FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Financial Statements

June 30, 2015 and 2014

(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, 2015 and 2014, 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, 2015 and 2014, 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
February 12, 2016

FORT SCHUYLER MANAGEMENT CORPORATION

Balance Sheets

June 30, 2015 and 2014

Assets		**2015**	**2014**
Cash	$	—	—
Due from member		194,903	418,670
Grants and other receivables		7,969,180	28,436,946
		8,164,083	28,855,616
Assets limited as to use:			
Under grant agreements		59,048,516	6,463,803
By debt agreements		7,552,022	—
		66,600,538	6,463,803
Land, buildings and equipment, net		388,911,016	74,530,898
Total assets	$	463,675,637	109,850,317
Liabilities and Net Assets			
Liabilities:			
Construction and other expenses payable	$	79,497,184	32,849,691
Deferred rental revenue		1,475,000	1,625,000
Line of credit		17,878,170	—
Note payable		49,706,598	7,860,198
Total liabilities		148,556,952	42,334,889
Net assets:			
Unrestricted		254,448,690	56,889,051
Temporarily restricted		60,669,995	10,626,377
		315,118,685	67,515,428
Total liabilities and net assets	$	463,675,637	109,850,317

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Statements of Activities

Years ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	**Temporarily restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Total**
Support and revenue:						
Rental income and other support	$ 212,610	—	212,610	150,018	—	150,018
Grant revenue	—	248,026,341	248,026,341	—	71,146,490	71,146,490
Net assets released from restrictions	197,982,723	(197,982,723)	—	60,520,113	(60,520,113)	—
Total support and revenue	198,195,333	50,043,618	248,238,951	60,670,131	10,626,377	71,296,508
Expenses:						
Contracted services	161,452	—	161,452	183,018	—	183,018
Utilities, repairs and maintenance	131,329	—	131,329	—	—	—
Insurance and other	70,411	—	70,411	58,230	—	58,230
Professional fees	247,620	—	247,620	6,500	—	6,500
Interest	24,882	—	24,882	—	—	—
Transfers to the Research Foundation for the State University of New York	—	—	—	10,000,000	—	10,000,000
Total expenses	635,694	—	635,694	10,247,748	—	10,247,748
Change in net assets	197,559,639	50,043,618	247,603,257	50,422,383	10,626,377	61,048,760
Net assets at beginning of year	56,889,051	10,626,377	67,515,428	6,466,668	—	6,466,668
Net assets at end of year	$ 254,448,690	60,669,995	315,118,685	56,889,051	10,626,377	67,515,428

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Statements of Cash Flows

Years ended June 30, 2015 and 2014

		2015	2014
Operating activities:			
Change in net assets	$	247,603,257	61,048,760
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Grants restricted to long-term capital investment		(248,026,341)	(71,146,490)
Transfers to the Research Foundation for the State University of New York		—	10,000,000
Change in operating assets and liabilities:			
Due from member		223,767	242,044
Prepaid expenses		—	9,649
Accounts payable		2,058	(4,200)
Accrued interest payable		63,550	—
Deferred rental revenue		(150,000)	(150,000)
Net cash used in operating activities		(283,709)	(237)
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		(60,136,735)	(6,433,803)
Cash paid for construction and project development		(267,798,233)	(35,194,897)
Net cash used in investing activities		(327,934,968)	(51,628,700)
Financing activities:			
Borrowings on note payable		41,846,400	7,860,198
Cash provided by line of credit		31,429,246	—
Cash paid on line of credit		(13,551,076)	—
Cash received from grants restricted to long-term capital investment		268,494,107	43,768,696
Net cash provided by financing activities		328,218,677	51,628,894
Change in cash		—	(43)
Cash, beginning of year		—	43
Cash, end of year	$	—	—
Supplemental disclosure of noncash transactions:			
Unpaid construction and project development cost	$	79,425,076	32,843,191

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 limited liability company 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 $125.0 million. As more fully described in note 6, permanent financing has been obtained 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)* – During 2014, design began on this high-tech complex located in Buffalo, New York on land subsequently 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 is funded by grants from New York State.
- *Buffalo Medical Innovation and Commercialization Hub (Buffalo Medical)* – During 2014, design began on a state-of-the-art shared user facility for biomedical research, development and testing. This project is located in an existing facility in spaces both leased and purchased 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):*
    - *Syracuse Film* –In 2014, design began on an advanced visual production, research and education facility located in Syracuse, New York on land to be purchased by the Corporation. This project is being funded by a grant from New York State.

- o *LED Tech* – In May of 2015 the Corporation began work on a facility for state of the art LED manufacturing. This project will be funded by a grant(s) from New York State.

- *Buffalo Information Technologies and Commercialization Hub (Buffalo Info)* – During 2015 design and renovation began 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. This project is being funded 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 February 12, 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.

(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. No depreciation expense has been recognized since inception of the Corporation, as no assets have been placed into service. 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.

(Continued)

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, 2015 and 2014.

(d) Deferred Rental Revenue

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 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.

(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 standards in its 2016 financial statements.

(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, 2015 and 2014, 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, 2015 and 2014. 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, 2015 and 2014.

(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	Grant amount	Total expended through June 30, 2015	2015	2014
Quad C	$ 70,900,000	$ 70,650,000	$ 1,750,000	$ 22,750,000
Buffalo High Tech	225,000,000	133,377,232	—	4,103,893
Buffalo Medical	50,000,000	33,151,470	—	508,204
Buffalo Info	55,000,000	18,164,133	—	—
CNY Hub	11,749,818	11,749,818	5,061,726	1,074,849
			$ 6,811,726	$ 28,436,946

(4) Land, Buildings and Equipment

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

		2015	2014
Land	$	5,281,466	104,283
Construction in Progress		383,629,550	74,426,615
Net buildings and equipment	$	388,911,016	74,530,898

Construction in progress relates primarily to costs associated with the Quad C (notes 5 and 6), Buffalo High Tech, Buffalo Medical, and LED Tech projects. The Corporation has executed approximately $692.6 million of construction agreements in relation to these projects in progress, as of June 30, 2015.

Interest expense of $378,743 and $0 was capitalized as a component of the cost of acquiring and constructing these projects during the years ended June 30, 2015 and 2014, 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, 2015, lease commitments include:

a) Ground Lease and sublease at Quad C - in March 2011, the Corporation entered into a non-cancellable 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). 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).

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, New York. The annual lease payment is $1.22 million for the first 5 years, increasing by $2 per square foot 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 by $1 per square foot in five year increments.

   Subsequent to year end, on July 21, 2015 the Corporation entered into a sublease agreement with a corporate partner for office and lab space. The lease 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) Lease and sublease at Key Center - In October 2014, the Corporation leased space in Buffalo, New York. The lease payment is $110,706 per year. The lease terminates after the Corporation purchases condominium units, in the same building as the leased space, and provides notice. On November 30, 2015, the Corporation purchased the condominium units for approximately $9.5 million.

Contemporaneous to the execution of this lease, the Corporation entered into a sublease with a corporate partner to provide temporary office space. The annual lease payment is $110,706. The lease terminates the earlier of March 31, 2016, execution of a lease for permanent space, or an extended date to be agreed upon after March 31, 2016.

Future minimum lease payments and receipts for the next five years are as follows as of June 30, 2015:

Payments owed		
2016	$	1,444,446
2017		1,444,446
2018		1,444,446
2019		1,444,446
2020		1,549,602
Thereafter		23,673,696

Rental receipts		
2016	$	381,013
2017		415,650
2018		415,650
2019		1,217,413
2020		1,290,300
Thereafter		21,009,875

(6) Lines 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 NYS 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. The loan matures in October 10, 2016.

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 million (the prior GDA tranche) as the maximum borrowing under the LOC Agreement.

(7) Loan Agreement Payable

In June 2014, the Corporation entered into a Building Loan Agreement (the 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 the earlier of closing of the permanent loan or December 31, 2014. The terms of the Loan Agreement 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 this facility is equal to 30 day LIBOR plus 65 basis points.

In September 2014, the Loan Agreement was amended and restated into a permanent $65 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 Agreement, during the construction period the lenders will make advances to the Corporation with interest payments due on a monthly basis. Commencing on September 1, 2015 the Corporation will begin 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 interest rate was .984% at June 30, 2015. 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.

Subsequent to year-end, on July 23, 2015, the Corporation modified the Amended Loan Agreement, by replacing TD Bank with KeyBank as Administrative Agent and Lead Arranger, and modifying the interest rate to 30 day LIBOR plus 125 basis points. All other substantive loan terms remained unchanged. The required swap agreement was executed with KeyBank on July 24, 2015 (note 8). In addition, an incremental $5.0 million Supplemental Loan Note closed on July 23, 2015 to provide bridge financing for the receipt of grant funds for the Quad C project. An initial $4.4 million of the Supplemental Loan Note is due in September 2016 and the remaining payments are due over the term of the Amended Loan Agreement.

(Continued)

(8) Interest Rate Swap Agreement

Subsequent to year end, 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, 2015, the ultimate disposition of these matters will not have a material adverse effect on the Corporation’s financial position, results of operations, or liquidity.