hub for Innovative Manufacturing Nanotechnology (Plattsburgh Tech)* – During 2016, the Corporation began planning the construction of the first industrial scale 3D printing manufacturing facility in the world. The facility will be located in Plattsburgh. This project is funded by a grant from New York State.
- *Pharmaceutical Manufacturing* – During 2016, the Corporation began the first phase of a project to create offices, labs and a pharmaceutical manufacturing facility. The offices and labs will be located in Buffalo and the manufacturing facility will be in Dunkirk. This project is funded by grants from New York State.

(2) Summary of Significant Accounting Polices

(a) Basis for Presentation

The accompanying consolidated financial statements of the Corporation are presented consistent with Financial Accounting Standards Board, Accounting Standards Codification (ASC) Topic 958: *Not-for-Profit-Entities*, which addresses the presentation of financial statements for not-for-profit entities. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor and grantor imposed restrictions. Accordingly, unrestricted net assets are amounts not subject to donor and grantor imposed restrictions and are available for operations or capital use. Temporarily restricted net assets are those whose use has been limited by donors or grantors to a specific time period or purpose. When a donor or grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Corporation considers events or transactions that occur after the balance sheet date, but before the consolidated financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These consolidated financial statements were issued on December 6, 2016 and subsequent events have been evaluated through that date.

(b) Assets Limited as to Use

Assets limited as to use represent funds associated with grants and loan agreements that are restricted as to use, and consist of cash.

(Continued)

(c) Land, Buildings and Equipment

Buildings and equipment are stated at cost or, if acquired by gift, at fair market value at the date of donation. Upon acquisition or construction of an asset and subsequent placement into service, the Corporation recognizes depreciation on buildings and equipment, on a straight-line basis, over the estimated useful lives of the assets, which range from 7 to 40 years. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring or constructing these assets.

Buildings and equipment, and any other long-lived tangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require such a long-lived asset or asset group be tested for possible impairment, the Corporation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined using various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized in the years ended June 30, 2016 and 2015.

(d) Rental Income and Other Support

Rental income represents amounts received from tenants pursuant to noncancelable operating leases (see note 5). Lease payments related to future periods are recorded as deferred rent and will be recognized as rental income in the period to which they relate. Rental agreements with escalating rent payment terms are recognized as rental income on a straight-line basis over the minimum lease term.

In 2011, SUNY, the Research Foundation, and Mohawk Valley Economic Development Growth Enterprise (MVEDGE) executed a Project Development Agreement (PDA) which identified MVEDGE as the lead developer of specified parcels of land (Parcels A through E) on approximately 396 acres of land located on the SUNY Poly campus in Utica where the Quad C building is located. Under this agreement, once tenants are identified, the Corporation will enter into additional ground subleases for parcels A through E of the site with the tenants. The Corporation will collect rent from the tenants of the project site and will remit a portion to MVEDGE pursuant to rent sharing provisions of the PDA. Upon execution of the PDA, the Corporation received $2.25 million of prepaid rent from MVEDGE which is being amortized monthly as rental revenue over the 15 year term of the PDA.

(e) Deferred Financing Costs

Deferred financing costs, which relate to the issuance of debt, are being amortized ratably over the period the debt is outstanding using the effective interest method.

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which was intended to simplify the presentation of debt issuance costs. ASU 2015-03 requires that debt issuance costs and deferred financing costs related to a recognized debt shall be presented on the balance sheet as a direct deduction from the associated debt, similar to the presentation of debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015 (or the Corporation’s fiscal year ending June 30, 2017). The Corporation will be reflecting this new standard in its 2017 financial statements.

(Continued)

(f) Income Taxes

The Corporation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code), and is exempt from Federal income taxes pursuant to Section 501(a) of the Code. The Corporation applies the provisions of ASC Subtopic 740-10, *Accounting for Uncertainty of Income Taxes*, which addresses accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely than-not for recognition of tax positions taken or expected to be taken in a tax return. ASC Subtopic 740-10 also provides guidance on measurement, classification, interest and penalties, and disclosure of tax uncertainties. As of June 30, 2016 and 2015, there are no uncertain income tax positions that require recognition in the accompanying consolidated financial statements.

(g) Derivative and hedging activities

The Corporation accounts for derivatives and hedging activities in the balance sheet at using the instruments fair value. As the Corporation does not report earnings as a separate caption in the statement of activities, it recognizes the change in fair value on all derivative instruments as a change in net assets in the period of change (note 8).

(h) Fair Value Measurements

The Corporation estimates fair value on a valuation framework that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); then to quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or models that use inputs that are either directly or indirectly observable (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements).

Cash equivalents, which are included within assets limited as to use, are stated at fair value using Level 1 measurements. The Corporation's interest rate swap is stated at fair value as determined by pricing tools that use observable inputs, and therefore is considered a Level 2 measurement.

(i) Use of Estimates

Management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies to prepare these consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ materially from those estimates.

(j) Due from Member

Pursuant to a Staffing and Fiscal Services Agreement between the Corporation and the Research Foundation, certain administrative services are provided by the Research Foundation on the Corporation's behalf. The amounts related to such support are reflected in the statements of activities as contracted services for the years ended June 30, 2016 and 2015. In addition, the Research Foundation maintains an operating cash account on the Corporation's behalf. Cash held by the Research Foundation on behalf of Corporation is reflected as due from member in the accompanying consolidated balance sheets as of June 30, 2016 and 2015.

(Continued)

(3) Grants Receivable

Grants receivable, which is included in grants and other receivables in the consolidated balance sheets, as of June 30 are summarized as follows:

Project	Total grants for project	Total expended through June 30, 2016	Grants receivable June 30, 2016	Grants receivable June 30, 2015
Nano Utica/Quad C	$ 95,050,000	90,830,061	$ 1,500,000	1,750,000
Buffalo High-Tech	959,426,304	605,647,379	—	—
Buffalo Medical	50,000,000	44,233,379	—	—
Buffalo Info	55,000,000	28,572,938	—	—
CNY Hub	11,749,818	10,660,000	—	5,061,726
LED Tech	90,000,000	51,039,954	—	—
Pharmaceutical Manufacturing	25,000,000	7,288,969	—	—
			$ 1,500,000	6,811,726

(4) Land, Buildings and Equipment

Land, buildings and equipment as of June 30 are summarized as follows:

	2016	2015
Land	$ 6,031,466	5,281,466
Buildings	142,906,653	—
	148,938,119	5,281,466
Less accumulated depreciation	4,653,781	—
	144,284,338	5,281,466
Construction in progress	824,018,772	383,629,550
Net buildings and equipment	$ 968,303,110	388,911,016

Construction in progress relates primarily to costs associated with the Buffalo High-Tech, Buffalo Medical, and LED Tech projects as of June 30, 2016 and the Quad C facility as of June 30, 2015 (notes 5 and 6). The Corporation has executed approximately $66.1 million of construction agreements in relation to these projects in progress, as of June 30, 2016. In addition, the Corporation has financial commitments to purchase equipment for these facilities of approximately $140.8 million as of June 30, 2016. These represent financial commitments of the organization, up to the value of New York State grants received.

Interest expense of $828,271 and $378,743 was capitalized as a component of the cost of acquiring and constructing the Quad C project during the years ended June 30, 2016 and 2015, respectively.

(5) Lease Commitments

To further its mission, the Corporation leases certain property under operating leases with various terms expiring in future years. As of June 30, 2016, lease commitments include:

a) *Ground lease and sublease at Quad C* – in March 2011, the Corporation entered into a noncancelable 30 year ground lease with the State of New York, acting by and through SUNY, for approximately 396 acres of land located on the SUNY Poly campus in Utica, where the Quad C facility is located (Utica Ground Lease). The Corporation will maintain possession and control of certain portions of land pursuant to the ground lease as well as land acquired from third parties.

   Contemporaneous with the execution of the Utica Ground Lease, the Corporation entered into a ground sublease (Ground Sublease) with MVEDGE for a significant portion of the land leased by the Corporation from SUNY (Parcels A through E).

b) *Lease and sublease at the Conventus Building* – On December 4, 2014, the Corporation finalized terms of a 20 year lease of space in Buffalo. The annual lease payment is $1.22 million for the first 5 years, increasing thereafter in 5 year increments. On January 22, 2015 the lease was amended to add additional space with an annual lease payment of $222,375, increasing thereafter in five year increments.

   On July 21, 2015, the Corporation entered into a sublease agreement with a corporate partner for a portion of the space it leases, to be used for office and lab space. The sublease is for 10 years with an annual lease payment of $415,650 for the first 3 years increasing to $1.3 million per year for years 4–10.

c) *Leases and sublease at Key Center* – On December 22, 2015 the Corporation entered into a 7 year lease with a corporate partner to provide office and lab space on the 7 floors at this condominium location owned by the Corporation in Buffalo. The annual lease payment is $1.7 million increasing by 3% per year. Rent becomes due on a pro rata basis as each floor is completed and turned over to the tenant. At June 30, 2016, one floor had been completed and turned over to the tenant.

   To provide space while the construction is in progress, in October 2014, the Corporation leased office space in Buffalo and, in turn, subleased the space to the tenant that will move into the Key Center when completed. The lease payment (and corresponding sublease) was $110,706 per year. The lease terminates after the Corporation purchases condominium units, in the same building as the leased space, and provides notice. The Corporation purchased the condominium units in 2015 and 2016 for approximately $11.0 million. Subsequent to year end, the Corporation terminated the office lease and associated sublease.

Future minimum lease payments and receipts for the next five years and thereafter are as follows as of June 30, 2016:

Payments owed:		
2017	$	1,444,446
2018		1,444,446
2019		1,444,446
2020		1,444,445
2021		1,549,602
Subsequent		23,673,695
Rental receipts:		
2017	$	757,139
2018		767,383
2019		1,579,698
2020		1,663,454
2021		1,638,232
Subsequent		5,268,725

Rental receipts reported above do not include lease commitments with tenants in which the Corporation has not yet completed construction or fit up of the space to be leased as of June 30, 2016.

(6) Line of Credit

In October 2014, the Corporation entered into a $70.0 million Grant Advance Revolving Line of Credit Agreement (LOC Agreement) with KeyBank, N.A., which is restricted to providing bridge financing for various construction projects funded by specific grants from New York State as stated in the LOC Agreement. The terms of the LOC Agreement require the Corporation to deposit grant receipts from New York State in an account designated by the bank to be applied against outstanding principal allocable to that grant. The LOC Agreement bears interest at 30 day LIBOR plus 125 basis points and requires the Corporation to meet certain covenants on a periodic basis.

On May 26, 2015, the LOC Agreement was amended and restated to limit borrowings for Buffalo Manufacturing, Buffalo Medical, Buffalo High-Tech, Buffalo Info and CNY Hub projects to $20.0 million (Prior GDA Tranche) and permit additional borrowings of up to $40.0 million for the Quad C project which are funded by specific grants from New York State (Quad C Tranche). The Prior GDA Tranche matures on October 10, 2016 and the Quad C Tranche was paid off on July 23, 2015, at which time the LOC Agreement was amended to eliminate the Quad C tranche, which was permanently financed through the Key Bank Amended Loan Agreement (note 7), leaving $20.0 million (the Prior GDA Tranche) as the maximum borrowing under the LOC Agreement. The outstanding balance on the LOC Agreement was approximately $1.6 million at June 30, 2016 and $17.9 million at June 30, 2015. The loan was scheduled to mature in October 2016, but was extended through December 15, 2016.

(7) Loan Agreements Payable

(a) Building Loan Agreement and Amended Loan Agreement

In June 2014, the Corporation entered into a Building Loan Agreement (Building Loan Agreement) with TD Bank for up to $31.0 million to fund Quad C project costs in amounts not exceeding the dollar amount of New York State grants approved for the projects but not yet paid to FSMC. The Loan Agreement was scheduled to terminate upon the earlier of closing a permanent loan or December 31, 2014. The terms of the Building Loan Agreement included a requirement that the Corporation deposit receipt of all equity grants for the Quad C project into a segregated account with TD Bank. The bank had a security interest in this account and the loan was also secured by a first leasehold mortgage on the Quad C parcel of land. The interest rate on amounts outstanding under this facility was equal to 30 day LIBOR plus 65 basis points.

In September 2014, the Building Loan Agreement was amended and restated into a permanent $65.0 million Loan Agreement (the Amended Loan Agreement) with TD Bank as Administrator and Lead Arranger and a syndicate of other financial institution lenders. Subject to the terms and conditions of the Amended Loan Agreement, during the construction period the lenders made advances to the Corporation with interest payments due on a monthly basis. Commencing on September 1, 2015 the Corporation began making principal payments, which are due annually over an 8 year term, maturing in September 1, 2022. Financing costs for the original loan and its amendment of $1.6 million were incurred and will be recognized as interest expense over the term of the Amended Loan Agreement.

The interest rate on amounts outstanding under the Amended Loan Agreement is equal to the 30 day LIBOR rate plus 80 basis points. The Amended Loan Agreement allows the Corporation to apply an alternative LIBOR based rate to borrowings outstanding. In addition, the terms of the Amended Loan Agreement required an interest rate swap agreement to be executed as part of the permanent construction loan. The interest rate was .984% as of June 30, 2015.

On July 23, 2015, the Amended Loan Agreement was modified to replace TD Bank with KeyBank as Administrative Agent and Lead Arranger, modify the interest rate to 30 day LIBOR plus 125 basis points, and modify the syndicate of lenders. All other substantive loan terms remained unchanged. The required interest rate swap agreement was executed with KeyBank on July 24, 2015 (note 8). Borrowings outstanding on the Amended Loan Agreement as of June 30, 2016 and 2015 were $57.8 million and $49.7 million, respectively. The interest rate was 1.75% as of June 30, 2016.

(b) Supplemental Loan Note

To provide bridge financing for the Quad C project until receipt of grant funds, an incremental $5.0 million Supplemental Loan Note was issued on July 23, 2015. As of June 30, 2016, $3.8 million was outstanding. An initial principal payment of $3.2 million was due (and paid) in September 2016, while the remaining scheduled payments are due over an 8 year term. The interest rate was 1.75% on the Supplemental Loan Note at June 30, 2016.

(c) Loan Agreement

In May of 2016, the Corporation entered into a 5 year Loan Agreement with M&T Bank for $8.1 million to provide working capital funds. The loan is secured by the assignment of the tenant lease revenue, for 7 floors owned by the Corporation in the Key Center in Buffalo, and by a negative pledge on that property. Funds are available to the Corporation upon written notice to M&T Bank of completion of each floor and notice to the tenant. The interest rate on the loan is 2.69% with monthly interest only payments through August 2016 and monthly payments of principal and interest thereafter. As of June 30 2016, the outstanding balance of the Loan Agreement was $8.1 million. At June 30, 2016, one floor had been completed and $1.2 million of loan proceeds were available for working capital purposes.

Following are the required principal payments on the loan agreements payable, as of June 30, 2016:

Year ending June 30:		
2017	$	11,781,802
2018		9,344,883
2019		9,699,361
2020		10,062,593
2021		10,442,904
Thereafter		18,440,538

(8) Interest Rate Swap Agreement

On July 23, 2015, as required by the terms of the Amended Loan Agreement, the Corporation entered into an interest rate swap agreement (swap agreement) to hedge variability in cash flows associated with interest payments on its Amended Loan Agreement (note 7). The interest rate swap agreement is designed to essentially convert the long-term debt issuance from a variable interest rate to a fixed interest rate. The swap agreement provides for the Corporation to pay a fixed rate of interest over the term of the Amended Loan Agreement (maturing September 1, 2022) of 1.676%. The variable rate received by the Corporation under the swap is equal to the 1-month LIBOR rate on the first day of the month. Interest rate swaps do not relieve the Corporation from its obligations under long-term debt issuances.

(9) Contingencies

The Corporation is involved in claims and legal actions arising in the ordinary course of business. In the opinion of management, as of June 30, 2016, the ultimate disposition of these matters will not have a material adverse effect on the Corporation’s financial position, results of operations, or liquidity.

Subsequent to year end, in September 2016, a criminal complaint was filed by the U.S. Attorney’s Office for the Southern District of New York against a former member of the board of the directors of the Corporation for allegedly conspiring to defraud the Corporation in connection with certain Corporation procurement activities. On November 22, 2016, the U.S. Attorney’s Office for the Southern District of New York returned a criminal indictment against this same individual for the same alleged conduct. The Corporation is cooperating with the investigation, has been identified as a victim of the alleged offense, and is aware of no claims alleged against the Corporation related to this matter.