KPMG

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Financial Statements

June 30, 2017 and 2016

(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, 2017 and 2016, 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, 2017 and 2016, and the results of its activities, and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in notes 1 and 3 to the accompanying consolidated financial statements, the Corporation has had significant transactions with related parties. Whether the terms of these transactions would have been the same had they been between unrelated parties cannot be determined. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included on page 16 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements as a whole.

KPMG LLP

Albany, New York
February 27, 2018

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Balance Sheets

June 30, 2017 and 2016

Assets		**2017**	**2016**
Cash	$	957,203	373,407
Due from member		29,477	2,450
Grants and other receivables and other assets		9,395,655	3,455,409
		10,382,335	3,831,266
Assets limited as to use:			
Under grant agreements		182,056,690	126,158,072
By debt agreements		1,505,905	7,922,867
		183,562,595	134,080,939
Interest rate swap		46,463	—
Land, buildings and equipment, net		1,205,114,443	965,683,179
Total assets	$	1,399,105,836	1,103,595,384
Liabilities and Net Assets			
Liabilities:			
Construction and other expenses payable	$	34,027,015	138,297,278
Deferred rental revenue		1,659,274	1,325,000
Line of credit		2,208,973	1,592,395
Loan agreements payable		55,578,310	67,152,150
Interest rate swap		—	1,690,399
Total liabilities		93,473,572	210,057,222
Commitments and contingencies (notes 4, 5, and 9)			
Net assets:			
Unrestricted		1,144,192,397	782,605,663
Temporarily restricted		161,439,867	110,932,499
Total net assets		1,305,632,264	893,538,162
Total liabilities and net assets	$	1,399,105,836	1,103,595,384

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Statements of Activities

Years ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	**Temporarily restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Total**
Support and revenue:						
Rental income and other support	$ 5,253,790	—	5,253,790	2,465,335	—	2,465,335
Grant and other contributions	—	444,022,641	444,022,641	—	598,834,123	598,834,123
Net assets released from restrictions	393,515,273	(393,515,273)	—	548,571,619	(548,571,619)	—
Total support and revenue	398,769,063	50,507,368	449,276,431	551,036,954	50,262,504	601,299,458
Expenses:						
Contracted services	335,283	—	335,283	1,243,109	—	1,243,109
Utilities, repairs and maintenance	2,722,581	—	2,722,581	215,627	—	215,627
Rent	2,801,117	—	2,801,117	2,426,242	—	2,426,242
Insurance and other	236,568	—	236,568	172,350	—	172,350
Professional fees	1,955,508	—	1,955,508	2,172,491	—	2,172,491
Interest	1,999,946	—	1,999,946	1,055,982	—	1,055,982
Depreciation and amortization	20,504,231	—	20,504,231	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	30,555,234	—	30,555,234	21,189,582	—	21,189,582
Increase in net assets, before other changes in net assets	368,213,829	50,507,368	418,721,197	529,847,372	50,262,504	580,109,876
Other changes in net assets:						
Change in fair value of interest rate swaps	1,736,862	—	1,736,862	(1,690,399)	—	(1,690,399)
Asset impairment	(8,363,957)	—	(8,363,957)	—	—	—
	(6,627,095)	—	(6,627,095)	(1,690,399)	—	(1,690,399)
Increase in net assets	361,586,734	50,507,368	412,094,102	528,156,973	50,262,504	578,419,477
Net assets, beginning of year	782,605,663	110,932,499	893,538,162	254,448,690	60,669,995	315,118,685
Net assets, end of year	$ 1,144,192,397	161,439,867	1,305,632,264	782,605,663	110,932,499	893,538,162

See accompanying notes to consolidated financial statements.

FORT SCHUYLER MANAGEMENT CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Operating activities:		
Change in net assets	$ 412,094,102	578,419,477
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Grants restricted to long-term capital investment	(444,022,641)	(598,834,123)
Change in value of interest rate swap	(1,736,862)	1,690,399
Depreciation and amortization	20,504,231	4,653,781
Asset impairment	8,363,957	—
Transfers to the Research Foundation for the State University of New York	—	9,250,000
Change in operating assets and liabilities:		
Due from member	(27,027)	192,453
Grants and other receivables and other assets	(1,416,341)	(797,954)
Accounts payable	(1,536,491)	2,248,370
Accrued interest payable	(12,576)	80,522
Deferred rental revenue	334,274	(150,000)
Net cash used in operating activities	(7,455,374)	(3,247,075)
Investing activities:		
Increase in assets limited as to use	(49,481,656)	(67,480,401)
Cash paid for construction and project development	(370,587,097)	(527,101,933)
Net cash used in investing activities	(420,068,753)	(594,582,334)
Financing activities:		
Borrowings on amended loan agreement	—	15,293,402
Payments on amended loan agreement	(7,452,950)	(7,202,850)
Borrowing on supplemental loan note	—	5,000,000
Payments on supplemental loan note	(3,375,758)	(1,159,831)
Borrowing on loan agreement	—	8,134,762
Payments on loan agreement	(1,178,683)	—
Cash provided by line of credit	11,023,006	1,592,395
Cash paid on line of credit	(10,406,428)	(17,878,170)
Payment of debt issuance costs	—	(472,740)
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	439,498,736	604,145,848
Net cash provided by financing activities	428,107,923	598,202,816
Change in cash	583,796	373,407
Cash, beginning of year	373,407	—
Cash, end of year	$ 957,203	373,407
Supplemental disclosure of noncash transactions:		
Cash paid for interest, including amounts capitalized	$ 1,997,516	1,803,731

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.).

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 January 2017, certain enhancements were made to the Corporation's existing bylaws. Among such changes included establishing a provision that New York State Urban Development Corporation (d/b/a Empire State Development) (ESD), an entity affiliated with New York State, has the right to recommend the appointment of two board directors and consent to the appointment of three additional directors at large. Further ESD's President and CEO will serve as a non-voting, non-fiduciary advisory representative to the Corporation's board of directors.

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.

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 in Utica leased by the Corporation from the State of New York, acting by and through the State University of New York (notes 4 and 5). As more fully described in note 6, the construction of the building was funded by various grants and a permanent loan for which grant revenue provided by ESD is utilized to repay the financing. In 2017, the Corporation leased the premises to Danfoss, d/b/a Danfoss Silicon Power. Fit-up and improvements for Danfoss started in 2017 and will be completed in mid-2018. The Fit-up and improvements are funded by grants from ESD.
- *Buffalo High-Tech Manufacturing Complex (Buffalo High-Tech or Riverbend)* – During 2017, construction was completed on this high-tech complex located in Buffalo that will house Tesla, a clean energy company that will lease the site for advanced manufacturing. Equipment installation began in December 2016 and will continue into 2018. Limited manufacturing production started on July 1, 2017. This project is funded by grants from ESD and the Dormitory Authority of the State of New York (DASNY).
- *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. This project is located in an existing facility in spaces both leased and purchased by the Corporation in Buffalo with project funding provided by grants from the ESD. The space purchased by

the Corporation is occupied by Albany Molecular Research, Inc. (AMRI) and installation and testing of equipment for its work was completed during 2017.

- *Central New York Hub for Emerging Nano Industries (CNY Hub):*
  - *Film Hub* – In 2016, construction was completed on an advanced visual production, research and education facility located in the Town of Dewitt on land to be purchased by the Corporation. This project was funded by grants from DASNY and ESD. In December 2017, the Corporation purchased the land.
  - *High-Tech Manufacturing Facility* – In May of 2015, the Corporation began work on a high-tech manufacturing facility in Syracuse that is expected to be completed in early 2018. This project is funded by a grant from ESD.
- *Buffalo Information Technologies and Commercialization Hub (Buffalo Info)* – During 2017, work was completed 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. All seven completed floors were occupied by IBM in 2017 (see note 5). This project was funded by a grant from ESD.
- *North Country Hub for Innovative Manufacturing Nanotechnology (Plattsburgh Tech)* – During 2016, the Corporation began planning the construction and equipping of the first industrial scale 3D printing manufacturing facility in the world. The facility will be located in Plattsburgh. Design commenced in 2017 and construction will begin in the spring of 2018, with a completion goal of mid-2019. This project is funded by grants from ESD.
- *Pharmaceutical Manufacturing* – During 2016, the Corporation began the first phase of a project to create offices, labs and a pharmaceutical manufacturing facility for Athenex, Inc. The offices and labs are located in Buffalo at the Buffalo Medical Innovation and Commercialization Hub and were completed in 2017. The manufacturing facility will be in Dunkirk and construction will begin in the spring of 2018. This project is funded by grants from ESD.

(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 February 27, 2018 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. 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.

(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. The Corporation adopted this standard in the 2017 financial statements. ASU 2015-03 requires comparative periods to reflect the application of the standard. Accordingly, as a result of the adoption of ASU 2015-03, the Corporation reclassified $2.6 million of unamortized deferred financing costs as a direct reduction to loan agreements payable, as of June 30, 2016.

(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, 2017 and 2016, 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 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.

(Continued)

(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 in contracted services for the years ended June 30, 2017 and 2016. 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, 2017 and 2016.

(3) Grant Revenue and Receivables

Grant revenue and related receivables, which are included in grants and other receivables in the consolidated balance sheets, as of June 30 are summarized as follows:

Project	Total grants for project	Temporarily restriced grant revenue 2017	Temporarily restriced grant revenue 2016	Grant receivable June 30, 2017	Grant receivable June 30, 2016
Nano Utica/Quad C	$ 215,050,000	90,000,000	20,000,000	1,500,000	1,500,000
Buffalo High-Tech	959,426,304	238,526,261	493,677,410	—	—
Buffalo Medical	50,000,000	4,000,000	10,000,000	—	—
Buffalo Info	55,000,000	—	10,036,531	—	—
CNY Hub	11,844,000	28,000	(879,818)	—	—
High-Tech Manufacturing Facility	90,000,000	25,394,578	41,000,000	4,394,578	—
Pharmaceutical Manufacturing	25,000,000	—	25,000,000	—	—
Plattsburgh Tech	79,050,000	77,154,327	—	129,328	—
Other	9,157,475	8,919,475	—	—	—
		444,022,641	598,834,123	6,023,906	1,500,000

The grants above are primarily awarded from ESD (see note 1). A portion of the Nano Utica/Quad C grants shown above are for capital and related cost and is also used to support amounts due under the Amended Loan Agreement (note 7).

(4) Land, Buildings and Equipment

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

		2017	2016
Land	$	10,797,866	6,031,466
Equipment, furniture, and fixtures		239,725,226	—
Buildings		870,146,001	126,949,480
		1,120,669,093	132,980,946
Less accumulated depreciation and amortization		24,506,636	4,435,956
		1,096,162,457	128,544,990
Construction in progress		108,951,986	837,138,189
		1,205,114,443	965,683,179

Construction in progress relates primarily to costs associated with the Syracuse High-Tech Manufacturing Facility and Plattsburgh Tech projects as of June 30, 2017 and the Buffalo High-Tech, Buffalo Medical, and Syracuse High Tech Manufacturing projects as of June 30, 2016 (notes 5 and 6). Construction in progress also includes equipment purchased for projects that have not yet been placed into service at year end.

The Corporation has executed construction agreements in relation to these projects in progress, for which approximately $37.3 million of financial commitments are outstanding as of June 30, 2017. In addition, the Corporation has financial commitments to purchase equipment for these facilities of approximately $71.5 million as of June 30, 2017. These represent financial commitments of the organization, up to the value of grants received.

In connection with a change in a development project in Utica, during 2017, the Corporation wrote–off approximately $8.4 million of previously capitalized design and related costs. No impairment losses were recognized for the year ended June 30, 2016.

There was no interest expense capitalized in the year ended June 30, 2017 and $828,000 was capitalized as a component of the cost of acquiring and constructing the Quad C project during the year ended June 30, 2016.

(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, 2017, lease commitments include:

a) *Quad C Ground lease and sublease* – 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) *Conventus Building Lease and sublease* – In December 2014, the Corporation executed a 20 year lease to occupy space in Buffalo for the Pharmaceutical Manufacturing project. The annual lease payment is $1.22 million for the first 5 years, increasing thereafter in 5 year increments. In January 2015 the lease was amended to add additional space for an incremental annual lease payment of $222,375, increasing thereafter in five year increments.

In July 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 through 10.

c) *Key Center lease* – In 2016 and 2017, the Corporation purchased two condominium units consisting of 7 total floors in Buffalo's Key Center for the Buffalo Info project. The Corporation entered into a 7 year lease with a corporate partner to provide office and lab space on all 7 floors. The annual base lease payment due to the Corporation 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, 2017, all seven floors had been completed and turned over to the tenant.

Future minimum lease payments and receipts for the next five years and thereafter are as follows as of June 30, 2017:

Payments owed:		
2018	$	1,444,446
2019		1,444,446
2020		1,444,445
2021		1,549,602
2022		1,559,162
Subsequent		22,114,534
Rental receipts:		
2018	$	2,176,384
2019		3,030,968
2020		3,158,263
2021		3,205,363
2022		1,695,748
Subsequent		18,429,275

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, 2017.

(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 matured on October 10, 2016 and the Quad C Tranche was paid off in July 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 $2.2 million at June 30, 2017 and $1.6 million at June 30, 2016. The loan was scheduled to mature for further drawings in October 2017, but was extended through December 31, 2017. Final maturity and settlement of amounts outstanding on the LOC Agreement was January 31, 2018.

(7) Loan Agreements Payable

Loan agreements payable as of June 30 is summarized as follows:

		2017	2016
Amended Loan Agreement, KeyBank	$	50,344,200	57,797,150
Supplemental Loan Note, KeyBank		464,411	3,840,169
Loan Agreement, M&T		6,956,079	8,134,762
		57,764,690	69,772,081
Less:			
Unamortized deferred financing costs		2,186,380	2,619,931
	$	55,578,310	67,152,150

(a) Building Loan Agreement and Amended Loan Agreement

In September 2014, the Corporation amended and restated an existing $31.0 million Building Loan Agreement related to Quad C 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 Quad C 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 are recognized as interest expense over the term of the Amended Loan Agreement.

(Continued)

In July 2015, the Amended Loan Agreement was further 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. In connection with the modification, an interest rate swap agreement was executed with KeyBank (note 8). The interest rate was 2.3% and 1.75% as of June 30, 2017 and 2016, respectively.

(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 by KeyBank concurrent with the execution of the July 2015 Amended Loan Agreement. 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 2.3% and 1.75% on the Supplemental Loan Note at June 30, 2017 and 2016, respectively.

(c) Loan Agreement

In May 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 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 were 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. At June 30, 2017, all the floors had been completed and all loan proceeds had been received. One floor had been completed and $1.2 million of loan proceeds had been received at June 30, 2016.

The Corporation must satisfy certain financial and reporting requirements so long as the respective loans are outstanding. As of and subsequent to June 30, 2017, the Corporation was not incompliance with certain of its reporting requirements. The lending institutions have waived these instances of noncompliance.

Following are the required principal payments on the loan agreements payable, as of June 30, 2017:

Year ending June 30:		
2018	$	9,304,285
2019		9,658,762
2020		10,021,995
2021		10,402,306
2022		9,192,690
Thereafter		9,184,652

(8) Interest Rate Swap Agreement

In July 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 essentially converts 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, 2017, the ultimate disposition of these matters will not have a material adverse effect on the Corporation's financial position, results of operations, or liquidity.

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.

FORT SCHUYLER MANAGEMENT CORPORATION

Schedule of Increases in Unrestricted Net Assets

Year ended June 30, 2017

		Quad C	Key Center	All Other	Total
Support and revenue:					
Rental income and other support	$	331,049	1,418,849	3,503,892	5,253,790
Net assets released from restrictions		12,803,324	10,633,472	370,078,477	393,515,273
Total support and revenue		13,134,373	12,052,321	373,582,369	398,769,063
Expenses:					
Contracted services		155,494	53,707	126,082	335,283
Utilities, repairs and maintenance		386,759	791,734	1,544,088	2,722,581
Rent		—	30,073	2,771,044	2,801,117
Insurance and other		88,786	23,908	123,874	236,568
Professional fees		101,001	—	1,854,507	1,955,508
Interest		1,616,777	210,134	173,035	1,999,946
Depreciation and amortization		7,982,331	3,805,343	8,716,557	20,504,231
Transfers to the Research Foundation for the State University of New York		—	—	—	—
Total expenses and transfers		10,331,148	4,914,899	15,309,187	30,555,234
Increase in net assets, before other changes in net assets		2,803,225	7,137,422	358,273,182	368,213,829
Other changes in net assets:					
Change in fair value of interest rate swaps		1,736,862	—	—	1,736,862
Asset impairment		—	—	(8,363,957)	(8,363,957)
		1,736,862	—	(8,363,957)	(6,627,095)
Increases in net assets	$	4,540,087	7,137,422	349,909,225	361,586,734

See accompanying notes to consolidated financial statements.