KPMG

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Financial Statements

June 30, 2014 and 2013

(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, 2014 and 2013, 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, 2014 and 2013, 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
January 20, 2015

FORT SCHUYLER MANAGEMENT CORPORATION

Balance Sheets

June 30, 2014 and 2013

Assets		**2014**	**2013**
Cash	$	—	43
Due from member		418,670	660,714
Grant receivable		28,436,946	1,059,152
Prepaid expenses		—	9,649
Assets limited as to use by grant agreement		6,463,803	30,000
Construction and project development in progress		74,426,615	7,447,679
Land held for development		104,283	104,283
Total assets	$	109,850,317	9,311,520
Liabilities and Net Assets			
Liabilities:			
Construction and other expenses payable	$	32,849,691	1,069,852
Deferred rental revenue		1,625,000	1,775,000
Note payable		7,860,198	—
Total liabilities		42,334,889	2,844,852
Net assets:			
Unrestricted		56,889,051	6,466,668
Temporarily restricted		10,626,377	—
		67,515,428	6,466,668
Total liabilities and net assets	$	109,850,317	9,311,520

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Statements of Activities

Years ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	**Temporarily restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Total**
Support and revenue:						
Rental income and other support	$ 150,018	—	150,018	152,333	—	152,333
Grant revenue	—	71,146,490	71,146,490	—	6,360,456	6,360,456
Net assets released from restrictions	60,520,113	(60,520,113)	—	6,360,456	(6,360,456)	—
Total support and revenue	60,670,131	10,626,377	71,296,508	6,512,789	—	6,512,789
Expenses:						
Contracted services	189,518	—	189,518	194,724	—	194,724
Insurance and other	58,230	—	58,230	47,972	—	47,972
Transfers to the Research Foundation for the State University of New York	10,000,000	—	10,000,000	—	—	—
Total expenses	10,247,748	—	10,247,748	242,696	—	242,696
Change in net assets	50,422,383	10,626,377	61,048,760	6,270,093	—	6,270,093
Net assets at beginning of year	6,466,668	—	6,466,668	196,575	—	196,575
Net assets at end of year	$ 56,889,051	10,626,377	67,515,428	6,466,668	—	6,466,668

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Operating activities:		
Change in net assets	$ 61,048,760	6,270,093
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Grants restricted to long-term capital investment	(71,146,490)	(6,360,456)
Transfers to the Research Foundation for the State University of New York	10,000,000	—
Change in operating assets and liabilities:		
Due from member	242,044	235,294
Prepaid expenses	9,649	(297)
Accounts payable	(4,200)	7,700
Deferred rental revenue	(150,000)	(150,000)
Net cash (used in) provided by operating activities	(237)	2,334
Investing activities:		
Transfers to the Research Foundation for the State University of New York	(10,000,000)	—
Net increase in assets limited as to use	(6,433,803)	(30,000)
Cash paid for construction and project development	(35,194,897)	(5,274,591)
Net cash used in investing activities	(51,628,700)	(5,304,591)
Financing activities:		
Borrowings on note payable	7,860,198	—
Cash received from grants restricted to long-term capital investment	43,768,696	5,301,304
Net cash provided by financing activities	51,628,894	5,301,304
Change in cash	(43)	(953)
Cash, beginning of year	43	996
Cash, end of year	$ —	43
Supplemental disclosure of noncash transactions:		
Unpaid construction and project development cost	$ 32,843,191	1,059,152

See accompanying notes to 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 Institute of Technology Foundation at Utica/Rome, Inc. (SUNYIT Foundation).

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 not-for-profit corporation formed to support the financing infrastructure necessary to advance the timely construction and completion of the Quad C project.

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 the following activities:

- *Quad C Building (Quad C)* – During 2013, the Corporation began construction on Quad C, a 252,000 square foot facility with class 1,000 and class 100 cleanrooms being built on land leased by the Corporation (note 4). The Corporation will lease the premises to third party corporate partners. In December 2013, the Corporation entered into a guaranteed maximum price contract with a contractor to oversee the construction of the Quad C facility. The total budgeted cost of construction is $125 million. As more fully described in note 5, TD Bank has provided permanent financing for the construction of the facility with state and local grant revenue pledged to repay the financing.
- *Buffalo High-Tech Manufacturing Complex (Buffalo High Tech)* –At June 30, 2014, design had begun on this high-tech campus to be located in Buffalo, New York on land to be purchased by the Corporation. The campus will house top tier clean energy companies and enable advanced manufacturing at what is planned to become a state-of-the art, multibillion-dollar high-tech campus. This project will be funded by grants from New York State.
- *Buffalo Medical Innovation and Commercialization Hub (Buffalo Medical)* –At June 30, 2014, design had begun on a state-of-the-art shared user facility for biomedical research, development and testing. This project will be located in an existing facility to be leased by the Corporation in Buffalo, New York with project funding provided by a grant from New York State.
- *Central New York Hub for Emerging Nano Industries (CNY Hub)* –At June 30, 2014, design had begun on an advanced visual production, research and education facility to be located in Syracuse, New York. This project will be constructed on land to be leased by the Corporation with funding provided by a grant 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. 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.

In addition, intercompany balances and transactions are eliminated in consolidation.

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 January 20, 2015 and subsequent events have been evaluated through that date.

(b) Assets Limited as to Use

Assets limited as to use represents grant funds restricted as to use, and consists of cash.

(c) Construction and Project Development in Progress

Property, plant and equipment are stated at cost or, if acquired by gift, at fair market value at the date of donation. Depreciation of buildings and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. Net interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component cost of acquiring the assets.

(d) Land Held for Development

Land held for development represents 8.15 acres deeded to the Corporation at fair market value by Mohawk Valley Economic Development Growth Enterprises Corporation (MVEDGE).

(e) Deferred Rental Revenue

In 2011, SUNY, the Research Foundation, and 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 SUNYIT campus in Utica, New York (the Project Site) (see note 4). Under this agreement, MVEDGE is responsible for managing the initial site work, facility design, construction and marketing to potential tenants of the Project Site. Once tenants are identified, the Corporation will enter into additional ground subleases for parcels A through E of the

Project 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.

(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, 2014 and 2013, there are no uncertain income tax positions that require recognition in the accompanying consolidated financial statements.

(g) 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 from those estimates.

(h) 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, 2014 and 2013. 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's is reflected as due from member in the accompanying consolidated balance sheets as of June 30, 2014 and 2013.

(3) Grant Revenue and Receivable

In June 2010, The State University Construction Fund (SUCF) committed $27.9 million of capital construction funds to the Quad C project pursuant to a New York State appropriation. As of June 30, 2014 the entire grant had been received and expended, $21.5 million of which was recognized as grant income in 2014 and $6.4 million was recognized as grant revenue during 2013.

The Corporation is the beneficiary of $1.3 million component of a $10.0 million grant from ESD to MVEDGE, to be used for Quad C design and construction. Approximately $1.2 million of the funds were received and included in grant income in 2014, all of which was expended as of June 30, 2014.

In February 2014, the Corporation executed a GDA with ESD for $20.0 million in support of the Quad C construction, of which $10.0 million was transferred to the Research Foundation, for the acquisition development, installation and commissioning of tools. In addition, in March 2014, the Corporation executed a GDA with ESD for $15.0 million in support of the Quad C project. As of June 30, 2014, all project funds under these GDAs have been expended or committed, and $15.0 million was receivable from ESD.

In May 2014, the Corporation entered into a Memo of Understanding (MOU) with SUNY-IT. SUNY-IT will execute a GDA with the Dormitory Authority of the State of New York (DASNY) and act as grantee for $7.5 million that will be used to reimburse the Corporation for $7.75 million of eligible Quad C project costs. At June 30, 2014 all of the funds had been committed, were recorded as grant revenue and were receivable from SUNYIT.

In May 2014, the Corporation executed a $50 million GDA with ESD for the Buffalo Medical project. As of June 30, 2014 $508 thousand of eligible expenses had been incurred, and $508 thousand of grant revenue was recorded and receivable from ESD.

In June 2014, the Corporation executed a $118.0 million GDA for the design and development of the Buffalo High Tech project. As of June 30, 2014, $29 thousand of eligible expenses had been incurred and $29 thousand of grant revenue had been recorded and was receivable from ESD.

In June 2014, ESD approved a $107.0 million grant for the design and development of the Buffalo High Tech project. The GDA for the grant was executed in July 2014. As of June 30, 2014 $4 million of eligible expenses had been incurred and $4.0 million of grant revenue had been recorded and was receivable from ESD.

The Corporation has been approved for a $15.0 million grant from DASNY in support of the CNY Hub project. As of June 30, 2014, $1.0 million of eligible costs had been incurred and were receivable from DASNY.

(4) Lease Commitments

To further its mission, the Corporation leases certain property under noncancelable operating leases with various terms expiring in future years. As of June 30, 2014, lease commitments include:

Quad C Ground Lease

In March 2011, the Corporation entered into a 30 year Ground Lease with the State of New York, acting by and through SUNY, for approximately 396 acres of land located on the SUNYIT campus in Utica, New York (the project site) to be used for the Corporation’s stated purpose. The Corporation will maintain possession and control of certain portions of land pursuant to the ground lease (Parcel F) as well as land acquired from third parties (Grace Meyer Parcel #2) in order to facilitate the design, construction and operation of Quad C facility.

Contemporaneous to the execution of the 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).

Buffalo Medical Center

In May 2014, the Corporation leased space in Buffalo, New York to provide temporary offices and labs for a Buffalo Medical corporate partner. The lease term is nine months with monthly rental cost of $1.00 per month.

Contemporaneous to the execution of the Buffalo lease, the Corporation entered into a sublease with the Buffalo Medical corporate partner to provide temporary offices and labs. The lease term is nine months with rental cost of $1.00 per month for the term.

(5) Lines of Credit

In June 2014, the Corporation entered into a line of credit facility with TD Bank with an available limit of $31.0 million. The purpose of the line is to fund the Quad C project costs in amounts not exceeding the dollar amount of grants approved but not yet paid to FSMC for the Quad C project. The line terminates the earlier of December 31, 2014 or the closing of the term loan which will repay all outstanding amounts due upon the termination date. The terms of the loan include 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 has a security interest in this account and the loan is also secured by a first leasehold mortgage on the Quad C parcel of land. The interest rate on amounts outstanding under the interim line of credit is equal to 30 day LIBOR plus 65 basis points. This rate was 0.76% at June 30, 2014.

Subsequent to year end, in August 2014, this loan was replaced by a $70 million permanent construction loan maturing in 2022, with interest equal to 30 day LIBOR plus 80 basis points. In addition, an interest rate swap agreement with TD Bank was executed as part of the permanent construction loan. The terms of the interest rate swap substantially mirror the permanent construction loan.

Subsequent to year end, in October 2014, the Corporation also entered into a $70.0 million Line of Credit Agreement with KeyBank, N.A., which is restricted to providing bridge financing for various construction projects that are currently in process or that will be undertaken in the future that are funded by grants from New York State. The interest rate on amounts outstanding under the line of credit is equal to 30 day LIBOR plus 125 basis points. The loan matures in October 2016.