

PRELIMINARY OFFICIAL STATEMENT DATED MAY 5, 2021

Moody's: Aa3 (Stable Outlook)
Standard & Poor's: AA (Negative Outlook)
(See "RATINGS" herein)

New Issue-Book-Entry

\$110,180,000*
ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
School Facility Refunding Revenue Bonds
(City School District of the City of Buffalo Project)
\$81,245,000* Series 2021A School Facility Refunding Revenue Bonds
\$28,935,000* Series 2021B School Facility Refunding Revenue Bonds

Dated: Delivery Date

Due: as shown on inside cover

The Series 2021A Bonds and the Series 2021B Bonds are being issued by the Erie County Industrial Development Agency (the "Issuer") to refinance the renovation and/or equipping of certain public school facilities for use by the City School District of the City of Buffalo (the "Buffalo CSD") in accordance with Chapter 605 of the Laws of 2000 of the State of New York, as amended (the "Buffalo Schools Act").

The Series 2021A Bonds and the Series 2021B Bonds (collectively, the "Series 2021 Bonds") will be secured by and issued pursuant to an Indenture of Trust (Series 2011 Project) dated as of June 1, 2011 (the "Series 2011A Indenture"), as supplemented and amended by a First Supplemental Indenture of Trust (Series 2011 Project) dated as of May 1, 2021 (the "Series 2021A First Supplemental Indenture", together with the Series 2011A Indenture, the "Series 2021A Indenture"), each between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Series 2021A Trustee") and an Amended and Restated Indenture of Trust (Series 2003 Project) dated as of July 1, 2011 (the "Series 2011B Indenture"), as supplemented and amended by a First Supplemental Indenture of Trust (Series 2003 Project) dated as of May 1, 2021 (the "Series 2021B First Supplemental Indenture", together with Series 2011B Indenture, the "Series 2021B Indenture"), each between the Issuer and Manufacturers and Traders Trust Company, as trustee (the "Series 2021B Trustee") (the "Series 2021B Indenture," together with the Series 2021A Indenture, the "Indentures").

The Series 2021 Bonds will be special limited obligations of the Issuer payable from amounts due from the Buffalo CSD under an Installment Sale Agreement (Series 2011 Project) dated as of June 1, 2011 (the "Series 2011A Installment Sale Agreement"), as amended and supplemented by a First Amendment to 2011A Installment Sale Agreement (Series 2011 Project) dated as of May 1, 2021 (the "Series 2021A First Amendment to the 2011A Installment Sale Agreement", together with the Series 2011A Installment Sale Agreement, the "Series 2021A Installment Agreement"), each between the Issuer and the Buffalo CSD, and an Amended and Restated Installment Sale Agreement (Series 2003 Project) (the "Series 2011B Installment Sale Agreement") dated as of July 1, 2011, as supplemented and amended by a First Amendment to 2011B Installment Sale Agreement (Series 2003 Project) dated as of May 1, 2021 (the "Series 2021B First Amendment to 2011B Installment Sale Agreement," and together with the Series 2011B Installment Sale Agreement, the "Series 2021B Installment Sale Agreement"), each between the Issuer and the Buffalo CSD (the Series 2021A Installment Sale Agreement, together with the Series 2021B Installment Sale Agreement, the "Installment Sale Agreements"). The Buffalo CSD's obligation to pay installment purchase payments under the Installment Sale Agreements is executory only to the extent of New York State building and operating aid ("State Aid") appropriated and available to the Buffalo CSD.

Payment of State Aid to the Buffalo CSD is subject to annual appropriation of the State of New York (the "State"). Pursuant to a Second Amended and Restated State Aid Trust Agreement, dated as of October 1, 2012, as amended (the "State Aid Trust Agreement"), among the Buffalo CSD, each Series Trustee (hereinafter defined), the City of Buffalo (the "City") and Manufacturers and Traders Trust Company, as depository bank (the "Depository Bank"), all State Aid made payable to the Buffalo CSD will be deposited into a State Aid Depository Fund with the Depository and, upon appropriation by the Buffalo CSD, such State Aid will be disbursed for the payment of principal and interest on the Series 2021 Bonds, other bonds issued in accordance with the Buffalo Schools Act and other purposes of the Buffalo CSD.

The Series 2021 Bonds are payable solely from (i) the payment of installment purchase payments by the Buffalo CSD under the respective Installment Sale Agreements and (ii) for each Series separately, the pledge of certain funds, including a bond fund, under the respective Indentures. In the event the Buffalo CSD fails to make an installment purchase payment under either Installment Sale Agreement, it is provided in the Buffalo Schools Act and each of the Indentures that, upon receipt by the New York State Comptroller (the "State Comptroller") of a certificate from a Series Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller shall withhold any State Aid from the Buffalo CSD payable thereto to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to such Series Trustee on behalf of the Issuer the amount so withheld. The obligations of the Buffalo CSD under the Installment Sale Agreements to pay installment purchase payments are not general obligations of the Buffalo CSD or the City and neither the full faith and credit nor the taxing powers of the Buffalo CSD or the City are pledged to the payment of installment purchase payments under such agreements. The obligation of the Buffalo CSD under each of the Installment Sale Agreements to pay installment purchase payments in any fiscal year of the Buffalo CSD constitutes a current expense of the Buffalo CSD for such fiscal year and shall not constitute an indebtedness or moral obligation of the Buffalo CSD, the City or the State within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available for the payment of the principal of and interest on both series of the Series 2021 Bonds is installment purchase payments made by the Buffalo CSD under the respective Installment Sale Agreements to the extent of State Aid appropriated by the State and available to the Buffalo CSD and appropriated by the Buffalo CSD to make such payments, and the intercept by the State Comptroller of State Aid lawfully appropriated by the State and available therefor from time to time for the benefit of the Buffalo CSD. The Series 2021 Bonds are neither a general obligation of the Issuer, nor a debt or indebtedness of Erie County or the State and neither Erie County nor the State shall be liable thereon. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS."

The Series 2021 Bonds will be issued in fully registered form registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). See "THE SERIES 2021 BONDS — Registration and Payment — Book-Entry System."

The Series 2021 Bonds will bear interest payable semiannually on the first day of May and the first day of November of each year commencing May 1, 2022 and are not subject to redemption prior to maturity. See "THE SERIES 2021 BONDS — Redemption of the Series 2021 Bonds."

In the opinion of Hodgson Russ LLP, Bond Counsel to the Issuer, under existing statutes and court decisions and assuming compliance with the tax covenants referred to herein, (i) interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2021 Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that interest on the Series 2021 Bonds is, under existing statutes, exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021 Bonds. See "TAX MATTERS" herein.

The Series 2021 Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Bond Counsel to the Issuer. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Buffalo, New York; for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York; and for the Buffalo CSD and the City by the Corporation Counsel of the City of Buffalo. Capital Markets Advisors, LLC serves as independent financial advisor to the Buffalo CSD and the City. It is expected that the Series 2021 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about May 19, 2021.

Citigroup
Loop Capital Markets

Dated: May __, 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$81,245,000*

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHOOL FACILITY REFUNDING REVENUE BONDS
(CITY SCHOOL DISTRICT OF THE CITY OF BUFFALO PROJECT),
SERIES 2021A

<u>May 1,</u>	<u>Principal</u>	<u>Coupon</u>	<u>Price or Yield</u>	<u>CUSIP Numbers</u> [†]
2024	360,000			
2025	9,120,000			
2026	9,590,000			
2027	10,085,000			
2028	10,600,000			
2029	11,145,000			
2030	11,715,000			
2031	12,320,000			
2032	6,310,000			

\$28,935,000*

ERIE COUNTY INDUSTRIAL DEVELOPMENT AGENCY
SCHOOL FACILITY REFUNDING REVENUE BONDS
(CITY SCHOOL DISTRICT OF THE CITY OF BUFFALO PROJECT),
SERIES 2021B

<u>May 1,</u>	<u>Principal</u>	<u>Coupon</u>	<u>Price or Yield</u>	<u>CUSIP Numbers</u> [†]
2022	5,435,000			
2023	8,250,000			
2024	15,250,000			

* Preliminary, subject to change.

[†] Copyright, American Bankers Association. CUSIP data herein are provided by CUSIP Global Services LLC, managed on behalf of the American Banker Association by S&P Capital IQ, a part of McGraw-Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2021 Bonds and the Issuer and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Issuer or the Underwriters to give any information or to make any representations with respect to the Series 2021 Bonds, other than the information and representations contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2021 Bonds have not been registered under the Securities Act of 1933, as amended, and neither the Series 2021A Indenture nor the 2021B Indenture has been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2021 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2021 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2021 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain information in this Official Statement has been supplied by the Issuer the Buffalo CSD, the City and other sources that the Issuer and the Underwriters believe are reliable. Neither the Issuer nor the Underwriters guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Issuer or the Underwriters. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Buffalo CSD or the City since the date hereof.

The Issuer assumes no responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions “THE ISSUER” and “NO LITIGATION” (but only with respect to the Issuer), all of which other information has been furnished by others.

The Buffalo Fiscal Stability Authority (“BFSA”) has provided the information contained under the caption “PROGRAM PARTICIPANTS – The Buffalo Fiscal Stability Authority.” The BFSA makes no representation as to the accuracy, completeness or fairness of any other information included in this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as a part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy or completeness of such information.

References in this Official Statement to the Act, the Buffalo Schools Act, the Indentures, the State Aid Trust Agreement, the Installment Sale Agreements and the Ground Leases (each as herein defined) do not purport to be complete. Reference is made to the Act, the Buffalo Schools Act, the Indentures, the State Aid Trust Agreement, the Installment Sale Agreements and the Ground Leases for full and complete details of their respective provisions. Copies of the Indentures, the State Aid Trust Agreement, the Installment Sale Agreements and the Ground Leases are on file with the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including the appendices, must be considered in its entirety.

The contents of this Official Statement are not to be construed as legal, business or tax advice. Prospective investors should consult their own attorneys and business and tax advisors as to legal, business and tax advice. In making an investment decision, prospective investors must rely on their own examination of the terms of the offering of the Series 2021 Bonds, including the merits and risks involved. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holders of any Series 2021 Bonds.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. In light of the important factors that may materially affect economic conditions in the State and the Buffalo CSD and the amount

of State Aid paid to the Buffalo CSD, the inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Issuer, the Underwriters or the Buffalo CSD that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Buffalo CSD. These forward-looking statements speak only as of the date of this Official Statement. The Issuer, the Underwriters and the Buffalo CSD disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Buffalo CSD’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2021 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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\$110,180,000*
Erie County Industrial Development Agency
School Facility Refunding Revenue Bonds
(City School District of the City of Buffalo Project)
\$81,245,000* Series 2021A School Facility Refunding Revenue Bonds
\$28,935,000* Series 2021B School Facility Refunding Revenue Bonds

INTRODUCTION

General

This Official Statement sets forth certain information concerning the issuance and sale by the Erie County Industrial Development Agency (the “Issuer”) of its \$110,180,000* aggregate principal amount of its School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), including the \$81,245,000* Series 2021A School Facility Refunding Revenue Bonds (the “Series 2021A Bonds”) and \$28,935,000* Series 2021B School Facility Refunding Revenue Bonds (the “Series 2021B Bonds,” and collectively with the Series 2021A Bonds, the “Series 2021 Bonds”). The Series 2021A Bonds will be secured by and issued pursuant to an Indenture of Trust (Series 2011 Project) dated as of June 1, 2011 (the “Series 2011A Indenture”) between the Issuer and Manufacturers and Traders Trust Company, as trustee, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2011 Project) as of May 1, 2021 (the “Series 2021A First Supplemental Indenture” together with the Series 2011A Indenture, the “Series 2021A Indenture”) between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “Series 2021A Trustee”). The Series 2021B Bonds will be secured by and issued pursuant an Amended and Restated Indenture of Trust (Series 2003 Project) dated as of July 1, 2011 between the Issuer and Manufacturers and Traders Trust Company as trustee (the “Series 2011B Indenture”), as supplemented and amended by a First Supplemental Indenture of Trust (Series 2003 Project) dated as of May 1, 2021 (the “Series 2021B First Supplemental Indenture” together with the Series 2011B Indenture, the “Series 2021B Indenture”) between the Issuer and Manufacturers and Traders Trust Company as trustee (the “Series 2021B Trustee” and together with the Series 2021A Trustee, the “Trustee”) (the “Series 2021A Indenture,” together with the Series 2021B Indenture, the “Indentures”).

Authorization

The Series 2021 Bonds will be issued pursuant to the Issuer’s enabling legislation, constituting Title I of Article 18-A of the General Municipal Law of the State of New York (the “State”), as amended (enacted into law as Chapter 1030 of the Laws of 1969 of the State), and Chapter 293 of the Laws of 1970 of the State, as amended (collectively, the “Act”); and Chapter 605 of the Laws of 2000 of the State, as amended by Chapter 59 of the Laws of 2003 of the State, as amended by Chapter 421 of the Laws of 2004 of the State, as amended by Chapter 283 of the Laws of 2006 of the State, as amended by Chapter 403 of the Laws of 2008 of the State, as amended by Chapter 492 of the Laws of 2008 of the State, as amended by Chapter 497 of the Laws of 2008 of the State and as amended by Chapter 209 of the Laws of 2009 of the State (collectively, as the same may further be amended, the “Buffalo Schools Act”); and resolutions of the Issuer adopted on September 11, 2002, as amended on October 16, 2002 and on June 11, 2003, and as amended and restated on November 10, 2004, and as further amended on April 11, 2005, June 11, 2007, July 9, 2007, January 17, 2008, October 19, 2009 and May 16, 2011, March 26, 2012, March 25, 2013, May 20, 2015, August 24, 2016 and April 28, 2021.

* Preliminary, subject to change.

Purpose of the Series 2021 Bonds

The Series 2021A Bonds are being issued under the Series 2021A Indenture for the purpose of (i) refunding all of the Outstanding Erie County Industrial Development Agency School Facility Revenue Bonds (City School District of the City of Buffalo Project) 2011A School Facility Revenue Bonds (the “Series 2011A Bonds”), of which \$104,525,000 principal amount is currently outstanding and is expected to be refunded; and (ii) financing certain costs of issuance of the Series 2021A Bonds. The Series 2011A Bonds were originally issued pursuant to the Series 2011A Indenture. The Series 2021A Bonds are payable from amounts due from the City School District of the City of Buffalo (the “Buffalo CSD”) pursuant to an Installment Sale Agreement (Series 2011 Project) dated as of June 1, 2011 (the “Series 2011A Installment Sale Agreement”), as amended and supplemented by a First Amendment to Installment Sale Agreement (Series 2011 Project) dated as of May 1, 2021 (the “Series 2021A First Amendment to the Series 2011A Installment Sale Agreement”, together with the Series 2011A Installment Sale Agreement, the “Series 2021A Installment Agreement”), each between the Issuer and the Buffalo CSD.

The Series 2021B Bonds are being issued under the Series 2021B Indenture for the purpose of (i) refunding all of the Outstanding Erie County Industrial Development Agency School Facility Revenue Bonds (City School District of the City of Buffalo Project) 2011B School Facility Revenue Bonds (the “Series 2011B Bonds”), of which \$32,385,000 is currently outstanding and is expected to be refunded; and (ii) financing certain costs of issuance of the Series 2021B Bonds. The Series 2021B Bonds are payable from amounts due from the City School District of the City of Buffalo (the “Buffalo CSD”) pursuant to an Amended and Restated Installment Sale Agreement (Series 2003 Project) dated as of July 1, 2011 (the “Series 2011B Installment Sale Agreement”), as supplemented and amended by a First Amendment to Series 2011B Installment Sale Agreement (Series 2003 Project) dated as of May 1, 2021 (the “Series 2021B First Amendment to Series 2011B Installment Sale Agreement,” together with the Series 2011B Installment Sale Agreement, the “Series 2021B First Amendment to Series 2011B Installment Sale Agreement”), each between the Issuer and the Buffalo CSD (the Series 2021A Installment Sale Agreement, together with the Series 2021B Installment Sale Agreement, the “Installment Sale Agreements”). See “PLAN OF FINANCING.”

The Program

The Series 2021 Bonds are being issued to refinance a portion of the costs of a comprehensive redevelopment program of the Buffalo CSD’s public schools (the “Program”). The Buffalo Schools Act was enacted to encourage the City of Buffalo (the “City”) and the Buffalo CSD to cooperatively undertake new and innovative ways of renovating, building and financing public schools within the City. The Joint Schools Construction Board (the “JSCB”) was created and empowered for limited specific purposes by an amendment to the City Charter and by resolutions of the Common Council of the City of Buffalo (the “Common Council”) and the Board of Education of the Buffalo CSD (the “Board of Education”). Pursuant to the provisions of the Buffalo Schools Act and the Comprehensive Program Packaging and Development Services Provider Agreement between the JSCB and LPCiminelli, Inc. (formerly known as Louis P. Ciminelli Management Co. Inc.) (the “Program Provider”) dated June 5, 2002 (the “PPDS Agreement”), the Program Provider was selected as the JSCB’s Program Packaging and Development Services Provider (the “PPDS Provider”) to implement the Program. The Program was undertaken as a five phase program and is now complete. The limited purposes for which the JSCB was created and functioned have been fulfilled by virtue of the Program having been completed and, accordingly, the JSCB by, operation of the relevant sections and provisions of the Buffalo Schools Act and the City Charter, has been dissolved, and the Buffalo CSD and the City stand jointly in place and stead of the JSCB.

Program Financings

On September 16, 2003, the Issuer issued the School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2003 (the “Series 2003 Bonds”) to fund the first phase (“Phase I”) of the Program. The Series 2003 Bonds were refunded in whole from the proceeds of the issuance and sale of the Series 2011B Bonds (herein defined). On December 22, 2004, the Issuer issued the School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2004 (the “Series 2004 Bonds”) in the aggregate principal amount of \$310,125,000 to fund a portion of the costs of the second phase (“Phase II”) of the Program. The Series 2004 Bonds were refunded in whole from the proceeds of the issuance and sale of the Series 2012A Bonds (herein defined). On August 23, 2007, the Issuer issued the School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2007A (the “Series 2007A Bonds”) in the aggregate principal amount of \$180,000,000 to fund the balance of the costs of Phase II and a portion of the costs of the third phase (“Phase III”) of the Program. On February 28, 2008, the Issuer issued the School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2008A (the “Series 2008A Bonds”) in the aggregate principal amount of \$173,225,000 to fund the balance of the costs of Phase III of the Program. The Series 2007A Bonds and the Series 2008A Bonds were refunded in whole from the proceeds of the issuance and sale of the Series 2015A Bonds (hereinafter defined). On November 19, 2009, the Issuer issued the School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2009A (the “Series 2009A Bonds”) in the aggregate principal amount of \$294,905,000 to fund the costs of the fourth phase (“Phase IV”) of the Program. The Series 2009A Bonds were refunded in part from the proceeds of the issuance and sale of the Series 2013A Bonds (herein defined). A portion of the outstanding Series 2009A Bonds were refunded from the proceeds of the issuance and sale of the Series 2016A Bonds. On June 15, 2011, the Issuer issued the School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2011A (the “Series 2011A Bonds”) in the aggregate principal amount of \$165,315,000 to fund the costs of the fifth phase (“Phase V”) of the Programs, which Series 2011A Bonds will be refunded with the proceeds from the Series 2021A Bonds. On July 1, 2011, the Issuer issued the School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2011B (the “Series 2011B Bonds”) in the aggregate principal amount of \$112,560,000 to refund all of the outstanding Series 2003 Bonds, which Series 2011B Bonds will be refunded with the proceeds from the Series 2021B Bonds. On April 19, 2012, the Issuer issued the School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2012A (the “Series 2012A Bonds”) in the aggregate principal amount of \$209,540,000 to refund all of the outstanding Series 2004 Bonds. On April 25, 2013, the Issuer issued the School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2013A (the “Series 2013A Bonds”) in the aggregate principal amount of \$62,540,000 to refund a portion of the outstanding Series 2009A Bonds. On June 24, 2015, the Issuer issued the School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project) Series 2015A (the “Series 2015A Bonds”) in the aggregate principal amount of \$236,975,000 to refund all of the outstanding Series 2007A Bonds and the Series 2008A Bonds. On October 12, 2016, the Issuer issued the School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2016A (the “Series 2016A Bonds”) in the aggregate principal amount of \$133,580,000 to refund a portion of the outstanding Series 2009A Bonds. The remaining Series 2009A Bonds matured on May 1, 2019. The Series 2011A Bonds, the Series 2011B Bonds, the Series 2012A, the Series 2013A Bonds, the Series 2015A Bonds, the Series 2016A Bonds and the Series 2021 Bonds are referred to collectively herein as the “Project Bonds.”

All Outstanding Series 2011A Bonds (the “2011A Refunded Bonds”) are being refunded by the Series 2021A Bonds and all Outstanding Series 2011B Bonds (the “2011B Refunded Bonds” and together with the Series 2011A Refunded Bonds, the “2011 Refunded Bonds”) are being refunded by the Series 2021B Bonds.

\$568,455,000 aggregate principal amount of Project Bonds are currently outstanding exclusive of the refunding of the 2011 Refunded Bonds and the issuance of the Series 2021 Bonds. \$541,725,000* principal amount of Project Bonds are anticipated to be outstanding upon the refunding of the 2011 Refunded Bonds and the issuance of the Series 2021 Bonds. The Project Bonds have been issued, or, in the case of the Series 2021 Bonds will be issued, by the Issuer pursuant to separate indentures of trust (each, including the Series 2021A Indenture and Series 2021B Indenture, being a “Series Indenture,” and the trustee under each Series Indenture, including the Series 2021A Trustee and Series 2021B Trustee, being a “Series Trustee”). All facilities financed by the Project Bonds have been made subject to a separate ground lease or a ground sublease and a separate lease agreement or an installment sale agreement or similar instrument (each such installment sale agreement being a “Series Facilities Agreement”).

Structure of the Series 2021 Bonds

Pursuant to a Ground Lease dated as of June 1, 2011 (the “2011A Ground Lease”) among the City and the Buffalo CSD, as lessors, and the Issuer, as lessee, the City and Buffalo CSD leased certain educational facilities relating to Phase V of the Program (collectively, the “Series 2011A Facilities”) to the Issuer. Pursuant to the Series 2011A Installment Sale Agreement, the Issuer sold its leasehold interest in the Series 2011A Facilities to the Buffalo CSD. Pursuant to a Ground Lease (Series 2003 Project) dated as of September 1, 2003, as amended by a First Amendment to Ground Lease (2003 Project) dated as of June 28, 2005, and as amended and restated by an Amended and Restated Ground Lease (Series 2003 Project) dated as of July 1, 2011 (as so amended and restated, the “2011B Ground Lease”, together with the 2011A Ground Lease, the “Ground Leases”), each among the City and Buffalo CSD, as lessors, and the Issuer, as lessee, the City and Buffalo CSD leased certain educational facilities relating to Phase I of the Program (collectively, the “Series 2003 Facilities” and together with the Series 2011A Facilities, the “Facilities”). Pursuant to the Series 2011B Installment Sale Agreement, the Issuer sold its interest in the Series 2003 Facilities to the Buffalo CSD. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS – Ground Leases” and “–Installment Sale Agreements.”

Pursuant to the Indentures, the Issuer will issue the Series 2021 Bonds for the benefit of the Buffalo CSD in order to refund the 2011 Refunded Bonds, and reserves the right, upon the request of the Buffalo CSD, to issue Additional Bonds under the Indentures. To accomplish the refunding of the 2011A Refunded Bonds, a portion of the proceeds from the sale of the Series 2021 Bonds will be deposited into the Escrow Funds (as defined herein) pursuant to the Refunding Escrow Trust Agreements (as defined herein) in order to provide for the defeasance of the 2011 Refunded Bonds. See “PLAN OF FINANCING.”

Security for the Series 2021 Bonds

Principal of and interest on the Series 2021A Bonds and the Series 2021B Bonds will be separately secured by (i) installment purchase payments made by the Buffalo CSD under the 2021A Installment Sale Agreement and the 2021B Installment Sale Agreement, respectively, and (ii) the pledge of certain funds, including the Bond Funds established, under the Series 2021A Indenture and the Series 2021B Indenture, respectively. In the event the Buffalo CSD fails to make an installment purchase payment under either the 2021A Installment Sale Agreement or the 2021B Installment Sale Agreement, the Buffalo Schools Act and each of the Series 2021A Indenture and the Series 2021B Indenture, respectively, provides that, upon receipt by the New York State Comptroller (the “State Comptroller”) of a certificate from the Series 2021A Trustee or the Series 2021B Trustee, as the case may be, on behalf of

* Preliminary, subject to change.

the Issuer as to the amount of such failed payment, the State Comptroller shall withhold from the Buffalo CSD, New York State building and operating aid (“State Aid”) payable to the Buffalo CSD to the extent of the amount so stated in such certificate as not having been made, and shall immediately pay over to such Series Trustee on behalf of the Issuer the amount so withheld. See “THE SERIES 2021 BONDS — State Aid” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS —State Aid Intercept.” The Buffalo Schools Act further provides that (x) any amount of State Aid so paid by the State Comptroller shall not obligate the State to make, nor entitle the Buffalo CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Buffalo Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid, and (z) the State shall not be obligated by the terms of the Buffalo Schools Act to maintain State Aid at any particular level or amount.

The Buffalo CSD’s obligation to pay installment purchase payments under each of the 2021A Installment Sale Agreement and the 2021B Installment Sale Agreement is executory only to the extent of State Aid appropriated and available to the Buffalo CSD, and appropriated by the Buffalo CSD to the payment of installment purchase payments under the respective Installment Sale Agreements, and no liability on account thereof shall be incurred by the Buffalo CSD beyond the amount of such State Aid so available and appropriated; *provided, however*, that failure of the Buffalo CSD, for any reason (including a failure by the State or the Buffalo CSD to appropriate State Aid), to make an installment purchase payment under either the Series 2021A Installment Sale Agreement or the Series 2021B Installment Sale Agreement is nevertheless deemed a failure to make a payment thereunder for purposes of such Installment Sale Agreement, as well as the Buffalo Schools Act and the State Aid intercept implementing provisions of the Series 2021A Indenture or the Series 2021B Indenture, as the case may be. Payment of State Aid to the Buffalo CSD is subject to annual appropriation of the State. Except to the extent limited as provided above, the obligation of the Buffalo CSD to pay installment purchase payments under the Series 2021A Installment Sale Agreement and the Series 2021B Installment Sale Agreement and to perform its respective obligations thereunder shall be absolute and unconditional; and such installment purchase payments and other amounts shall be payable without any rights of set-off, or recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Series 2021A Trustee or the Series 2021B Trustee (as applicable), any purchaser of any Series 2021 Bond or any other person and whether or not any or all of the facilities financed or refinanced with the proceeds of the Series 2021 Bonds are used or occupied by the Buffalo CSD or available for use or occupancy by the Buffalo CSD. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS,” “BONDHOLDERS’ RISKS –Additional Series of Project Bonds” and APPENDIX D —”Summary of Certain Provisions of the Installment Sale Agreements.”

The Buffalo CSD, the City, each Series Trustee, and Manufacturers and Traders Trust Company, as depository bank (the “Depository Bank”), have entered into an Amended and Restated State Aid Trust Agreement dated as of October 1, 2012 (the “State Aid Trust Agreement”). In accordance with the State Aid Trust Agreement, the Comptroller of the City (the “City Comptroller”) and the Buffalo CSD have instructed the State Comptroller to pay all State Aid directly to a designated fund (the “State Aid Depository Fund”) held with the Depository Bank. Provided the Buffalo CSD has made an appropriation for the payment of installment purchase payments under the Series 2021A Installment Sale Agreement or the Series 2021B Installment Sale Agreement, and Annual Payment Obligations on 2012 MBBA Refunding Bonds (described herein), amounts in the State Aid Depository Fund will be transferred periodically to the Bond Fund established under the Series 2021A Indenture or the Series 2021B Indenture, as appropriate (and to each equivalent fund under each other Series Indenture), on a Ratable Basis, toward the payment of the Series 2021A Bonds, Series 2021B Bonds and other series of Project Bonds outstanding under each other Series Indenture, to the funding of the Annual Payment Obligations

on the 2012 MBBA Refunding Bonds and any balance remaining will be transferred to the Buffalo CSD. Amounts in the State Aid Depository Fund will be transferred by the Depository to each Bond Fund periodically on a Ratable Basis from each December 1 until each March 31 of each Fiscal Year (the “Collection Period”) and will be credited against the Buffalo CSD’s obligation to pay its annual installment purchase payments under each of the Installment Sale Agreements due on April 1 of each year and its Annual Payment Obligations on 2012 MBBA Refunding Bonds. No amounts shall be paid to The Bank of New York Mellon, as trustee for the 2012 MBBA Refunding Bonds until all amounts payable to each Series Trustee have been paid in full. Although the State Aid Trust Agreement requires an immediate transfer of State Aid from the State Aid Depository Fund to each Bond Fund during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of either the Series 2021A Indenture or the Series 2021B Indenture, and are not pledged as security for the payment of the Series 2021 Bonds until such amounts have been transferred by the Depository to the Series 2021A Trustee or the Series 2021B Trustee and deposited in the Bond Fund under the Series 2021A Indenture or the 2021B Indenture.

Notwithstanding the April 1 Installment Purchase Payment date under the Installment Sale Agreements, each of the Installment Sale Agreements provide that, if the Buffalo CSD fails to appropriate by November 1, 2021 (or by any subsequent November 1 that the Series 2021 Bonds remain Outstanding), State Aid Revenues in an amount sufficient to pay the Installment Purchase Payment due on the immediately succeeding April 1 (less any amounts on deposit in the Bond Fund and available on such November 1), then: (y) the Buffalo CSD shall promptly deliver written notice of such failure to appropriate to the Issuer, the Series 2021A Trustee or the Series 2021B Trustee, and (z) the next succeeding April 1 payment date for the annual Installment Purchase Payment shall instead be the November 15 immediately preceding such April 1 payment date as if that November 15 were the originally scheduled annual Installment Purchase Payment date; and if for any reason the annual Installment Purchase Payment due on such November 15 is not made by such date, any such failed payment shall constitute a failure to make a payment under the Series Installment Sale Agreements for purposes thereof, and under the Buffalo Schools Act and the State Aid intercept implementing provisions of the Series 2021A Indenture or the Series 2021B Indenture as the case may be.

The aggregate of estimated maximum annual Installment Purchase Payments for all Project Bonds outstanding (including the Series 2021 Bonds and excluding the 2011 Refunded Bonds) is \$94.8 million*. The amount of State Aid projected, as of March 31, 2021, to be received by the Buffalo CSD in its fiscal year ending June 30, 2021 for all funds is \$785.2 million. The amount of State Aid for all funds received by the Buffalo CSD in fiscal year 2019-20 was \$828.0 million, and over the past five fiscal years from fiscal year 2015-16 through and including fiscal year 2019-20, the amount of State Aid received for all funds by the Buffalo CSD has averaged approximately \$788.9 million per year.

The amount of State Aid for all funds that is expected to be received by the Buffalo CSD under the State’s 2020-21 Enacted Budget is \$787.2 million. The amount of State Aid for all funds that is expected to be received by the Buffalo CSD under the State’s 2021-22 Enacted Budget is \$857.9 million and the amount of State Aid for all funds that is expected to be included in the Buffalo CSD’s fiscal year 2021-22 budget is \$857.9 million. The amount of State Aid for all funds that is expected to be received by the Buffalo CSD under the State’s 2021-22 Enacted Budget will be revised, from time to time, during the fiscal year as the Buffalo CSD provides additional information to the State. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS—State Aid—Approval of the 2020-21 and 2021-22 Budgets of the Buffalo CSD” with respect to the timing of the approval of the Buffalo CSD fiscal year 2021-22 budget. See also “BONDHOLDERS’ RISKS—The State’s Financial Condition,

* Preliminary, subject to change.

Reduced State Aid, Delayed Payment, COVID-19” regarding the State’s ability to adjust State aid under the State’s 2021-22 Enacted Budget.

During the Collection Period from December 1 until March 31 of each of the following fiscal years of the Buffalo CSD year, the Buffalo CSD received State Aid receipts for all funds in the following amounts:

COLLECTION PERIOD RECEIPTS

(in millions)

Fiscal Year

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u> ⁽¹⁾	<u>2021-22</u> ⁽²⁾
December	\$ 68.9	\$68.6	\$ 77.5	\$87.1	\$73.0	\$71.4	\$95.2
January	127.1	167.0	142.9	165.2	180.1	118.1	197.1
February	59.3	61.5	68.6	73.5	73.9	102.4	81.3
March	<u>173.5</u>	<u>180.3</u>	<u>203.8</u>	<u>189.8</u>	<u>204.5</u>	<u>211.5</u>	<u>220.9</u>
Total	\$428.8	\$477.4	\$492.8	\$515.6	\$531.5	\$503.4	\$594.5

⁽¹⁾ Projected as of March 31, 2021.

⁽²⁾ Projected based on the State’s 2021-22 Enacted Budget.

No assurance can be given that the foregoing amounts of State Aid will continue, or be appropriated by the State in such amounts in future fiscal years. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid — *Enacted 2019-20 and 2020-21 State Budgets*” and “PROGRAM PARTICIPANTS — The Buffalo CSD and Board of Education.”

The amount of State Aid paid to the Buffalo CSD is also dependent, in part, upon the financial condition of the State. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment” and “— Competing Claims to State Aid.” See also “APPENDIX A — Audited Financial Statements of the Board of Education of the City School District of the City of Buffalo for Fiscal Year Ended June 30, 2020.”

Pursuant to the Series 2021A Indenture and the Series 2021B Indenture, the Issuer has assigned to the Series 2021A Trustee and the Series 2021B Trustee, respectively, substantially all of its rights under the respective Installment Sale Agreements, including the right to receive and collect the installment purchase payments payable by the Buffalo CSD thereunder. Pursuant to each of the Indentures, the Issuer has also pledged and assigned to the Series 2021A Trustee and the Series 2021B Trustee, respectively, for the benefit of the holders of the Series 2021A Bonds or the Series 2021B Bonds, as applicable, substantially all of its right, title and interest in and to State Aid and the funds, monies or securities held under the respective Indentures, including amounts held in the applicable Bond Funds established therefor.

The Series 2021 Bonds are not subject to optional redemption in accordance with the provisions of the Indentures.

THE SERIES 2021 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE BUFFALO CSD UNDER THE APPLICABLE INSTALLMENT SALE AGREEMENT, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE RELATED BOND FUND UNDER THE APPLICABLE INDENTURE. IN THE

EVENT THE BUFFALO CSD FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER EITHER OR BOTH OF THE INSTALLMENT SALE AGREEMENTS, IT IS PROVIDED IN THE BUFFALO SCHOOLS ACT AND THE INDENTURES THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE SERIES 2021A TRUSTEE OR THE SERIES 2021B TRUSTEE, AS THE CASE MAY BE, ON BEHALF OF THE ISSUER, AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE BUFFALO CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE SERIES 2021A TRUSTEE OR THE SERIES 2021B TRUSTEE, AS THE CASE MAY BE, ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE BUFFALO CSD UNDER THE INSTALLMENT SALE AGREEMENTS TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE BUFFALO CSD OR THE CITY, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE BUFFALO CSD OR THE CITY ARE PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE RESPECTIVE INSTALLMENT SALE AGREEMENTS. THE OBLIGATIONS OF THE BUFFALO CSD UNDER EACH OF THE INSTALLMENT SALE AGREEMENTS TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE BUFFALO CSD CONSTITUTE A CURRENT EXPENSE OF THE BUFFALO CSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE BUFFALO CSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE OF NEW YORK. THE ONLY SOURCE OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2021 BONDS IS INSTALLMENT PURCHASE PAYMENTS MADE BY THE BUFFALO CSD UNDER THE RESPECTIVE INSTALLMENT SALE AGREEMENTS, TO THE EXTENT OF STATE AID APPROPRIATED BY THE STATE AND AVAILABLE TO THE BUFFALO CSD AND APPROPRIATED BY THE BUFFALO CSD TO MAKE SUCH PAYMENTS, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID LAWFULLY APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR FROM TIME TO TIME FOR THE BENEFIT OF THE BUFFALO CSD.

Certain capitalized terms used in this Official Statement which are not defined herein shall have the meanings assigned to them in “APPENDIX B — Certain Definitions” or in “APPENDIX G — Summary of Certain Provisions of the State Aid Trust Agreement.”

Brief descriptions of the Issuer, the Series 2021 Bonds, the security for the Series 2021 Bonds, the Program, the refunding of the 2011 Refunded Bonds, the Buffalo CSD, the City and the BFSA are set forth below, or in the Appendices hereto. Summaries of certain financing documents are set forth below or in the Appendices hereto. The summaries do not purport to be complete or definitive, each such summary is qualified in its entirety by reference to each such document for a complete description of all of the terms and provisions thereof, copies of which are on file with, and are available at the offices of the Trustee, and no part of such summaries are to be construed as a representation or a guarantee of the accuracy or completeness by the Issuer, other than the information under the captions, “THE ISSUER” and “NO LITIGATION” (but only with respect to the Issuer).

The Form of the Continuing Disclosure Agreement for the Series 2021 Bonds is set forth in APPENDIX F. The Form of Opinion of Bond Counsel is set forth in APPENDIX E.

THE PROGRAM

Authorization

The Program was developed by the JSCB in conjunction with the Program Provider pursuant to the Buffalo Schools Act, the resolutions of the Board of Education and the Common Council, and the Charter of the City, and encompassed a comprehensive redevelopment program for the reconstruction of existing public schools and the construction of new public schools for the Buffalo CSD. Prior to the Program, few new public schools had been built in the City and many elementary and secondary schools in the City were in need of substantial improvement, renovation and reconstruction. The Buffalo Schools Act was enacted to encourage the City and the Buffalo CSD to cooperatively undertake new and innovative ways of renovating, building and financing public schools within the City.

Program Overview

To date, \$1.304 billion aggregate principal amount of Project Bonds (excluding Project Bonds issued for refunding purposes) have been issued and are dedicated to the Program. Each phase of the Program has been completed. Currently no additional phases are anticipated to be undertaken for the Program.

In September 2003, the Issuer issued its Series 2003 Bonds to provide funds for Phase I of the Program (the "Series 2003 Project"). The Series 2003 Project provided for the general reconstruction of nine school facilities and included site work, exterior and interior building improvements, mechanical and electrical upgrades, and the renovation and improvement of Buffalo CSD's telecommunications system and an energy program on a district-wide basis. Phase I was completed in April 2005. The Series 2003 Bonds were refunded in whole from proceeds of the sale of the Series 2011B Bonds. All of the Outstanding Series 2011B Bonds will be refunded from the proceeds of the sale of the Series 2021B Bonds.

In December 2004, the Issuer issued its Series 2004 Bonds to provide funds for a portion of the cost of Phase II of the Program (the "Series 2004 Project"). The Series 2004 Project provided for the reconstruction of 13 existing schools, continued the construction of the district-wide technology and energy upgrades to create a state of the art educational environment, and renovation of an outdoor sports facility for use district-wide. A portion of the proceeds of the Series 2007A Bonds was applied to finance additional costs relating to Phase II of the Program. Phase II of the Program was completed in July 2008. The Series 2004 Bonds were refunded in whole from proceeds of the sale of the Series 2012A Bonds.

In August 2007, the Issuer issued its Series 2007A Bonds to provide funds for a portion of the cost of Phase II of the Program and a portion of the cost of Phase III of the Program (the "Series 2007 Project"). The Series 2007 Project provided for the general reconstruction of four school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades begun with the Series 2003 Project. The technology portion of the Series 2004 Project and of the Series 2007 Project included an ongoing program known as E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis. The Series 2007A Bonds were refunded in whole from proceeds of the sale of the Series 2015A Bonds.

In February 2008, the Issuer issued its Series 2008A Bonds to provide funds for the balance of the cost of Phase III of the Program (the "Series 2008 Project"). The Series 2008 Project provided for the general reconstruction of five school facilities including site work, exterior and interior building improvements and continuation of the construction of the technology and energy upgrades. The

technology portion of the Series 2008 Project included E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis. These improvements are designed to deliver the flexible educational spaces, instructional technology and social support necessary to enhance student achievement. Phase III of the Program is complete. The Series 2008A Bonds were refunded in whole from proceeds of the sale of the Series 2015A Bonds.

In November 2009, the Issuer issued its Series 2009A Bonds to provide funds for Phase IV of the Program (the "Series 2009 Project"). The Series 2009 Project provided for the general reconstruction of 10 school facilities, including site work, exterior and interior building improvements and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2009 Project includes expanded security cameras and an access control system on a district-wide basis. These improvements were designed to deliver the flexible educational spaces, instructional technology and social support necessary to enhance student achievement. Phase IV of the Program was completed in June of 2013. The Series 2009A Bonds were refunded in part from proceeds of the sale of the Series 2013A Bonds and from the proceeds of the sale of the Series 2016A Bonds.

In July 2011, the Issuer issued its Series 2011A Bonds to provide funds for Phase V of the Program (the "Series 2011A Project"). The Series 2011A Project provided for the general reconstruction of seven school facilities, including site work, exterior and interior building improvements and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2011A Project includes the creation of data server hubs for the Buffalo CSD at two school locations and improved network technology and access on a district-wide basis. Phase V of the Program is complete. All of the Outstanding Series 2011A Bonds will be refunded from the proceeds of the sale of the Series 2021A Bonds.

PROGRAM PARTICIPANTS

The City

The City was incorporated in 1832 and operates under a Charter adopted in 2001 that was based on a substantial revision of a Charter adopted in 1927 pursuant to the home rule laws of the State. In its Charter, the City adopted the strong Mayor-Council form of government. The Mayor, as chief executive officer, is the head of the Executive Department and oversees all administrative functions. The Common Council performs all legislative duties.

The City is responsible for and maintains police, fire, sanitation and water services, streets and several parks and playgrounds. Although the City is also responsible, in large measure, for the financing of local primary and secondary educational expenditures, the Board of Education of the Buffalo CSD, comprised of independently elected members, administers the City's school system.

The Mayor, elected by general election for a four-year term and eligible to succeed himself, has the power to appoint and remove the non-elected heads of City departments, boards, commissions and agencies.

The fiscal affairs of the City are the responsibility of the City Comptroller, who is elected by the general electorate to a four-year term and is eligible to succeed himself. The City Comptroller supervises the debt management function and the temporary investment of monies for both the City and the Buffalo CSD. The City Comptroller has the power to veto any additions to the adopted operating or capital budget of the City by refusing to sign the required certification of necessity.

The legislative body of the City is the Common Council. In addition to the legislative power to adopt local laws, ordinances and resolutions, the Common Council has the specific power to override the Mayor's veto of any ordinance or local law approved by the Common Council, and to review and approve the operating and capital budgets and most mayoral appointments.

The City Charter requires that the Mayor, on or before May 1 of each year, submit a proposed budget to the Common Council which must be in balance and prepared in accordance with generally accepted accounting principles ("GAAP"). In addition, on or before May 1, under the BFSA Act, the City and the Buffalo CSD, as a Covered Organization (as such terms are defined below) are each required to submit a balanced budget and four-year financial plan to the BFSA for its review. On April 30, 2021, the Mayor submitted the proposed budget to the Common Council. On April 30, 2021, the City and the Buffalo CSD also submitted the budget and four-year financial plan to the BFSA. See "— The Buffalo Fiscal Stability Authority — *BFSA Review of Financial Plans and Budgets*" below.

The Buffalo Fiscal Stability Authority

In May 2003, the State declared a state of fiscal crisis with respect to the City and on July 3, 2003, the Governor signed into law Chapter 122 of the Laws of 2003 of the State, as amended from time to time (the "BFSA Act"), creating the BFSA. The BFSA is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation with a broad range of financial control and oversight powers over the City. Such oversight includes reviewing and commenting on the terms of any proposed borrowing by the City and certain non-exempted "Covered Organizations" (as defined in the BFSA Act and include, among others, the Buffalo CSD and the JSCB).

The BFSA is governed by a board of nine directors, seven of which are appointed by the Governor of the State. Of the seven directors appointed by the Governor, one must be a resident of the City, one is to be appointed following the recommendation of the State Comptroller, and one is to be appointed on the joint recommendation of the Temporary President of the Senate and the Speaker of the Assembly. The Mayor of the City and the County Executive serve as ex officio directors. The Governor designates the Chairperson and Vice Chair from among the directors. Five directors constitute a quorum.

The BFSA Act provides that the BFSA shall have different financial control and oversight powers depending upon whether the City's financial condition causes it to be in a "control period" or an "advisory period." Pursuant to the BFSA Act, an advisory period may not begin until the BFSA has determined that: "(a) for each of the three immediately preceding City fiscal years, the City has adopted and adhered to budgets covering all expenditures, other than capital items, the results of which did not show a deficit, without the use of any BFSA assistance as provided for within the BFSA Act, when reported in accordance with generally accepted accounting principles, and; (b) the Comptroller and the State Comptroller jointly certify that securities were sold by the City during the immediately preceding City fiscal year in the general public market and that there is a substantial likelihood that such securities can be sold by the City in the general public market from such date through the end of the next succeeding City fiscal year in amounts that will satisfy substantially all of the capital and cash flow requirements of the City during that period in accordance with the four-year financial plan then in existence." On May 29, 2012, the BFSA made a determination that all provisions of the BFSA Act with respect to transitioning into an advisory period had been met and resolved to enter into an advisory period effective July 1, 2012. An advisory period shall continue through June 30, 2037, unless a control period is re-imposed.

Under the BFSA Act, the BFSA began its existence during a City control period, which means that the BFSA commenced operation with its maximum authorized complement of financial control and oversight powers, as described below. Under an advisory period the BFSA operates with a reduced set of financial oversight powers and responsibilities. After an advisory period has been established, a control

period may be re-imposed on the City upon a determination that a fiscal crisis is imminent or that any of the following events has occurred or that there is a substantial likelihood and imminence of its occurrence: (a) the City shall have failed to adopt a balanced budget, financial plan or budget modification as required by Sections 3856 and 3857 of the BFSA Act; (b) the City shall have failed to pay the principal of or interest on any of its bonds or notes when due; (c) the City shall have incurred an operating deficit of one percent or more in the aggregate results of operations of any major fund of the City or a Covered Organization during its fiscal year assuming all revenues and expenditures are reported in accordance with generally accepted accounting principles, subject to the provisions of the BFSA Act; (d) the chief fiscal officer's certification at any time, at the request of the BFSA or on the chief fiscal officer's initiative, which certification shall be made from time to time as promptly as circumstances warrant and reported to the BFSA, that on the basis of facts existing at such time such officer could not make the certification described in subdivision one of Section 3851 of the BFSA Act; or (e) the City shall have violated any provision of the BFSA Act.

During an advisory period, the BFSA is empowered, among other things, (i) to review the operation, management, efficiency and productivity of City operations and of any Covered Organization's operations, and to make reports and recommendations thereon; (ii) to review and comment on the budget, financial plan and financial plan modifications of the City and any of the Covered Organization's; (iii) to audit compliance with the City and any of the Covered Organization's financial plans; (iv) to review and comment on the terms of any proposed borrowing, including the prudence of each proposed issuance of bonds or notes by the City; (v) to assess and comment on the impact of any collective bargaining agreement to be entered into by the City; and (vi) to impose a control period upon making one of the statutory findings. See “– The Buffalo Fiscal Stability Authority – *BFSA Review of Financial Plans and Budgets*” below for additional information.

While currently under an advisory period, a control period could be re-imposed in the event of the occurrence of certain events as described above. During a control period, the BFSA would be empowered, among other things, (i) to approve or disapprove contracts, including collective bargaining agreements to be entered into by the City or any Covered Organization, binding or purporting to bind the City or any Covered Organization; (ii) to approve or disapprove the terms of borrowings by the City and Covered Organizations; (iii) to approve, disapprove or modify the City's financial plans and take any action necessary in order to implement the financial plan should the City or any Covered Organization fail to comply with any material action necessary to fulfill the plan, including issuing binding orders to the appropriate local officials; (iv) to set a maximum level of spending for any proposed budget of any Covered Organization; (v) to impose a wage or hiring freeze, or both, with respect to employees of the City or any Covered Organization; (vi) to review the operation, management, efficiency and productivity of the City and any Covered Organization; and (vii) upon a determination that no condition exists which would permit imposition of a control period to terminate the control period.

BFSA Review of Financial Plans and Budgets

The BFSA entered into an advisory period effective July 1, 2012. The BFSA is empowered under an advisory period to review and comment on the budget and financial plans of the City and the Covered Organizations. If the BFSA determines that the financial plan is complete and complies with the standards set forth in the BFSA Act, the BFSA shall make a certification to the City setting forth revenue estimates agreed to by the BFSA in accordance with such determination. In the event the BFSA disagrees with elements of the financial plan as provided for within the BFSA Act, the BFSA shall provide notice thereof to the City, with copies to the Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee and the Chair of the Senate Finance Committee, if in the judgment of the BFSA, such financial plan: (i) is incomplete; (ii) fails to contain projections of revenues and expenditures that are based on

reasonable and appropriate assumptions and methods of estimation; (iii) fails to provide that the operations of the City and the Covered Organizations will be conducted within the cash resources available; or (iv) fails to comply with the provisions of the BFSFA Act or other requirements of law. The BFSFA Act requires that the Financial Plan be considered as a whole including the City and all Covered Organizations under the BFSFA Act. See “– The Buffalo Stability Authority – *BFSFA Oversight Actions*” below for additional information.

BFSFA Debt Issuances

The BFSFA has the power to issue bonds and notes for various City purposes, including the restructuring of a portion of the City’s outstanding debt. Pursuant to the BFSFA Act, such bonds or notes are payable from City tax revenues, Buffalo CSD tax revenues and State Aid revenues. City tax revenues consist of the portion of the net collections from sales and compensating use taxes, penalties and interest authorized by the State and imposed by the County, currently at the rate of 4.75%, that are payable to the City under the local sales tax agreement among the City, the County and the cities of Lackawanna and Tonawanda (the “Local Sales Tax Agreement”) authorized by Section 1262(c) of the State Tax Law on the sale and use of tangible personal property and services in the County (the “Local Sales Tax”). The BFSFA Act requires the County to impose the Local Sales Tax at a rate of no less than 3% through the period ending June 30, 2037. Under the Local Sales Tax Agreement, the City is presently entitled to receive a pro rata share, on the basis of population, of (i) an amount equal to 10.0087% of the net collections from such 3%, which is shared among the City, Lackawanna and Tonawanda, and (ii) an amount equal to 25.6858% of the net collections from such 3%, which amount is shared among the City, Lackawanna, Tonawanda and the towns within the County. In addition, pursuant to Section 1262-q of the State Tax Law, as amended, during the period beginning January 1, 2007 through and including November 30, 2023, the County is required to allocate to the cities and towns within the County the first \$12.5 million of any net collections from the additional 1% of sales and compensating use taxes authorized by Section 1210(i)(4) of the State Tax Law, which allocation must be made in the manner and proportion required by the Local Sales Tax Agreement, and therefore result in additional City sales tax revenues of approximately \$5.7 million. The Buffalo CSD tax revenues consist of the portion of the County’s net collections from the Local Sales Tax that is payable to the Buffalo CSD by the County pursuant to Section 1262(a) of the State Tax Law. The Buffalo CSD presently receives a pro rata share, on the basis of average daily attendance of public school pupils who are residents of the County, of an amount equal to 29.0% of the net collections from such 3%, which amount is shared among all school districts with territory in the County. Beginning with the State fiscal year 2019-20, State Law Section 1261(c)(5-a) required the State Comptroller (“OSC”) to withhold and pay the towns and villages in the County from the sales tax remaining, after paying the BFSFA, amounts equal to the base level of grants that these municipalities had received from the State under the Aid and Incentive for Municipalities (“AIM”) program in the State fiscal year 2018-2019 as “AIM-related payments”. Such AIM-related payments are made from the local, not the State, sales tax portion. The amount redistributed as AIM-related payments during the BFSFA’s fiscal year ended June 30, 2020 was \$724,804, consisting of \$454,293 from City sales tax and \$270,511 from District sales tax. In December 2020, a total of \$602,076 was redistributed consisting of \$379,060 and \$223,016 from City and District sales tax, respectively. Such redistributions were made to effectuate the AIM-related payments. There was no fiscal implication as the City and the Buffalo CSD had no right to the sales tax required to be withheld and distributed as AIM-related payments pursuant to the State Tax Law Section 1261(c)(5-a). State Aid revenues consist of all general purpose local government aid, emergency financial assistance to certain cities, emergency financial assistance to eligible municipalities, supplemental municipal aid, and any successor type of aid and any new aid appropriated by the State as local government assistance for the benefit of the City, which are paid or payable to the BFSFA pursuant to the BFSFA Act, except as otherwise prescribed by the State Legislature. BFSFA bonds and notes are not secured by or payable from State Aid and the BFSFA has no lien on or right to receive State Aid.

The BFSA has issued five series of bonds on behalf of the City and Buffalo CSD in a total aggregate principal amount of \$156.6 million. As of December 31, 2020, a total of \$6.4 million is outstanding. The original bonds (Series 2004A, 2005A, 2005B&C, 2006A and 2007A) were issued to finance or refinance capital projects for the City and Buffalo CSD. In relation to each of such five series, the City issued and sold to BFSA corresponding general obligation bonds which were purchased by BFSA with the proceeds of its own bonds.

BFSA AMOUNTS BORROWED ON BEHALF OF THE CITY (000's Omitted)

<u>Calendar Year Issued</u>	Amount Outstanding at <u>March 30, 2021</u>	<u>Series</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
2007	\$5,690	2007A	4.0 - 5.0%	2023
2015	\$750	2015A	3.0 – 5.0%	2025

Source: Buffalo Fiscal Stability Authority

BFSA Oversight Actions Related to the City's 2020-21 Fiscal Year

On May 1, 2020, the City submitted to BFSA the respective 2020-21 budgets and 2021-24 four-year financial plans of the City and Covered Organizations for review and determination whether the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2020, BFSA found the 2021-24 financial plan to be incomplete noting, and accepting, the Mayor's commitment for the submission of a revised financial plan. An alternative spending model was submitted on May 22, 2020. On June 17, 2020, the BFSA found the revised financial plan dated May 22, 2020 and budget adopted on June 4, 2020 to be incomplete and recommended a revised financial plan be submitted. No revised financial plan was submitted. On June 24, 2020, the BFSA reviewed a deficiency note transaction as proposed by the City of Buffalo. Also on June 24, 2020, the BFSA required the City to submit a final budget and financial plan to reflect the final adopted budget as well as modifications required to reflect the deficit note. The City submitted a final budget and financial plan on June 30, 2020, which was reviewed by BFSA on July 20, 2020. BFSA staff presented findings from the review of this item to the Board of Directors, which included the identification of various uncertain revenue estimates including federal stimulus, New York State aid and Tribal State Compact (i.e., casino) revenue, among other revenue and expenditure projections. A proposed resolution which would have determined that the financial plan did not comply with standards of the BFSA Act failed because BFSA had three board vacancies, one board member was unavailable to attend, and the Mayor abstained from the vote. The BFSA Board of Directors subsequently approved a resolution authorizing copies of 1) the draft resolution on the financial plan, which had failed to be adopted, along with a notation for the reason it had failed, 2) the City's adopted budget and financial plan, 3) the Mayor's letter of June 30, 2020 and 4) the BFSA's staff report, be transmitted to the Mayor, the State Director of the Budget, the State Comptroller, the Chair of the Assembly Ways and Means Committee, and the Chair of the Senate Finance Committee. Such transmission occurred July 21, 2020.

On August 3, 2020, the BFSA reviewed and commented on the Buffalo Municipal Housing Authority's proposed capital fund housing revenue bonds, Series 2020. On December 17, 2020, the 2021 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by the BFSA. On March 25, 2021, the BFSA reviewed a financial plan modification submitted by the Buffalo Urban Renewal Agency for the additional \$11.7 million of planned spending of additional monies

provided through the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act and found such modification to be compliant with the BFSFA Act.

On March 29, 2021, the City submitted the proposed terms of the General Improvement Serial Bonds Series 2021B (the “Series 2021B Bonds”) to BFSFA. On April 12, 2021 the BFSFA reviewed and commented on the Series 2021B Bonds.

In accordance with the Act, for so long as an advisory period shall remain in effect, the City and the non-exempted Covered Organizations are required to submit their budget modifications to the BFSFA to address changing expenditures and revenue projections.

BFSFA Oversight Actions Related to the City’s 2019-20 Fiscal Year

On May 1, 2019, the City submitted to BFSFA the respective 2019-20 budgets and 2020-23 four-year financial plans of the City and Covered Organizations for review and determination whether the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 20, 2019, BFSFA found the 2020-23 financial plan to be incomplete and required the Buffalo Urban Renewal Agency submit a revised financial plan. A revised financial for the City was submitted on June 10, 2019 and a revised financial plan for the Buffalo Urban Renewal Agency was submitted on June 13, 2019; subsequently on June 17, 2019, the BFSFA found the four-year financial plan to be complete and compliant with the BFSFA Act.

On May 20, 2019, the BFSFA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the International Union of Operating Engineers, Local 17-17S, AFL-CIO, representing approximately 6 operating engineers; a financial plan modification for the 2020-23 financial plan was not required. On July 29, 2019, the BFSFA reviewed a proposed labor agreement between the Buffalo CSD and the Professional, Clerical, and Technical Employees’ Association, representing approximately 452 white-collar employees; a financial plan modification was not required. On September 23, 2019, the BFSFA reviewed a proposed labor agreement between the City and the American Federation of State, County and Municipal Employees, AFL-CIO, Local 650, representing approximately 440 white-collar employees employed by the City. A draft modified financial plan was submitted to BFSFA noting a final financial plan would be subsequently submitted. A final modified financial plan was not submitted. A tentative labor agreement was reviewed on October 29, 2019, between the Buffalo CSD and the American Federation of State, County and Municipal Employees, Local 264, AFL-CIO Cook Managers, representing approximately 23 cook managers; a modified financial plan was not required. On December 12, 2019, the 2020 proposed capital budget and related five-year capital plan of the City was reviewed and commented on by BFSFA. On February 25, 2020, the BFSFA reviewed a proposed labor agreement between the Buffalo CSD and the Substitutes United/Buffalo-NYSUT union, representing approximately 619 substitute teachers; a modified financial plan was not required. On March 23, 2020, the BFSFA reviewed and commented on the Buffalo Municipal Housing Authority’s proposed capital fund housing revenue bonds, Series 2020. On April 14, 2020, the BFSFA reviewed and commented on the City’s proposed 2020 bond anticipation note sale. On June 24, 2020, the BFSFA reviewed a deficit note transaction as proposed by the City.

BFSFA Oversight Actions Related to the City’s 2018-19 Fiscal Year

On May 1, 2018, the City submitted to BFSFA the respective 2018-19 budgets and 2019-22 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 16, 2018, BFSFA found the preliminary 2019-22 financial plan to be incomplete and required the Buffalo

Urban Renewal Agency submit a revised financial plan. A revised financial plan for both the Buffalo Urban Renewal Agency and the City was submitted on June 8, 2018 and subsequently on June 18, 2018 the BFSA found the four-year financial plan to be complete and compliant with the BFSA Act.

On September 10, 2018, the BFSA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the American Federation of State, County and Municipal Employees, Local 264, representing approximately 6 managerial employees, 58 white-collar employees and 74 blue-collar employees. The BMHA submitted a modified financial plan which increased both projected cumulative four-year revenues by \$1.9 million and projected expenditures by \$1.8 million, in order to address incremental labor costs. Also, on September 10, 2018, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the Transportation Aides of Buffalo, representing bus aides; no financial plan modification was required. On November 28, 2018, the BFSA reviewed a proposed labor agreement between the City and the Buffalo Professional Firefighters Association, Inc., Local 282, I.A.F.F., AFL-CIO, representing approximately 656 uniformed fire positions; no financial plan modification was required. On December 18, 2018, the proposed 2019 capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On March 13, 2019, the BFSA reviewed and commented on the final 2019 capital budget and related five-year capital plan of the City. On April 2, 2019, the BFSA reviewed and commented on the City's proposed 2019 bond anticipation note and related bond program. On May 20, 2019, the BFSA reviewed a proposed labor agreement between the Buffalo Municipal Housing Authority and the International Union of Operating Engineers, Local 17-17S, AFL-CIO, representing approximately 6 operating engineers. The estimated cost impact for 2018-19 did not require a financial plan modification.

BFSA Oversight Actions Related to the City's 2017-18 Fiscal Year

On May 1, 2017, the City submitted to BFSA the respective 2017-18 budgets and 2018-21 four-year financial plans of the City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in the Act §3857, subd. 2. On May 15, 2017, BFSA found the preliminary 2018-21 financial plan to be complete and complied with the BFSA Act. The City submitted a final financial plan on June 9, 2017, and BFSA subsequently determined the final financial plan to be complete and complied with the BFSA Act on June 16, 2017.

On September 13, 2017, BFSA reviewed and commented on a proposed labor agreement between the Buffalo CSD and the Buffalo Council of Supervisors and Administrators representing approximately 253 administrators. No financial plan modification was required to address the incremental costs of this labor contract. On September 25, 2017, BFSA reviewed and commented on a proposed labor agreement between the City and the International Brotherhood of Teamsters Local 264, representing approximately 32 caulkers; no financial plan modification was necessary. On December 6, 2017, the proposed 2018 capital budget and related five-year capital plan of the City was reviewed and commented on by BFSA. On February 13, 2018, a proposed labor agreement between the Buffalo CSD and the Substitutes United/Buffalo – NYSUT union, representing substitute teachers of the school district, was reviewed; no financial plan modification was deemed necessary. On April 4, 2018, the BFSA reviewed the second quarter report as submitted by the City and found that unexpected budget variances resulted in the need for the Mayor to submit a financial plan modification. A modified financial plan was subsequently submitted on April 30, 2018 and provided a series of gap closing actions in the amount of \$15.4 million; the BFSA reviewed this item on May 16, 2018. Also, on April 4, 2018, the BFSA reviewed a proposed collective bargaining agreement between the Buffalo Urban Renewal Agency (BURA) and the Civil Service Employees Association, Local 1000, AFSCME, AFL-CIO, Local 815, representing approximately 30 nonexempt employees of BURA; no financial plan modification was required. On June 18, 2018, the BFSA reviewed a proposed labor agreement between the Buffalo CSD and the American

Federation of State, County and Municipal Employees, Local 264, AFL-CIO, representing the food service workers. No budget modification was necessary for 2017-18. A modified 2019-22 financial plan was submitted which included an increase in projected four-year cumulative revenues of \$3.9 million and also increased four-year cumulative projected expenditures by \$2.8 million.

Litigation Regarding Wage Freeze Imposed by BFSA

As a result of the fiscal-related actions taken by the BFSA, a number of affected collective bargaining units representing employees of the City and certain non-exempted Covered Organizations initiated legal proceedings in federal and state courts challenging certain of the BFSA actions, including the BFSA's imposition of the wage freeze on April 21, 2004. These bargaining units sought reversal of those actions, in particular the imposition of the wage freeze. These challenges were litigated by the bargaining units and were ultimately unsuccessful. On June 5, 2007, the BFSA adopted a resolution lifting the wage freeze effective July 1, 2007. By the same resolution, the BFSA approved the City's and Buffalo CSD's financial plan providing a one-step increase on employees' salary schedules effective July 1, 2007. Certain bargaining units challenged this action, claiming entitlement to three additional steps as of July 1, 2007; *i.e.*, the three additional salary steps employees would have received but for the wage freeze. On March 29, 2011, the New York State Court of Appeals, the State's highest Court, ruled in favor of the BFSA, the City, and the Buffalo CSD. In June 2011, the Buffalo Teachers Federation moved in Federal District Court to reopen the case in which the wage freeze had been found to be constitutional. The motion was a result of the decision by the Court of Appeals of New York finding that the steps and increments did not accrue during the wage freeze. BFSA opposed the motion which was denied on February 8, 2012. The Buffalo Teachers Federation appealed, and on March 18, 2013 the Second Circuit affirmed the decision of the District Court denying the motion to reopen the decision finding the wage freeze constitutional. The Union representing the Police commenced an action in Federal District Court on July 21, 2011 seeking a declaration that the statute creating the BFSA is unconstitutional based upon the imposition of the freeze and the lifting of the freeze. Both BFSA and the City moved to dismiss the complaint and the motion was granted on May 22, 2012. The Police Union did not file a notice of appeal and the action is concluded. On July 15, 2011, the Buffalo Professional Firefighters Association, Inc. brought a proceeding to declare a resolution enacted by the BFSA on May 11, 2011 to be invalid. The resolution ordered the City of Buffalo to not pay any increases in wages or benefits provided under a recent arbitration award for the period beginning July 1, 2002 through June 30, 2004. BFSA and the City moved to dismiss the proceeding, the motion was granted on January 12, 2012, and a notice of appeal was filed by the Buffalo Professional Firefighters Association, Inc. On April 26, 2013, the Fourth Department affirmed the dismissal of the proceeding. Within a subsequent collective bargaining agreement executed in June 2013, the Buffalo Professional Firefighters Association, Inc. agreed to withdraw from this litigation.

The BFSA has provided the information contained in this section of the Official Statement entitled "— The Buffalo Fiscal Stability Authority." The BFSA has not reviewed nor makes any representation as to the accuracy, completeness or fairness of any other information included in this Official Statement.

The Buffalo CSD and Board of Education

The Buffalo CSD is dependent on funding from the City, the County, the State and the Federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law (the "Education Law"). The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 20 secondary schools, 37 elementary and intermediate schools, and two

special schools. There are 20 charter schools with pupils from Buffalo that operate independently from the Buffalo CSD. All Charter Schools receive the same per pupil tuition rate for Buffalo resident pupils, regardless of their location.

The following table sets forth information relating to the size of the school system.

**SIZE OF BUFFALO SCHOOL SYSTEM
Fiscal Year Ended June 30**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> ⁽⁴⁾
Enrollment	33,834	33,512	33,337	32,918	30,952
Schools ⁽¹⁾	61	61	61	61	59
Instructional Staff ⁽²⁾	3,542	3,624	3,631	3,654	3,619
Administrative Personnel ⁽²⁾	240	257	262	257	257
Non-Certified Personnel ⁽²⁾⁽³⁾	1,545	1,531	1,561	1,548	1,495

Source: Buffalo CSD, Finance Office.

Source: Buffalo CSD, Finance Office

⁽¹⁾Includes active schools (with student enrollment), swing schools (with temporary enrollment) and schools under reconstruction

⁽²⁾Paid from Buffalo CSD General, Grants and Food Service Funds

⁽³⁾Includes clerical, custodial, transportation, maintenance, instructional aides, exempt personnel and other full time non certified personnel

⁽⁴⁾Projected as of March 31, 2021

Charter Schools

Pursuant to the Charter Schools Acts, the Buffalo CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. Charter school enrollment of City resident pupils increased from 3,100 students in the 2003-04 school year to 9,213 in the 2019-20 school year and was projected for budgeting purposes to be 9,950 in 2020-21. As of March 31, 2021, the projected enrollment for 2020-21 was 9,807. The Buffalo CSD expects charter school enrollment of City residents to decrease to 9,700 students in 2021-22. The increases have been attributable through the availability of new seats and a continued growth of enrollment in existing charter schools. In 2003-04, the amount of charter school funding was \$8,434 per student (including \$7,934 for basic tuition, plus an estimated additional \$500 for special education funding) for a total of approximately \$26.4 million. The current funding rate for fiscal year 2020-21 is estimated to be \$13,875 per student (including \$13,200 for basic tuition, plus an estimated \$675 for special education funding). Total payments were \$125.3 million and \$130.8 million in fiscal years 2018-19 and 2019-20 respectively. The budgeted amount for fiscal year 2020-21 is \$138.1 million, as of March 31, 2021, total payments are projected to be \$135.8 million. The budgeted amount for fiscal year 2021-22 in the Buffalo CSD fiscal year 2021-22 budget is expected to be \$135.7 million. Pursuant to State Education Department (“SED”) regulations, school districts, including the Buffalo CSD, are eligible for an annual apportionment equal to the amount of the supplemental basic tuition paid to charter schools in the base year for the expenses incurred in the 2019-20, 2020-21 and 2021-22 school years. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—State Aid”

On March 31, 2021, the Buffalo Board of Education voted to not renew the charters of Westminster Community Charter School (Westminster) and Enterprise Charter School (Enterprise), which had been the only two charter schools sponsored by the Buffalo CSD. The non-renewal was due to relatively poor student performance. It is anticipated that both schools will close in June 2021, with

Westminster becoming a Buffalo CSD school starting in 2021-22 and Enterprise students being offered seats in existing Buffalo CSD schools. Westminster has an enrollment of 521 pupils with an estimated tuition expense of \$7.1 million in 2020-21. Enterprise has an enrollment of 377 pupils with an estimated tuition expense of \$5.1 million in 2020-21.

In response to an audit from the Office of the State Comptroller of New York (“OSC”), the Buffalo CSD Board withheld cash payments to certain charter schools in 2019-20 and 2020-21 amounting to \$6.0 million related to prior year overpayments of special education tuition. The Buffalo CSD recorded these amounts on its balance sheet as a liability, pending a decision from New York State Education Department and OSC on whether the Buffalo CSD may reduce current year payments to recover prior years overpayments. Some charter schools have filed aid intercept requests for the return of these overpayments claiming current legislation does not allow school districts to recover prior year overpayments from charter schools.

Under legislation enacted in 2015, there are 94 remaining charters that may be issued in the State, all of which are outside of New York City. Accordingly, enrollment in charter schools is expected to increase through a combination of newly approved schools opening and grade evolution within existing charter schools; however increases may be offset with potential charter closings. New charter schools are not subject to Buffalo CSD approval. It is unclear how these requirements will be interpreted by the Board of Regents (the body vested with responsibility for determining and formulating State education policy) and what effect such requirements will have on the establishment of additional charter schools. However, if an entity, such as a national chartering entity, wants to open a charter school in New York State, it must be opened outside of New York City. New York City is closed to charter schools. See “— New York State Education Department” below and “BONDHOLDERS’ RISKS — Competing Claims to State Aid — *Contingent Claims* — Charter School Delinquencies.”

Revenues

The Buffalo CSD’s general fund operations, for its 2019-20 fiscal year, were funded 7.8% from the City, 0.4% from the Federal government, 85.3% from State Aid, 5.3% from an allotment of County sales tax revenues and 1.2% from other sources of revenue.

On a budgetary basis, as of March 31, 2021, the Buffalo CSD expects to end its fiscal year on June 30, 2021 with revenues and other financing sources exceeding expenditures and other financing uses by \$69.1 million. However, the Buffalo CSD had adopted a budget with a planned use of reserves totaling \$50.0 million, plus \$4.6 million in encumbrances. Therefore on a GAAP basis, the Buffalo CSD anticipates closing the 2020-21 fiscal year with an operating surplus of \$14.5 million.

The Buffalo CSD completed its fiscal year ended June 30, 2020 with revenues and other financing sources exceeding expenditures and other financing uses by \$42.3 million determined in accordance with GAAP. This compares with revenues and other financing sources exceeding expenditures and other financing uses by \$28.9 million in 2019 and revenues and other financing sources exceeding expenditures and other financing uses by \$12.1 million in 2018. At June 30, 2020, the non-spendable fund balance for inventory was \$1.0 million; the restricted fund balance for judgments and claims, unemployment insurance and stabilization was \$30.8 million; the assigned fund balance of \$149.1 million consists of amounts appropriated for the 2020-21 budget, capital needs, prior year claims, other post-employment benefits, health insurance, school budget equity and encumbrances. There is no committed fund balance. Unassigned fund balance is \$85.1 million.

The Buffalo CSD depends on substantial financial assistance from the State. The Buffalo CSD received \$823.7 million of State Aid for all funds in fiscal year 2018-19 and \$828.0 million in fiscal year 2019-20. For the current fiscal year ending June 30, 2021, the Buffalo CSD budgeted \$787.2 million of State Aid receipts for all funds, and as of March 31, 2021, expects to receive approximately \$785.2 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$737.1 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$46.6 million in projected receipts of State grant funding and (iii) \$1.5 million in projected receipt of food service funding.

Due to significant State revenue loss as a result of the impact of the COVID-19 pandemic, total State Aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget. The State's 2020-21 Enacted Budget also authorized the State's Budget Director to make periodic adjustments to State Aid in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts in the State.

However, following the enactment of a second COVID relief bill by Congress in December 2020, the Buffalo CSD received \$8.8 million in State Aid payments previously withheld during its 2019-20 fiscal year by March 31, 2021, which was the end of the State's current fiscal year. In addition, the State did not reduce State Aid to municipalities and schools districts during its 2020-21 fiscal year to the extent permitted under existing provisions of the State's 2020-21 budget. The recently adopted State budget for the upcoming 2021-22 fiscal year included significant increases in State Aid, fully restored any State Aid reductions from the 2020-21, and adopted legislation, that if followed, will fully fund State Foundation Aid by 2023-24, which includes a roughly 4.5% annual increase in Foundation Aid in both 2022-23 and 2023-24, respectively. State Foundation Aid is expected to grow \$43.3 million or 8% from \$544.2 million to \$587.5 million in 2021-22. At this time, the Buffalo CSD is still analyzing the State Aid data and legislation adopted as part of the 2021-22 State Budget; however, the overall State Aid increase is approximately \$72.7 million or 9.3% over the amount expected to be received in 2020-21, and \$70.7 million or 9.0% over the amount budgeted in 2020-21, an unprecedented increase.

Based on the State's 2021-22 Enacted Budget for fiscal year 2021-22, the Buffalo CSD anticipates it will receive initially a total amount of \$857.9 million in State Aid for all funds, which represents an increase of \$72.7 million from the \$785.2 million State Aid for all funds to be received in fiscal year 2020-21 (excluding the 2020-21 State Aid Advance and SSBA funding). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—State Aid—Approval of the 2020-21 and 2021-22 Budgets of the Buffalo CSD" with respect to the timing of the approval of the Buffalo CSD fiscal year 2021-22 budget.

See generally, "PROGRAM PARTICIPANTS — The Buffalo Fiscal Stability Authority," "— The Buffalo CSD and Board of Education — *Review of the 2019-20 Budget of the Buffalo CSD*," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid" and "BONDHOLDERS' RISKS — BFSA Review of Financial Plans and Budgets."

Employee Contracts

Five employee contracts of the ten bargaining units representing the employees of the Buffalo CSD are in place for the 2020-21 fiscal year, as shown in the chart below. The remaining contracts have expired and are under negotiations.

The following chart describes the Buffalo CSD unions, approximate number of employees represented, and the present agreement expiration dates. For those agreements that have expired, negotiations have begun. The number of employees is effective as of March 31, 2021.

<u>Unions</u>	<u>Number of Employees⁽¹⁾</u>	<u>Expiration Dates</u>
BTF (Teachers)	3,619	6/30/2019
BCSA (Administrators)	257	9/01/2020
PCTEA (White Collar)	433	6/30/2022
Local 264 (Blue Collar)	55	6/30/2013
Local 264 (Cook Managers)	23	6/30/2022
Local 264 (Food Service)	Variable	6/30/2022
BEST (Teachers Aides & Assistants)	866	6/30/2012
SUBSTITUTES UNITED (Substitute Teachers)	Variable	6/30/2021
TRANSPORTATION AIDES (Bus Aides)	Variable	6/30/2021
Local 409 (Engineers)	43	6/30/2010
Trades	32	N/A
Exempt (includes Board)	43	N/A

Source: Buffalo CSD, Finance Department.

(1) Includes General, Grants and Food Service Funds, as of March 31, 2021

Pursuant to the BFA Act, during a Control Period, the BFA is empowered to impose a wage and/or hiring freeze with respect to employees of the City or any Covered Organization and to review and approve or disapprove any collective bargaining agreement to be entered into by the City or any Covered Organization. In accordance with the foregoing powers, on April 21, 2004, the BFA adopted a general wage freeze resolution which, as of April 22, 2004, froze the wages of all City employees and employees of any non-exempted Covered Organizations at their current levels. In recognition of the City's improved fiscal health the BFA lifted this wage freeze effective July 1, 2007, which allowed for a one step increase on employees' salary schedule.

Pensions and Post-Retirement Obligations

The Buffalo CSD provides post-retirement healthcare benefits to former employees. These benefits are both funded on a pay as you go basis. It is the Buffalo CSD's practice to fund actual claims paid and accrual an incurred but not reported liability at the end of each fiscal year. For the 2019-20 fiscal year the Buffalo CSD paid \$114.9 million for both active and retired employees. The adopted budget for 2020-21 appropriates \$135.6 million for both active and retired employees for the Buffalo CSD.

Under the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" (GASB 75), the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or "earned"), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability ("UAAL") under GASB Statement No. 45.

The Buffalo CSD had an actuarial evaluation performed in accordance with GASB 75 that disclosed an accrued OPEB liability of \$2.6 billion as of June 30, 2020. There is no current requirement to fund the future OPEB obligation; however the Buffalo CSD assigned \$49.2 million of fund balance in fiscal year 2020-21 for such obligation.

Actuarial valuations will be required every two years since the Buffalo CSD has OPEB plans with more than 200 members. Should the Buffalo CSD be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Buffalo CSD's finances and could force the Buffalo CSD to reduce services, force the City to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirement for the Buffalo CSD to partially fund their actuarial accrued OPEB liability.

New York State Education Department

The management, regulation and funding of the Buffalo CSD is subject to the review of the New York State Education Department (the "SED"). The SED has also determined State Building Aid reimbursement for improvements to school facilities undertaken in accordance with the Program. The SED is the administrative agency of the Board of Regents (the "Board of Regents") of the University of the State of New York (the "University"). The Board of Regents was established by an act of the State Legislature in 1784 and is vested with constitutional responsibility for determining and formulating State educational policy. The University, over which the Board of Regents presides, is a corporation authorized to charter, review and regulate educational institutions and activities within the State.

The University encompasses all State educational programs, from kindergarten through graduate and professional schools and includes libraries, museums and other related cultural and educational institutions as may be admitted to the University or incorporated by the Regents. It consists of more than 7,000 elementary and secondary public and private schools and approximately 250 independent and public colleges and universities.

THE ISSUER

The Erie County Industrial Development Agency (the "Issuer") is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under the laws of the State. The Series 2021 Bonds are authorized and issued by the Issuer under the provisions of the Constitution and Laws of the State, particularly the Act and the Buffalo Schools Act.

The Issuer is comprised of 19 voting members. The following are the members of the Board of Directors of the Issuer as of, April 28, 2021:

Brenda McDuffie	Tyra Johnson	Honorable Howard Johnson
Richard Lipsitz	Honorable Brian Kulpa	
Denise Abbott	Glenn Nellis	
Honorable Diane Benczkowski	Honorable Mark Poloncarz	
Reverend Mark Blue	Honorable Darius Pridgen	
Honorable Byron Brown	Sister Denise Roche	
James Doherty	Kenneth Schoetz	
Honorable Joseph Emminger	Paul Vukelic	
Dottie Gallagher	Renee Wilson	

THE SERIES 2021 BONDS ARE NEITHER A GENERAL OBLIGATION OF THE ISSUER, NOR A DEBT OR INDEBTEDNESS OF ERIE COUNTY OR THE STATE OF NEW YORK AND NEITHER ERIE COUNTY NOR THE STATE OF NEW YORK SHALL BE LIABLE THEREON. THE SERIES 2021 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE BUFFALO CSD UNDER EACH OF THE INSTALLMENT SALE AGREEMENTS, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER EACH OF THE RESPECTIVE INDENTURES. IN THE EVENT THE BUFFALO CSD FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER EITHER OF THE INSTALLMENT SALE AGREEMENTS, IT IS PROVIDED IN THE BUFFALO SCHOOLS ACT AND IN EACH OF THE INDENTURES THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE SERIES 2021A TRUSTEE OR THE SERIES 2021B TRUSTEE, AS APPLICABLE, ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE BUFFALO CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE SERIES 2021A TRUSTEE OR THE SERIES 2021B TRUSTEE, AS APPLICABLE, ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE ISSUER HAS NOT VERIFIED, REVIEWED OR APPROVED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION SET FORTH UNDER “THE ISSUER” AND “NO LITIGATION” (BUT ONLY WITH RESPECT TO THE ISSUER) HEREIN.

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PLAN OF FINANCING*

The Series 2021A Bonds are being issued, and the proceeds used, for the purpose of: (i) refunding all of the outstanding 2011A Refunded Bonds; and (ii) financing certain costs of issuance of the Series 2021A Bonds.

The Series 2021B Bonds are being issued, and the proceeds used, for the purpose of: (i) refunding all of the outstanding 2011B Refunded Bonds; and (ii) financing certain costs of issuance of the Series 2021B Bonds.

The 2011A Refunded Bonds being refunded from the proceeds of the Series 2021A Bonds will mature, or be redeemed prior to maturity, in the respective principal amounts on the redemption dates and at the redemption prices as set forth below:

<u>Maturity Date</u> <u>(May 1.)</u>	<u>Principal</u> <u>Amount</u>	<u>Coupon</u>	<u>Redemption Date</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u> <u>Numbers</u> ¹
2022	\$7,710,000	5.000%	06/14/2021	100%	29509PGN3
2023	8,105,000	5.000	06/14/2021	100	29509PGP8
2024	8,520,000	5.000	06/14/2021	100	29509PGQ6
2025	8,965,000	5.250	06/14/2021	100	29509PGR4
2026	9,450,000	5.250	06/14/2021	100	29509PGS2
2027	9,960,000	5.250	06/14/2021	100	29509PGT0
2028	10,495,000	5.250	06/14/2021	100	29509PGU7
2029	11,065,000	5.250	06/14/2021	100	29509PGV5
2030	11,660,000	5.250	06/14/2021	100	29509PGW3
2031	12,290,000	5.250	06/14/2021	100	29509PGX1
2032	6,305,000	5.250	06/14/2021	100	29509PGY9

The 2011B Refunded Bonds being refunded from the proceeds of the Series 2021B Bonds will mature, or be redeemed prior to maturity, in the respective principal amounts on the redemption dates and at the redemption prices as set forth below:

<u>Maturity Date</u> <u>(May 1.)</u>	<u>Principal</u> <u>Amount</u>	<u>Coupon</u>	<u>Redemption Date</u>	<u>Redemption</u> <u>Price</u>	<u>CUSIP</u> <u>Numbers</u> ¹
2022	\$12,410,000	5.000%	06/14/2021	100%	29509PHJ1
2023	13,045,000	5.000	06/14/2021	100	29509PHK8
2024	6,930,000	5.000	06/14/2021	100	29509PHL6

¹ Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of such series of bonds and the Issuer and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of such series of bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of such series of bonds

* Preliminary subject to change

To accomplish the refunding of the 2011A Refunded Bonds, a portion of the proceeds from the sale of the Series 2021A Bonds will be deposited into a separate special trust fund (the "Series 2011A Escrow Fund") created under the Series 2011A Refunding Escrow Trust Agreement dated as of May 1, 2021 (the "Series 2011A Refunding Escrow Trust Agreement") by and among the Issuer, the Buffalo

CSD and Manufacturers and Traders Trust Company, as escrow agent (the “Series 2011A Escrow Agent”) providing for the defeasance of the Series 2011A Bonds.

To accomplish the refunding of the 2011B Refunded Bonds, a portion of the proceeds from the sale of the Series 2021B Bonds will be deposited into a separate special trust fund (the “Series 2011B Escrow Fund”, together with the Series 2011A Escrow Fund, the “Escrow Funds”) created under the Series 2011B Refunding Escrow Trust Agreement dated as of May 1, 2021 (the “Series 2011B Refunding Escrow Trust Agreement”, together with the Series 2011A Refunding Escrow Trust Agreement, the “Refunding Escrow Trust Agreements”) by and among the Issuer, the Buffalo CSD and Manufacturers and Traders Trust Company, as escrow agent (the “Series 2011B Escrow Agent”, together with the Series 2011A Escrow Agent, the “Escrow Agent”) providing for the defeasance of the Series 2011A Bonds.

Pursuant to the Refunding Escrow Trust Agreements, the Escrow Agent (a) will redeem the 2011 Refunded Bonds following the deposit of Series 2021 Bond proceeds with the Escrow Agent, (b) will agree to send defeasance notices relating to the 2011 Refunded Bonds as directed in the Escrow Refunding Trust Agreements, and (c) will agree to call the 2011 Refunded Bonds for redemption on June 14, 2021 (the “Redemption Date”). The moneys so deposited in the Escrow Funds will be held in cash, uninvested, and in trust for, the payment of the redemption price of and interest due on the 2011 Refunded Bonds on the Redemption Date.

SOURCES AND USES OF FUNDS

Sources of Funds

	<u>Series 2021A</u>	<u>Series 2021B</u>
Principal Amount	\$	\$
Original Issue Premium/Discount		
Other Monies ⁽¹⁾		
 Total Sources of Funds	 <u>\$</u>	 <u>\$</u>

Uses of Funds

Escrow Fund Deposits	\$	\$
Costs of Issuance ⁽²⁾		
 Total Uses of Funds	 <u>\$</u>	 <u>\$</u>

⁽¹⁾ Includes funds released from the Bond Funds established under the Indentures, and other funds related thereto.

⁽²⁾ Includes fees and expenses of underwriters’ discount and certain other costs.

THE SERIES 2021 BONDS

General

The Series 2021 Bonds will be issued in fully-registered form without coupons. The Series 2021 Bonds will be dated, mature on the respective dates and in the respective principal amounts, and bear interest payable on the dates and at the respective annual rates, as set forth on the inside cover page.

Interest on the Series 2021 Bonds will be payable on each Interest Payment Date and will be computed on the basis of a 360-day year of twelve 30-day months. Notwithstanding anything herein to the contrary, the interest rate borne by the Series 2021 Bonds will not exceed the maximum permitted by, or enforceable under, applicable law.

The principal or Redemption Price of the Series 2021 Bonds will be payable at the principal corporate trust office of the Series 2021A Trustee or the Series 2021B Trustee, as the case may be, in Buffalo, New York. Interest on the Series 2021 Bonds will be payable to the person whose name appears on the registration books of the Trustee as the registered owner thereof on the Record Date next preceding the Interest Payment Date (i) by check or draft mailed on the Interest Payment Date to the registered owner or (ii) by wire transfer on the Interest Payment Date to any owner of at least \$1,000,000 in aggregate principal amount of the Series 2021 Bonds, upon written notice provided by the owner to the Trustee not later than five (5) days prior to the Record Date for such interest payment (which request will remain in effect until revoked); except that, if and to the extent there exists a default in the payment of the interest due on any Interest Payment Date with respect to the Series 2021 Bonds, the defaulted interest will be paid to the owners in whose names the Series 2021 Bonds are registered at the close of business on a special record date to be fixed by the Trustee, which date will not be more than fifteen (15) nor less than ten (10) days next preceding the date of payment of the defaulted interest. Interest payments made by check or draft will be mailed to each owner at his or her address as it appears on the registration books of the Trustee on the Record Date or at such other address as he or she may have filed with the Trustee for that purpose and appearing on the registration books of the Trustee on the applicable Record Date. Wire transfer payments of interest will be made at such wire transfer address as the owner will specify in his or her notice requesting payment by wire transfer.

Exchange of Series 2021 Bonds

The holders of any Series 2021 Bonds may surrender the same, at the principal corporate trust office of the applicable Series Trustee, in exchange for an equal aggregate principal amount of Series 2021 Bonds of any of the authorized denominations of the same Series, maturity and maturities as the Series 2021 Bond or Series 2021 Bonds so surrendered, subject to the conditions and upon payment of the charges provided in the Series 2021A Indenture or the Series 2021B Indenture, as appropriate. However, the applicable Series Trustee will not be required to (i) transfer or exchange any Series 2021 Bonds during the period between a Record Date and the following Interest Payment Date or during the period of fifteen (15) days next preceding any day for the selection of Series 2021 Bonds of such Series to be redeemed, or (ii) transfer or exchange any Series 2021 Bonds selected, called or being called for redemption in whole or in part.

Transfer of Series 2021 Bonds

Each of the Series 2021 Bonds is transferable, as provided in each of the respective Indentures, only upon the books of the Issuer kept for that purpose at the principal corporate trust office of the applicable Series Trustee by the registered owner thereof in person, or by his duly authorized attorney-in-fact, upon surrender of such Series 2021 Bond (together with a written instrument of transfer in the form appearing on such Series 2021 Bond duly executed by the registered owner or his duly authorized attorney-in-fact with a guaranty of the signature thereon by a member of the Stock Exchanges Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program in accordance with Securities and Exchange Commission Rule 17Ad-15), and thereupon a new fully registered Series 2021 Bond in the same aggregate principal amount and maturity and same Series will be issued to the transferee in exchange therefor as provided in the respective Indentures and upon payment of the charges therein prescribed. The Issuer, the Buffalo CSD, the applicable Bond Registrar, and the applicable Series

Trustee may deem and treat the person in whose name a Series 2021 Bond is registered as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price thereof and interest due thereon and for all other purposes whatsoever.

Redemption of the Series 2021 Bonds

The Series 2021 Bonds are not subject to redemption prior to maturity.

Registration and Payment - Book-Entry System

Beneficial ownership interests in the Series 2021 Bonds will be available in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2021 Bonds will not receive certificates representing their interests in the Series 2021 Bonds purchased.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered Bond certificates will be issued for each principal amount of Series 2021A Bonds or of Series 2021B Bonds maturing on a specified date and bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Series 2021A Bonds or Series 2021B Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2021 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bond certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2021 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2021 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the applicable Series Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds, are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption and interest payments on the Series 2021 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the applicable Series Trustee on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Series 2021A Trustee, the Series 2021B Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the applicable Series Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference will only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they will be sent by the applicable Series Trustee to DTC only.

The Issuer and the applicable Series Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2021 Bonds registered in its name for the purpose of payment of the principal of, or interest on such Series 2021 Bonds, giving any notice permitted or required to be given to registered owners under either the Series 2021A Indenture or the Series 2021B Indenture, as

appropriate, registering the transfer of the Series 2021A Bonds, and/or the Series 2021B Bonds, respectively, or other action to be taken by registered owners and for all other purposes whatsoever. The Issuer and the applicable Series Trustee will not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2021 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Issuer (kept by the applicable Series Trustee) as being a registered owner, with respect to: the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or interest on the Series 2021 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges provided in each of the Indentures; or other action taken by DTC as a registered owner. The applicable Series Trustee will forward interest and principal payments to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF ALL OF THE SERIES 2021 BONDS, REFERENCES HEREIN TO THE OWNERS, HOLDERS OR BONDHOLDERS OF THE SERIES 2021 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

For every transfer and exchange of beneficial ownership of the Series 2021 Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Issuer or the applicable Series Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry/only transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Each person for whom a Participant acquires an interest in the Series 2021 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NONE OF THE ISSUER, THE UNDERWRITERS, OR THE APPLICABLE SERIES TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2021 BONDS.

NEITHER THE ISSUER, THE BUFFALO CSD NOR THE APPLICABLE SERIES TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE

PRINCIPAL AMOUNT, REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2021 BONDS; (3) THE DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF EACH OF THE INDENTURES TO BE GIVEN TO HOLDERS OF THE SERIES 2021 BONDS; OR (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2021 BONDS.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS

General

The City and the Buffalo CSD has leased the Facilities to the Issuer pursuant to Ground Leases. The Issuer has sold its leasehold interest in the Facilities to the Buffalo CSD pursuant to the Installment Sale Agreements. Pursuant the applicable Indenture, the Issuer has assigned to the Trustee substantially all of its right, title and interest in and to State Aid Revenues and in and to the applicable Installment Sale Agreement, including all rights to receive Installment Purchase Payments thereunder.

Under the State Aid Trust Agreement, the City, the Buffalo CSD, the Depository Bank and the Series Trustees have agreed to direct the State Comptroller to pay all State Aid directly to the State Aid Depository Fund established and held under the State Aid Trust Agreement, all for the benefit on a Ratable Basis of the Series 2021 Bonds and each other series of Project Bonds outstanding, including, (prior to their redemption on or about June 14, 2021), 2011 Refunded Bonds, the Series 2012A Bonds, the Series 2013A Bonds, the Series 2015A Bonds and, on a subordinate basis, the \$13,860,000 State of New York Municipal Bond Bank Agency Special Program (City of Buffalo) Refunding Revenue Bonds, 2012 (the “2012 MBBA Refunding Bonds”). In the event the Buffalo CSD fails to make an Installment Purchase Payment under the Series 2021A Installment Sale Agreement or the Series 2021B Installment Sale Agreement, the Buffalo Schools Act and each applicable Indenture provide that, upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller will withhold any State Aid from the Buffalo CSD payable thereto to the extent of the amount so stated in such certificate as not having been made, and will immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. See “— State Aid Intercept” below.

Ground Leases

Pursuant to the 2011A Ground Lease, the City and the Buffalo CSD have leased the Series 2011A Facilities to the Issuer. The 2011A Ground Lease was entered into concurrently with the issuance of the Series 2011A Bonds. The term of the 2011A Ground Lease ends on May 1, 2032, but terminating not earlier than the date that all bonds under the Series 2011A Indenture, including the Series 2011A Bonds, the Series 2021A Bonds or any later series of Additional Bonds issued under the Series 2021A Indenture, will cease to be Outstanding. Ground rent under the 2011A Ground Lease is nominally equal to one dollar (\$1.00) payable upon execution, and all obligations of the Issuer under the 2011A Ground Lease are assumed by the Buffalo CSD under the 2021A Installment Sale Agreement.

Pursuant to the 2011B Ground Lease, the City and the Buffalo CSD have leased the Series 2003 Facilities to the Issuer. The 2011A Ground Lease was entered into concurrently with the issuance of the Series 2011B Bonds. The term of the 2011B Ground Lease ends on May 1, 2024, but terminating not earlier than the date that all bonds under the Series 2011B Indenture, including the Series 2011B Bonds, the Series 2021B Bonds or any later series of Additional Bonds issued under the Series 2021B Indenture, will cease to be Outstanding. Ground rent under the 2011B Ground Lease is nominally equal to one

dollar (\$1.00) payable upon execution, and all obligations of the Issuer under the 2011B Ground Lease are assumed by the Buffalo CSD under the 2021B Installment Sale Agreement.

Installment Sale Agreements

2021A Installment Sale Agreement

The Issuer has previously sold its leasehold interest in the 2011A Facilities under the 2011A Ground Lease to the Buffalo CSD. Base Installment Purchase Payments due from the Buffalo CSD under the Series 2021A Installment Sale Agreement equal principal and interest due on the Series 2021A Bonds. Under the Series 2021A Installment Sale Agreement, the Buffalo CSD is responsible for the maintenance and operation of the Series 2011A Facilities.

2021B Installment Sale Agreement

The Issuer has previously sold its leasehold interest in the 2011B Facilities under the 2011B Ground Lease to the Buffalo CSD. Base Installment Purchase Payments due from the Buffalo CSD under the Series 2021B Installment Sale Agreement equal principal and interest due on the Series 2021B Bonds. Under the Series 2021B Installment Sale Agreement, the Buffalo CSD is responsible for the maintenance and operation of the Series 2003 Facilities.

Installment Sale Agreement Payments

Installment Purchase Payments due under each of the Installment Sale Agreements will equal principal and interest due on the Series 2021A Bonds and the Series 2021B Bonds, respectively, and each are payable on each April 1. Notwithstanding the April 1 Installment Purchase Payment date under each Installment Sale Agreement, each Installment Sale Agreement provides that if the Buffalo CSD fails to appropriate by November 1, 2021 (or by any subsequent November 1 that any Project Bonds remain Outstanding), State Aid Revenues in an amount sufficient to pay the Installment Purchase Payment due on the immediately succeeding April 1 (less any amounts on deposit in the Bond Fund of the Series 2021A Indenture or the Series 2021B Indenture, as the case may be, and available on such November 1), then: (y) the Buffalo CSD will promptly deliver written notice of such failure to appropriate to the Issuer and the applicable Series Trustee and (z) the next succeeding April 1 payment date for the annual Installment Purchase Payment will instead be the November 15 immediately preceding such April 1 payment date as if that November 15 were the originally scheduled annual Installment Purchase Payment date; and if for any reason the Installment Purchase Payment due on such November 15 is not made by such date, any such failed payment will constitute a failure to make a payment under the Installment Sale Agreements for purposes of the applicable Installment Sale Agreement, the Buffalo Schools Act and the State Aid intercept implementing provisions of the applicable Indenture.

Except for funds, investments and other amounts held under each of the respective Indentures, the Issuer has pledged no other assets to the payment of the Series 2021 Bonds, and except for the intercept of State Aid by the State Comptroller as herein described, it is anticipated that the Issuer's sole source of payment for the Series 2021 Bonds will be derived from Installment Purchase Payments made by the Buffalo CSD under the Installment Sale Agreements. The Buffalo CSD's obligation to pay Installment Purchase Payments under the Installment Sale Agreements is executory only to the extent of State Aid appropriated by the State and available to the Buffalo CSD, and appropriated by the Buffalo CSD to the payment of Installment Purchase Payments under the Installment Sale Agreement. In the event State Aid is not appropriated by the State to the Buffalo CSD, the Buffalo CSD will not be obligated to pay any amounts due under either of the Installment Sale Agreements; *provided, however*, the failure of the

Buffalo CSD for any reason (including a failure by the State or the Buffalo CSD to appropriate State Aid) to make an Installment Purchase Payment under either or both of the Installment Sale Agreements is nevertheless deemed a failure to make a payment thereunder for purposes of each such Installment Sale Agreement, the Buffalo Schools Act, and the State Aid intercept implementing provisions of the applicable Indenture. In the event State Aid is appropriated by the State to the Buffalo CSD and the Buffalo CSD does not appropriate such State Aid to make such Installment Purchase Payments, the applicable Series Trustee on behalf of the Issuer will direct the State Comptroller to intercept State Aid for the payment of such Installment Purchase Payments. Subject to the foregoing limitation, the obligation of the Buffalo CSD to pay Installment Purchase Payments under each such Installment Sale Agreement, and to perform its obligations thereunder, will be absolute and unconditional, and such Installment Purchase Payments and other amounts will be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the applicable Series Trustee, any purchaser of the Series 2021 Bonds, or any other person, and whether or not any or all of the Series 2011A Facilities and/or Series 2003 Facilities are used or occupied by the Buffalo CSD or are available for use or occupancy by the Buffalo CSD. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment” and “— Appropriation of Installment Purchase Payments by the Buffalo CSD.”

In order to protect the priority of the rights of the Trustee to State Aid under the Buffalo Schools Act, the Buffalo CSD has covenanted and agreed under each of the Installment Sale Agreements that it will not in the future enter into any agreement, indenture or other instrument, including any Series Facilities Agreement in connection with a Series of Project Bonds under a Series Indenture, which will have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid under the Buffalo Schools Act than the pledge effected pursuant to the Series 2021A Indenture and Series 2021B Indenture, respectively. The foregoing covenant will not be deemed (y) to limit or deny the ability of the issuer of a Series of Project Bonds to pledge State Aid on a parity with the pledge effected by the Issuer under the Indentures, or (z) to require that any Series of Project Bonds issued under a Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under each of the Indentures, or that any payment dates under a Series Facilities Agreement be the same as provided for in each of the Installment Sale Agreements.

In order to provide for its obligation to make payments under each of the Installment Sale Agreements, the Buffalo CSD has agreed that its proposed expense budget for each ensuing Fiscal Year will include, either as a separate unit of appropriation or as an expenditure within a unit of appropriation, the amount of Installment Purchase Payments due under each of the respective Installment Sale Agreements to come due in such next Fiscal Year, *provided, however*, that any such appropriation will only be payable by the Buffalo CSD to the extent State Aid is available therefor and is appropriated by the Buffalo CSD for such purpose, *provided, however*, the failure of the Buffalo CSD for any reason to make an Installment Purchase Payment under the either of the Installment Sale Agreements is nevertheless deemed a failure to make a payment thereunder for purposes of such Installment Sale Agreement, the Buffalo Schools Act and the State Aid intercept implementing provisions of the applicable Indenture. In addition, in furtherance of the foregoing, the Buffalo CSD has agreed, pursuant to each of the Installment Sale Agreements, to comply with all requirements necessary to ensure receipt of State Aid over the term of each of the Installment Sale Agreements. See “BONDHOLDERS’ RISKS — Appropriation of Installment Purchase Payments by the Buffalo CSD,” “— Competing Claims to State Aid” and “— The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19.”

Upon the occurrence of an Event of Nonappropriation (*i.e.*, failure of the Buffalo CSD to appropriate moneys sufficient to pay the Installment Purchase Payments coming due under an Installment

Sale Agreement in the next Fiscal Year), or an “event of default” under an Installment Sale Agreement, there is no acceleration of the obligation of the Buffalo CSD to pay all future Installment Purchase Payments under such Installment Sale Agreement. However, as described above, each of the Installment Sale Agreements provides that if the Buffalo CSD fails to appropriate by November 1, 2021 (or by any subsequent November 1 that the Series 2021 Bonds remain Outstanding) State Aid Revenues in an amount sufficient to pay the Installment Purchase Payment due on the immediately succeeding April 1, then, in that event, the Installment Purchase Payment date for the next succeeding April 1 annual Installment Purchase Payment will instead be the November 15 immediately preceding such April 1 payment date as if that November 15 were the originally scheduled annual Installment Purchase Payment date.

State Aid Intercept

In the event the Buffalo CSD fails to make an Installment Purchase Payment under either of the Installment Sale Agreements as a result of an Event of Nonappropriation or otherwise (whether such payment is due on April 1 of each year, or if applicable, November 15 of each year), pursuant to the Indentures, the Issuer has appointed the applicable Series Trustee, as its agent, and the Issuer (acting through such Trustee) will, in accordance with the Buffalo Schools Act, and the applicable Indenture, certify such nonpayment to the State Comptroller. Such certification will specify the amount by which such Installment Purchase Payment will have been deficient. The Buffalo Schools Act and applicable Series Indenture each provides that the State Comptroller will, upon receipt of such certification, withhold from the Buffalo CSD any State Aid otherwise payable to the Buffalo CSD to the extent of the amount so stated in such certification as not being made, and will immediately pay over to the Trustee, on behalf of the Issuer, the amount so withheld. Such amounts will be applied by the Trustee to the payment of Installment Purchase Payments under each Installment Sale Agreement in the priority set forth below under “The Indentures.” It is further provided in the Buffalo Schools Act that (x) any amount of State Aid so paid by the State Comptroller will not obligate the State to make, nor entitle the Buffalo CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Buffalo Schools Act will be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid and (z) the State will not be obligated by the terms of the Buffalo Schools Act to maintain State Aid at any particular level or amount. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment, COVID-19.”

Statutory provisions currently exist or may hereafter be enacted which permit State Aid otherwise payable to the Buffalo CSD to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Trust Agreement with respect to Project Bonds, there is no stated priority for the various multiple State Aid diversion and intercept claims. See “BONDHOLDERS’ RISKS — Competing Claims to State Aid.”

The Indentures

Pursuant to each Indenture, the Issuer has assigned the applicable Series Trustee substantially all of its right, title and interest in and to State Aid and applicable Installment Sale Agreement, including all rights to receive Installment Purchase Payments to pay the principal of and interest on the Series 2021A Bonds and Series 2021B Bonds, respectively, as the same become due, all to be made by the Buffalo CSD pursuant to the applicable Installment Sale Agreement and the State Aid Trust Agreement, and all executory only to the extent of State Aid, as provided above under the subheading, “The Installment Sale Agreements.”

The Series 2011A Indenture

The Series 2021A Bond proceeds will be deposited in the Series 2021A Additional Bonds Account of the Project Fund held under the Series 2021A Indenture, substantially all of which will be immediately transferred by the Trustee to the Series 2011A Escrow Fund established under the Series 2011A Refunding Escrow Trust Agreement for the purpose of redeeming or paying at maturity the 2011A Refunded Bonds. The Series 2021A Trustee is authorized to disburse the remaining amounts from the Series 2021A Additional Bonds Account of the Project Fund for the payment of Costs of Issuance and any other Project Costs relating to the Series 2021A Bonds. Notwithstanding the occurrence of an Event of Default under the Series 2021A Indenture, in no event will the Series 2021A Bonds be accelerated or declared due and payable in advance of their final stated maturity.

In the event the amount of State Aid received by the Trustee pursuant to the State Aid intercept will be insufficient to pay the full amount not paid by the Buffalo CSD under the Series 2021A Installment Sale Agreement, such amount will be ratably applied in accordance with the Series 2021A Indenture in the following order of priority:

first, to deposit in the Interest Account of the Bond Fund established under the Series 2021A Indenture to the extent of any deficiency therein,

second, to deposit in the Principal Account of the Bond Fund established under the Series 2021A Indenture to the extent of any deficiency therein,

third, to deposit in the Redemption Account of the Bond Fund established under the Series 2021A Indenture to the extent of any deficiency therein,

fourth, to satisfy any indemnification obligations of the Buffalo CSD under the Series 2021A Installment Sale Agreement, and

fifth, to satisfy any liability insurance obligations of the Buffalo CSD under the Series 2021A Installment Sale Agreement, and

sixth, to satisfy any other obligations of the Buffalo CSD under the Series 2021A Installment Sale Agreement.

The Series 2011B Indenture

The Series 2021B Bond proceeds will be deposited in the Series 2021A Additional Bonds Account of the Project Fund held under the Series 2021B Indenture, substantially all of which will be immediately transferred by the Trustee to one the Series 2011B Escrow Fund established under the Series 2011B Refunding Escrow Trust Agreement for the purpose of redeeming or paying at maturity the 2011B Refunded Bonds. The Series 2021B Trustee is authorized to disburse the remaining amounts from the Series 2021B Additional Bonds Account of the Project Fund for the payment of Costs of Issuance and any other Project Costs relating to the Series 2021B Bonds. Notwithstanding the occurrence of an Event of Default under the Series 2021B Indenture, in no event will the Series 2021B Bonds be accelerated or declared due and payable in advance of their final stated maturity.

In the event the amount of State Aid received by the Trustee pursuant to the State Aid intercept will be insufficient to pay the full amount not paid by the Buffalo CSD under the Series 2021B

Installment Sale Agreement, such amount will be ratably applied in accordance with the Series 2021B Indenture in the following order of priority:

first, to deposit in the Interest Account of the Bond Fund established under the Series 2021B Indenture to the extent of any deficiency therein,

second, to deposit in the Principal Account of the Bond Fund established under the Series 2021B Indenture to the extent of any deficiency therein,

third, to deposit in the Redemption Account of the Bond Fund established under the Series 2021B Indenture to the extent of any deficiency therein,

fourth, to satisfy any indemnification obligations of the Buffalo CSD under the Series 2021B Installment Sale Agreement, and

fifth, to satisfy any liability insurance obligations of the Buffalo CSD under the Series 2021B Installment Sale Agreement, and

sixth, to satisfy any other obligations of the Buffalo CSD under the Series 2021B Installment Sale Agreement.

The Pledge to the Applicable Series Trustee

In order to protect the pledge of State Aid by the Issuer to the applicable Series Trustee pursuant to the Indentures, except with respect to the issuance of Project Bonds under a Series Indenture, the Issuer has covenanted in each of the Indentures not to create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created (1) in the case of the Trust Estate with respect to the Series 2021A Bonds, by the Series 2021A Indenture, the 2011A Ground Lease and the Series 2021A Installment Sale Agreement and (2) in the case of the Trust Estate with respect to the Series 2021B Bonds, by the Series 2021B Indenture, the 2011B Ground Lease and the Series 2021B Installment Sale Agreement. The Issuer further covenants and agrees pursuant to each of the Indentures, that it will enter into no agreement, indenture or other instrument, including any Series Indenture or Series Facilities Agreement in connection with the issuance of a Series of Project Bonds under a Series Indenture which will have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid under the Buffalo Schools Act than the pledge effected pursuant to each of the Indentures; *provided, however*, that nothing contained in the either of the Indentures will be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge State Aid under the Buffalo Schools Act on a parity with the pledge effected under either of the Indentures, or (z) to require that any Series of Project Bonds issued under any other Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indentures, or that any payment dates under a Series Facilities Agreement be the same as those under the Installment Sale Agreements.

Additional Bonds

So long as each of the Installment Sale Agreements is in effect and no Event of Default exists thereunder, one or more series of Additional Bonds may be issued, authenticated and delivered upon original issuance under the Indentures, for the purpose of (i) financing School Facilities in connection with the Program, (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in

the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions, improvements or facilities to one or more Facilities, the purpose of which will be to constitute a “project” and an “educational facility” within the meaning of the Act and the Buffalo Schools Act, or (iv) refunding Outstanding Bonds. Such series of Additional Bonds under the applicable Indenture will be payable from the Base Installment Purchase Payments under the applicable Installment Sale Agreement. Prior to the issuance of a series of Additional Bonds under the applicable Indenture, and the execution of a Supplemental Indenture in connection therewith, the City, the Buffalo CSD and the Issuer will enter into an amendment to the applicable Ground Lease, to subject the additional facilities, as applicable, to the leasehold estate thereof, and the Issuer and the Buffalo CSD will enter into an amendment to the applicable Installment Sale Agreement to subject such additional facilities thereto, and to provide, among other things, that the Base Installment Purchase Payments payable under the applicable Installment Sale Agreement will be increased and computed so as to amortize in full the principal of and interest on the bonds outstanding under the applicable Indenture, including such series of Additional Bonds. In addition, the Buffalo CSD will enter into a Tax Compliance Certificate in connection with the issuance of such Additional Bonds. To date, no legislation has been introduced nor is it currently being sought by the Buffalo CSD for additional Program improvements beyond Phase V.

State Aid Trust Agreement

To facilitate the collection of State Aid and payment of installment purchase payments under each of the Installment Sale Agreements, the Depository Bank, the City, the Trustee, as a Series Trustee, and the Buffalo CSD have entered into the State Aid Trust Agreement. In accordance with the State Aid Trust Agreement, the City and the Buffalo CSD have instructed the State Comptroller to pay all State Aid directly to the State Aid Depository Fund held by the Depository Bank under the State Aid Trust Agreement. The State Aid Trust Agreement provides for (i) the payment of State Aid to the Trustee and each other Series Trustee on a Ratable Basis pursuant to which Project Bonds are outstanding under a Series Indenture and (ii) funding of the Annual Payment Obligations on 2012 MBBA Refunding Bonds from the State Aid Revenues annually collected in March of each Collection Period.

On or before July 15 of each Fiscal Year, the City and the Buffalo CSD will prepare and deliver to the Depository Bank, each Series Trustee and, for so long as any 2012 MBBA Refunding Bonds shall remain outstanding, The Bank of New York Mellon, as trustee under the MBBA 2012 Bond Resolution (the “MBBA Series 2012 Trustee”) a certificate (the “State Aid Payment Certificate”) setting forth (i) a statement that the Buffalo CSD has appropriated an amount of State Aid necessary to fund the Aggregate Facilities Payment Obligations of the Buffalo CSD and Annual Payment Obligations on 2012 MBBA Refunding Bonds for such Fiscal Year, (ii) the total amount of State Aid expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period (as such terms are defined in APPENDIX G hereof) and (iii) a statement, developed with the assistance of the Financial Advisor to the Buffalo CSD or a nationally recognized municipal securities underwriting firm, setting forth the long-term debt rating of each provider of a Qualified Debt Service Reserve Fund Investment Agreement (if any), by each of Fitch Ratings, Moody’s and S&P. However, in the event that the Buffalo CSD will not have appropriated such amount of State Aid in its adopted budget for such Fiscal Year, the State Aid Payment Certificate for such Fiscal Year will set forth a statement to such effect and will not include any information regarding the collection of State Aid during the Collection Period. Thereafter and not later than the end of the third business day immediately preceding March 31 of such Fiscal Year, if circumstances warrant, the City and the Buffalo CSD will from time to time prepare and deliver to the Depository Bank a revised State Aid Payment Certificate setting forth, as appropriate, (i) a statement that the Buffalo CSD has, subsequent to adoption of its budget for such Fiscal Year, appropriated an amount of State Aid necessary to fund the Aggregate Facilities Payment Obligations of the Buffalo CSD and Annual Payment Obligations on 2012 MBBA Refunding Bonds for

such Fiscal Year, or (ii) a revised total amount of State Aid expected to be received during the next Collection Period for such Fiscal Year and, in either case, if applicable, Collection Percentages or revised Collection Percentages applicable to the remainder of such Collection Period.

On or before November 10 of each Fiscal Year, each Series Trustee will prepare and deliver to the City, the Buffalo CSD and the Depository Bank a certificate (the "Base Facilities Agreement Payment Certificate") setting forth the Net Base Facilities Agreement Payment (computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

On or before November 10 of each Fiscal Year, each Series Trustee will, in accordance with the provisions of the related Series Indenture, prepare and deliver to the City, the Buffalo CSD and the Depository Bank a certificate (the "Reserve Payment Certificate") setting forth the Reserve Payment (computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations (if any), due and the amount of the Debt Service Reserve Deficiency (if any), relating to any Project Bonds as of the date of such certificate.

On or before November 10 of each Fiscal Year, the City and the Buffalo CSD shall, in accordance with the provisions of the MBBA Special Program Agreement, prepare and deliver to the Depository Bank a certificate setting forth the Annual Payment Obligations on 2012 MBBA Refunding Bonds (computed as of the immediately preceding last business day of October of such fiscal year) due for such Fiscal Year as of the date of such certificate (the "Annual Payment Obligations on 2012 MBBA Refunding Bonds Certificate").

During each Collection Period, if the Depository Bank has received a State Aid Payment Certificate with respect to such Collection Period that sets forth the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository Bank will, immediately upon receipt of any payment of State Aid, withdraw such State Aid from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) *first*, to each Series Trustee for deposit in the Bond Fund established pursuant to the related Series Indenture until the total amount of such withdrawals during each month of such Collection Period will equal the sum of (A) the product of the Collection Percentage for such month multiplied by the Net Base Facilities Payment due the immediately following April 1 as set forth in the Base Facilities Payment Certificate most recently received by the Depository Bank, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited;

(ii) *second*, thereafter during each month of such Collection Period, to each Series Trustee for deposit in any Debt Service Reserve Fund established with respect to Project Bonds (if any), pursuant to the related Series Indenture until the total amount of such withdrawals is equal to the Reserve Payment due, if any, as set forth in the Reserve Payment Certificate most recently received by the Depository Bank; and

(iii) *third*, thereafter during the month of March of such Collection Period (and only once the total amount of each such Base Facilities Agreement Payment and any such Reserve Payment has been paid in full to each Series Trustee), to the MBBA 2012 Series Trustee for deposit in the Revenue Fund established pursuant to the MBBA 2012 Bond Resolution until the total amount of such withdrawals

during such month shall equal the aggregate Annual Payment Obligations on 2012 MBBA Refunding Bonds due on the immediately following April 1 as set forth in the Annual Payments on 2012 MBBA Refunding Bonds Certificate most recently received by the Depository Bank; and

(iv) *fourth*, thereafter during each month of such Collection Period, to the General Fund.

In the event that any amount on deposit in the State Aid Depository Fund in any month of the Collection Period, at any time, will be less than the amount required to be paid to a Series Trustee under clauses (i) or (ii) above, the Depository Bank will make payment to each Series Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, “Ratable Basis” will be first computed based on amounts payable to each Series Trustee under clause (i) above if there is not enough in the State Aid Depository Fund to pay to each Series Trustee what is payable under clause (i) above, and, if the amounts payable under clause (i) have been paid in full, then computed based on the amount payable to each Series Trustee under clause (ii). No amounts shall be paid to the MBBA Series 2012 Trustee until all amounts payable to each Series Trustee under clause (i) and (ii) above have been paid in full.

Thereafter, from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid, the Depository Bank will withdraw such State Aid from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

If the Depository Bank has not received with respect to a Collection Period for any reason a State Aid Payment Certificate that includes the statements required by clauses (i) and (ii) of the first sentence of the second paragraph under this sub-heading, the Depository Bank, both during and after such Collection Period until the next Collection Period, will withdraw any State Aid from the State Aid Depository Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

Notwithstanding the provisions of the State Aid Trust Agreement providing for the flow of State Aid to the Series Trustees or the MBBA Series 2012 Trustee, if the Depository Bank receives written instructions from the Chief Fiscal Officer of the City, together with an accompanying monthly payment schedule from the Chief Fiscal Officer of the City indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule of the outstanding revenue anticipation notes issued by the City (the “RAN Repayment Requirement”), then each month the Depository Bank will immediately withdraw from the State Aid Depository Fund all State Aid that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Trust Agreement, to the special bank account until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not paid.

Although the State Aid Trust Agreement requires an immediate transfer of State Aid from the State Aid Depository Fund to the Bond Fund established under the Indentures, during the Collection Period, amounts held in the State Aid Depository Fund are not subject to the lien of the Indentures, and are not pledged as security for the payment of the Series 2021 Bonds, until such amounts have been transferred by the Depository Bank to the Trustee and deposited in the Bond Fund established under the Indentures. See “BONDHOLDERS’ RISKS — State Aid Trust Agreement.”

Nothing will prevent the Buffalo CSD, the City, the Depository Bank or the Series Trustees from adopting amendments modifying the procedures for the collection, deposit and disbursement of State Aid as set forth in the State Aid Trust Agreement; *provided, however*, that (i) prior to making any such change, the Buffalo CSD will notify any rating agency then rating the Series 2021 Bonds or any other Series of Project Bonds of such change and that, prior to any such change becoming effective, there will be delivered to the Depository Bank a rating confirmation of such rating agency that the then current unenhanced rating of the Series 2021 Bonds or any other Series of Project Bonds or MBBA Refunding Bonds Outstanding will not be withdrawn or reduced as a result of such change and (ii) any change or alteration of the procedure for collection and deposit of State Aid would not result in insufficient State Aid being available to timely pay Facilities Payment Obligations under each Installment Sale Agreement under any other Series Facilities Agreement or the 2012 MBBA Refunding Bonds in accordance with the terms of the State Aid Trust Agreement. The parties to the State Aid Trust Agreement reserve the power to modify, alter or amend the State Aid Trust Agreement without the consent of MBBA and the MBBA 2012 Series Trustee provided that any such modification, alteration or amendment does not adversely affect the rights of MBBA and the MBBA 2012 Series Trustee under any of the MBBA Provisions.

Timing of Payments under State Aid Trust Agreement

In order to assure the timely payment of debt service on the Series 2021 Bonds, the City and the Buffalo CSD have agreed during each year to certify certain information to the Depository Bank, and the Buffalo CSD has directed the Depository Bank to pay certain amounts to the Trustee in advance of the payment of debt service on the Series 2021 Bonds. On or before July 15 of each Fiscal Year, the City and the Buffalo CSD are required to certify to the Depository Bank under the State Aid Trust Agreement (i) that the Buffalo CSD has appropriated funds necessary to pay the annual installment purchase payments under the Installment Sale Agreements due on the next succeeding April 1 (which covers the debt service on the Series 2021 Bonds, on the following May 1 and November 1) and (ii) the State Aid expected to be received by the Buffalo CSD during the next succeeding December 1 to March 31. In the event the Buffalo CSD will not have appropriated such amount, the foregoing certificate will state that the appropriation has not been made. On or before November 10 of each year, each Series Trustee will prepare and deliver to the City, the Buffalo CSD and the Depository Bank a certificate setting forth the Net Base Facilities Agreement Payment and/or Reserve Payment (if any) due on the following April 1. On a monthly basis beginning on December 1 through the next succeeding March 31 the Depository Bank will, in accordance with the State Aid Trust Agreement, transfer a portion of State Aid to the Trustee sufficient to pay the annual installment purchase payments under the Installment Sale Agreements due on the next succeeding April 1. In the event payments made by the Depository Bank to the Trustee during the preceding December 1 to March 31 are not sufficient to pay the annual installment purchase payments under the Installment Sale Agreements due on April 1, the Trustee will immediately certify such deficiency to the State Comptroller. The State Comptroller is then required to pay such amounts to the Trustee in accordance with the State Aid intercept provisions of the Indentures and the Buffalo Schools Act in order to provide payment of debt service on the Series 2021 Bonds on the next succeeding May 1 and November 1.

State Aid

Enacted 2021-2022 State Budget

The recently adopted State budget for the upcoming 2021-22 fiscal year included significant increases in State Aid in the general fund, fully restored any State Aid reductions from the 2020-21, and adopted legislation, that if followed, will fully fund State Foundation Aid by 2023-24. At this time, the Buffalo CSD is still analyzing the State Aid data and legislation adopted as part of the 2021-22 State

Budget; however, the overall State Aid increase is approximately \$72.7 million or 9.3%, over the amount expected to be received in 2020-21, and \$70.7 million or 9.0% over the amount budgeted in 2020-21, an unprecedented increase. 2021-22 State Aid in the Food Service Fund of \$1.8 million is flat with the 2020-21 budget, while 2021-22 State Aid in the Grants Fund of approximately \$45.9 million is \$1.7 million or 3.6% under the 2020-21 budget.

Approval of the 2020-21 and 2021-22 Budgets of the Buffalo CSD

Under State law the Buffalo CSD is required to adopt a balanced budget for each fiscal year ending June 30. The Buffalo CSD's 2020-21 general fund budget totals approximately \$954.7 million, a 2.9% increase over the 2019-20 budget. The Buffalo Board of Education is expected to adopt the Buffalo CSD's fiscal year 2021-22 general fund budget not earlier than May 19, 2021. The Buffalo CSD has submitted its draft budget for the 2021-22 fiscal year for approval by the Common Council. The Buffalo CSD's proposed general fund budget totals approximately \$972.5 million, a 1.9% increase from the 2020-21 budget. Submitted with the 2021-22 Buffalo CSD general fund budget is a Food Service budget amounting to \$44.1 million, which includes State Aid of \$1.8 million, and grants fund budget amounting to \$105.0 million, exclusive of Federal stimulus aid, which includes State Aid of \$45.9 million. Total State Aid in the combined Buffalo CSD budgets for 2021-22 is projected to be \$857.9 million.

Enacted 2019-20 and 2020-21 State Budgets

The Buffalo CSD depends on substantial financial assistance from the State. The Buffalo CSD received \$823.7 million of State Aid for all funds in fiscal year 2018-19 and \$828.0 million in fiscal year 2019-20. For the current fiscal year ending June 30, 2021, the Buffalo CSD budgeted \$787.2 million of State Aid receipts for all funds, and as of March 31, 2021, expects to receive approximately \$785.2 million by the close of such fiscal year. This projection is based upon the sum of: (i) a \$737.1 million apportionment to the Buffalo CSD for operations and maintenance expenses, (ii) \$46.6 million in projected receipts of State grant funding and (iii) \$1.4 million in projected receipt of food service funding. No assurance can be given that State Aid for all funds actually received by the Buffalo CSD in its 2020-21 fiscal year will equal the amounts estimated above.

Due to significant State revenue loss as a result of the impact of the COVID-19 pandemic, total State Aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget. The State's 2020-21 Enacted Budget also authorized the State's Budget Director to make periodic adjustments to State Aid in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October, 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts in the State.

However, following the enactment of a second COVID relief bill by Congress in December 2020, the Buffalo CSD received \$8.8 million in State Aid payments previously withheld during its 2019-20 fiscal year by March 31, 2021, which was the end of the State's current fiscal year. In addition, the State did not reduce State Aid to municipalities and schools districts during its 2020-21 fiscal year to the extent permitted under existing provisions of the State's 2020-21 budget.

Notwithstanding budgetary projections, any future financial difficulties of the State could result in reduced payments of State Aid to municipalities and school districts in the State, including the Buffalo CSD. Past State financial and cash flow difficulties have resulted in cash flow difficulties and delays in payment of State Aid to school districts, including the Buffalo CSD. See "BONDHOLDERS' RISKS — The State's Financial Condition, Reduced State Aid, Delayed Payment" and "— Potential Future Budget Imbalance."

State Aid Intercept

As stated above under “State Aid Intercept,” in the event the Buffalo CSD fails to make an installment purchase payment under the Installment Sale Agreements, the Buffalo Schools Act and the Indentures provide that upon receipt by the State Comptroller of a certificate from the Trustee on behalf of the Issuer as to the amount of such failed payment, the State Comptroller will withhold any State Aid from the Buffalo CSD payable thereto to the extent of the amount so stated in such certificate as not having been made, and will immediately pay over to the Trustee on behalf of the Issuer the amount so withheld. The Buffalo Schools Act provides that (x) any amount of State Aid paid by the State Comptroller will not obligate the State to make, nor entitle the Buffalo CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Buffalo Schools Act will be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid and (z) the State will not be obligated by the terms of the Buffalo Schools Act to maintain State Aid at any particular level or amount. No assurance can be given that present State Aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State Aid (the only source of funds to make the installment purchase payments payable by the Buffalo CSD pursuant to the Installment Sale Agreements) could have a material adverse effect upon the Buffalo CSD, requiring the Buffalo CSD to either increase revenues from sources other than State Aid or curtail expenditures.

State Aid Categories Generally

State Aid for public schools comes primarily from the State’s general fund wherein the major revenue source is State income and sales taxes. The balance of State Aid for public schools comes from a special revenue fund account supported by lottery receipts.

The following table sets forth the total amount of State Aid received by the Buffalo CSD for all funds for fiscal years 2014-15 through 2019-20, as well as State Aid Funds expected to be received in fiscal years 2020-21 and 2021-22.

State Aid (All Funds) Buffalo CSD Fiscal Years 2015 through 2022	
Fiscal Year Ending June 30,	State Aid Received (\$ in Millions)
2015	\$697.9
2016	722.0
2017	759.0
2018	811.7
2019	823.7
2020	828.0
2021 ⁽¹⁾	785.2
2022 ⁽²⁾	857.9

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of March 31, 2021.

⁽²⁾ Proposed budget as of May 1, 2021

The aggregate of estimated maximum annual Installment Purchase Payments with respect to all Project Bonds outstanding and the Series 2021 Bonds (after giving effect to the refunding of the 2011 Refunded Bonds) is \$94.8 million*.

The total amount of State Aid for all funds received by the Buffalo CSD in fiscal year 2019-20 was \$828.0 million. The total amount of State Aid for all funds budgeted by the Buffalo CSD for fiscal year 2020-21 was \$787.2 million, while it is anticipated as of March 31, 2021, that \$785.2 million will be received. Actual State Aid Revenue received by the Buffalo CSD has averaged approximately \$788.9 million per year over the past five completed fiscal years, through and including fiscal year 2019-20.

No assurance can be given that the amounts of State Aid received in past years will continue, or be available in future fiscal years. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment” and “APPENDIX A — Audited Financial Statements of the Board of Education of the City School District of the City of Buffalo for the Fiscal Year Ended June 30, 2020.”

Beginning with the 2007-08 fiscal year, the majority of State Aid to be received by the Buffalo CSD has been calculated using “Foundation Aid.” Foundation Aid was established by the 2007-08 State budget and combined four categorical aid grants with certain other formula aids. Formula aids consist of State Aid determined in accordance with an application submitted to the State Education Department (“SED”), which incorporates required data concerning district enrollment, attendance and approved expenditures. At its inception, Foundation Aid established minimum annual increases in State Aid of 3.0% per year through 2010-11, with high poverty districts such as the Buffalo CSD receiving more assistance. However, based on the economy of New York State, the State Aid guarantees were abandoned after the first year. The Buffalo CSD received its first increase in Foundation Aid since 2008-09 with the adoption of the 2012-13 New York State Budget and has received increases each year since, until the 2020-21 State Budget, where Foundation Aid was frozen at the 2019-20 level, while the State implemented a Pandemic Adjustment which reduced overall State Aid by \$29.5 million, offsetting the same amount of Federal Disaster relief received by Buffalo CSD under the Federal CARES Act. Foundation Aid may decline in the future and no assurance can be given that Foundation Aid will continue at its current level. In addition, no assurance can be given that other categories of State Aid will continue at current levels or will increase in the future. The adopted 2021-22 State Budget includes a \$43.3 million, or 8.0% increase in Foundation Aid, and legislation that if followed, will fully fund Foundation Aid by 2023-24. At this time, the Buffalo CSD is still analyzing the State Aid data and legislation adopted as part of the 2021-22 State Budget. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. No increases in Foundation Aid were received in fiscal years 2010-11 or 2011-12. In addition, within Foundation Aid there are stipulations that the Buffalo CSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the Contract for Excellence (“CFE”) and the Community Schools set-aside that was established in 2016-17. For fiscal years 2014-15 through 2019-20 the total CFE set-aside was \$13.6 million. The Community Schools set-aside was \$12.5 million in 2016-17; \$15.5 million in 2017-18; \$18.3 million in 2018-19 and \$21.1 million in 2019-20 and 2020-21. In the adopted 2021-22 State Budget, the CFE set-aside is \$13.6 million, while the Community Schools set-aside is \$21.1 million. Future reductions in Foundation Aid or other aid categories of State Aid to the Buffalo CSD could adversely affect the financial condition of the Buffalo CSD.

* Preliminary, subject to change.

Another State Aid category, Charter School Transitional Aid, was established in the 2007-08 as part of the State Budget to help provide relief from the financial drain caused by the significant number of charter school students in certain school districts, including the Buffalo CSD. Charter School Transitional Aid totaled \$5.3 million for 2017-18, \$9.3 million for 2018-19, and \$9.3 million for 2019-20. The 2020-21 projected amount for Charter School Transitional Aid is \$7.8 million. The 2021-22 budget for Charter School Transitional Aid is anticipated to be \$8.0 million. The aid continues on a rolling basis so long as charter school enrollment continues to increase.

In addition to Charter School Transition Aid, beginning with the year 2015-16, the State established another aid category called Charter School Supplemental Tuition Reimbursement, which reimburses Buffalo CSD for any amounts in base tuition paid in the prior year that exceed the 2010-11 base tuition of \$12,005 per pupil from 2014-15 through 2017-18. Subsequently, this amount was locked in at \$1,000 per pupil in 2018-19 and years thereafter. In 2017-18, this aid was \$4.0 million or \$500 per charter school pupil; in 2018-19, this aid was \$8.7 million; in 2019-20 this aid was \$9.0 million. The 2020-21 projected amount for Charter School Supplemental Tuition Reimbursement is \$9.2 million. The 2021-22 budget for Charter School Supplemental Tuition Reimbursement is anticipated to be \$9.2 million.

The Buffalo CSD also receives State Aid related to the Smart Schools Bond Act approved by New York State voters in 2014. The allocation for Buffalo CSD is \$56.0 million. The purpose of the Smart Schools Bond Act is to provide improved educational technology and infrastructure to improve learning and opportunity for students. These revenues are recorded in the capital fund and amounted to \$10.0 million in 2017-18, \$10.6 million in 2018-19 and \$9.4 million in 2019-20. Because of uncertainty related to the timing of project approvals and receipt of funds, these revenues are not included in State Aid revenue projections until received.

The Buffalo CSD receives State Aid for education in several installments paid to the City throughout its fiscal year based on a formula established by SED. These installments of State Aid are paid net of the Buffalo CSD's contribution to the New York State Teachers' Retirement System.

In fiscal year 1999-00, the Buffalo CSD received additional lottery aid in the amount of \$30.0 million which was provided to the Buffalo CSD to assist in funding the Buffalo Teachers Federation ("BTF") settlement payment. The \$30.0 million comprises two components: the first \$20.0 million was used for the teacher settlement amount paid in July 2001, and the second component of \$10.0 million was to be used as a stabilization reserve for the annual debt service owed to the New York State Municipal Bond Bank Agency (the "Prior MBBA Bonds") for the \$25.0 million advanced to the Buffalo CSD for the BTF settlement. The \$30.0 million in lottery aid took the form of a "lottery advance" from the State. In effect, the \$20.0 million was a loan from the State which is to be paid back over 30 years. The repayment of this "loan" is captured in annual installments through a reduction in the amount of lottery aid paid to the Buffalo CSD, such deductions began in fiscal year 2001. The Buffalo CSD took an additional advance of \$1.4 million in the 2005-06 fiscal year in accordance with Chapter 465 of the Laws of 2005. This advance is also treated as a "loan" to be repaid over 30 years and the repayment is captured from annual aid installments. The Buffalo CSD records the gross amount of aid with its regular basic State Aid amount and books debt service payments for the amount of the installments withheld by the State. As of June 30, 2020, the remaining debt outstanding is \$9.6 million. See "BONDHOLDERS' RISKS — Competing Claims to State Aid" and "— Default by the Buffalo CSD"; and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid Intercept."

Chapter 57 of the Laws of 2005 provided for an apportionment to school districts for public pension accruals required to be accounted for beginning in the 2004-05 school year. Upon application,

the apportionment is available to the Buffalo CSD as revenue and may be used to offset any General Fund deficit resulting from the impact of the implementation of GASB Technical Bulletin 2004-2. The apportionment is an advance of the subsequent year's general aid payable, and will reduce general aid in such subsequent years. The Buffalo CSD applied for and received an advance of \$11.5 million in each of the fiscal years 2004-05 through 2019-20. The Buffalo CSD intends to continue this practice so long as the legislation is renewed.

Payment of State Aid for education may be withheld due to the failure of the City or the Buffalo CSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes. The Buffalo CSD believes that it is in material compliance with all other requirement and has made the necessary debt service appropriations.

In addition to State Aid for education, the Buffalo CSD receives federal medical reimbursement for certain health services provided to students. The Buffalo CSD received a total of \$4.4 million for Medicaid reimbursement in fiscal year 2017-18, \$4.5 million for 2018-19, and \$4.1 million for 2019-20 and has projected \$2.8 million for 2020-21. The 2021-22 budget for Medicaid reimbursement is anticipated to be \$3.0 million. Also included in the Buffalo CSD 2020-21 adopted budget was \$29.6 million in Federal Aid under the CARES Act, which was used to offset a corresponding reduction in State Aid. This amount has been received in the form of a grant, initially anticipated to be recorded in the grants fund; however, based on guidance from the New York State Comptroller's Office, the revenues and associated expenditures must be recorded in the general fund. Buffalo CSD expects the 2020-21 revenues from these federal funds to be \$26.7 million, with the remaining unspent funds carrying over into 2021-22.

Pursuant to the Coronavirus Response and Relief Supplemental Appropriations ("CRRSA") Act, Buffalo CSD expects to receive approximately \$88.8 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. Further, pursuant to the American Rescue Plan ("ARP"), Buffalo CSD expects to receive approximately \$201.0 million in additional federal disaster relief funds starting with its 2021-22 fiscal year. For both of these federal disaster relief programs, the final allocations, final guidance, and application forms are not yet available. The funds are expected to be available through September 2024. Based on initial guidance from the New York State Education Department, these supplemental funds are expected to be treated as revenues in the special aid fund, not the general fund. Plans for spending these funds will be developed in accordance with the related guidance in the coming months.

The amount of State Aid to school districts, including Buffalo CSD is dependent in part upon the financial condition of the State. Due to the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The 2019-20 and 2020-21 State budget provided the Governor with the ability to make mid-year aid cuts if State revenues or expenditures missed certain thresholds; that unilateral authority was removed in the 2021-22 State budget. The full impact of COVID-19 upon the State will not be known for some time, and Federal stimulus funds appear to have mitigated the need for State Aid cuts to localities and school districts at this time; however, future State Aid reductions cannot be ruled out. In the future, the State may experience budgetary restrictions which will require certain gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations and/or the delay, elimination or substantial reduction in payments to municipalities, school districts or other recipients of

State Aid in the State, including the City and Buffalo CSD. If this were to occur, the delay, elimination or substantial reduction in the payment of State Aid could adversely affect the financial condition of municipalities and school districts in the State, including the City and Buffalo CSD, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures

In addition, in this year or future years, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes or if the State experiences delays in the adoption of the State budget, the State may have to delay payments of aid to its municipalities and school districts, including the Buffalo CSD, until sufficient State funds are available to make such payments. The Buffalo CSD may be adversely affected by such delay. In certain years in the past, delays in adoption of the State budget have resulted in delays in the payment of State Aid to municipalities and school districts

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

State Building Aid

A portion of State Aid received each year by the Buffalo CSD constitutes State Building Aid. State Building Aid is available for certain approved capital outlays and debt service for school buildings housing elementary and/or secondary students, and for school bus garages. A project is not eligible for State Building Aid unless the construction costs of the project are equal to or exceed \$10,000, excluding incidental costs. Consistent with Section 3602, subdivision 6 of the Education Law, construction may include new buildings, additions, alterations and reconstruction of existing facilities.

The purpose of State Building Aid is to assure that each school district provides for suitable and adequate facilities to accommodate the students and programs of the district. To this end, new facilities, new buildings, additions and major alterations must meet specific standards pertaining to the type, size and number of teaching stations, as well as building code requirements. Existing facilities must meet health and safety regulations and reconstruction of existing facilities must meet building code requirements.

The Commissioner of Education must approve plans and specifications for the capital construction projects undertaken by the Buffalo CSD. This charge is administered by the Office of Facilities Planning pursuant to Section 408 of the Education Law and Part 155.2 of the Regulations of the Commissioner of Education.

Eligibility for new construction is determined through an assessment of information contained in the Buffalo CSD's long-range plan, and includes educational need, a comparison of pupil enrollment projections, and the rated pupil capacity of existing buildings. In the case of school buildings, State Building Aid is a function of the pupil capacity assigned to the capital construction project.

State Building Aid fluctuates from year to year based on a number of factors, including the ratio of the City's wealth to the State's average wealth.

State Building Aid reimburses approximately 95% of Phase I, Phase II, Phase III, Phase IV and Phase V projects. State Building Aid fluctuates from year to year based on a number of factors, including the ratio of the City's wealth to the State's average wealth. Currently, State Building Aid is at 98% for new projects.

The State is not obligated to continue to make State Building Aid payments. No assurance can be given that State Building Aid will continue to be received by the Buffalo CSD or, if received, will be in amounts comparable to the amounts of State Building Aid received by the Buffalo CSD in the past. State budgetary restrictions could eliminate or substantially reduce State Building Aid in the future. See "BONDHOLDERS' RISKS — The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID 19."

Pursuant to Chapter 383 of the Laws of 2001 ("Chapter 383"), certain provisions of the Education Law were amended to impose an "assumed amortization schedule" with respect to certain debt incurred by the City related to school construction purposes ("School Debt") and to thereby revise the manner in which State Building Aid is to be paid to the Buffalo CSD with respect to such school debt commencing July 1, 2002. This legislation caused the City to refund and restructure a portion of its outstanding School Debt. Chapter 383 requires that the State Education Department reset the interest rate used to calculate the "assumed amortization schedule" at least once every 10 years. The Buffalo CSD applied for and received waivers from the interest rate reset for the 2019-20 and 2020-21 fiscal years. The City anticipates that it will refinance any School Debt that is subject to having the interest rate used to calculate the applicable assumed amortization schedule reset and that is eligible to be refinanced under State and federal law. To the extent that any such School Debt is not eligible to be refinanced under State and federal law, the Buffalo CSD anticipates that it will apply for a waiver from SED. The likelihood of SED granting future waiver requests is unknown at this time.

Subject to certain limited exceptions, assumed amortization for capital construction projects approved by the Commissioner of SED on and after July 1, 2011, will begin the later of 18 months after SED approval or when the final cost report and certificate of substantial completion have been received by SED.

New York State Budget Process

The following discussion is being included because all payments under each of the 2021A Installment Sale Agreement and the 2021B Installment Sale Agreement will be derived from State Aid, which State Aid is subject to annual appropriation by the State.

The State's budget process is based on an executive budget system under which the Governor is required by the State Constitution to seek and coordinate requests from agencies of State government, develop a "complete" plan of proposed expenditures and the revenues available to support them (a "balanced budget"), and submit a budget to the Legislature along with the appropriation bills and other legislation required to carry out budgetary recommendations. The Governor also is required by the State Finance Law to manage the budget through administrative actions during the fiscal year.

The State's fiscal year begins April 1 and ends on March 31. However, the actual "budget cycle," representing the time between early budget preparation and last-minute disbursements, begins some nine months earlier and lasts approximately 27 months - until the expiration of the State Comptroller's authority to honor vouchers against the previous fiscal year's appropriations:

Agency Budget Preparation (June-September/October)

The formal budget cycle begins when the Budget Director issues a policy memorandum - the “call letter”- to agency heads. The call letter outlines, in general terms, the Governor’s priorities for the coming year, alerts the agency heads to expected fiscal constraints and informs agencies of the schedule for submitting requests to the Division of the Budget.

Division of the Budget Review (September/October-December)

Agencies typically submit their budget requests to the Division of the Budget in September or October, with copies provided to the legislative fiscal committees. Examination units within the Division then analyze the requests of agencies for which they have responsibility. In November, the Budget Director conducts a series of constitutionally authorized “formal” budget hearings, giving agency heads an opportunity to present and discuss their budget requests and giving the staff of the Division of the Budget and the Governor’s office an “on-the-record” opportunity to raise critical questions on programs, policies and priorities.

Through late November, the Division’s examiners transform agency requests into preliminary budget and personnel recommendations which are reviewed in detail with the Director. The staff also prepares the appropriation bills and any other legislation required to carry out these recommendations. By early December, the Division of the Budget will normally have completed its recommendations on both revenues and expenditures, and presented them to the Governor and the Governor’s staff. Budget staff then prepares the tables and the narrative that accompany each agency budget, and the descriptions and forecasts of individual revenue sources.

The Governor’s Decisions (November-January)

The Governor and staff who also are preparing the annual Message to the Legislature (the “State-of-the-State” message which the Governor presents to the Legislature when it convenes in January) are conversant with the budget throughout its development.

Legislative Action (January-March)

The Governor typically submits the Executive Budget to the Legislature in mid-January or following a gubernatorial election year, by February 1, along with the related appropriation, revenue and other budget bills concerning State operations, aid to localities, capital projects and debt service. The State’s Five-Year Capital and Financing Plan (the “Financing Plan”) also is submitted with the Executive Budget. Within 10 days, the Division of the Budget provides the Legislature with additional financial information supporting the Executive Budget. A three-year financial projection is submitted within 30 days following submission of the Executive Budget, although it can be submitted earlier.

The Legislature, primarily through its fiscal committees - Senate Finance and Assembly Ways and Means - then analyzes the Executive spending proposals and revenue estimates, holding public hearings on major programs and seeking further information from the staffs of the Division of the Budget and other State agencies. Following that review, the Legislature acts on the appropriation bill submitted with the Executive Budget to reflect its decisions.

The appropriation bills, except for those items which were added by the Legislature and the appropriation for the Legislature and Judiciary, become law without further action by the Governor. The Governor must approve or disapprove all or parts of the appropriation bills covering the Legislature and Judiciary and may use the line item veto to disapprove items added by the Legislature. As provided in the Constitution, the Legislature may override the Governor’s veto by the vote of two-thirds of the members of

each house. The passage of the appropriation bills provides a legal foundation for the disbursement of funds during the new fiscal year.

Budget Execution (March)

At this point the budget process enters a new phase — budget execution. As a first step, the Division of the Budget approves “certificates of allocation” informing the State Comptroller that accounts may be established as specified in the certificates and that vouchers drawn against the accounts may be honored.

In addition, the Division of the Budget keeps a close watch throughout the year on the flow of revenue and the pattern of expenditures against its projections. This information is reflected in quarterly updates of the Financial Plan which are provided to the Legislature, as required by law, in April (or as soon as practicable after budget enactment), July, October and with the Executive Budget for the ensuing year.

Possible Delays in Budget Enactment

While the 2015-16, 2016-17, 2018-19 and 2019-20 Enacted State Budgets were timely adopted, the 2017-18 Enacted State Budget was adopted 8 days late, the 2020-21 Enacted State Budget was adopted 1 day late and, the 2021-22 Enacted State Budget was adopted 7 days late, and, in the past, adoption of State budgets has been significantly delayed beyond the time frames outlined above. Any delay in adoption of the State budget could delay the payment of State Aid to municipalities and school districts in the State, including the Buffalo CSD, which could, in turn, adversely affect the ability of the Buffalo CSD to make installment purchase payments under the Installment Sale Agreements. See “BONDHOLDERS’ RISKS — The State’s Financial Condition, Reduced State Aid, Delayed Payment.”

Limited Obligations of the Issuer

THE SERIES 2021A BONDS AND THE SERIES 2021B BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID PAYABLE BY THE BUFFALO CSD UNDER THE APPLICABLE INSTALLMENT SALE AGREEMENT, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE RELATED BOND FUND UNDER THE APPLICABLE INDENTURE. IN THE EVENT THE BUFFALO CSD FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER AN INSTALLMENT SALE AGREEMENT, IT IS PROVIDED IN THE BUFFALO SCHOOLS ACT AND THE APPLICABLE INDENTURE THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE APPLICABLE SERIES TRUSTEE ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE BUFFALO CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE APPLICABLE SERIES TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE BUFFALO CSD UNDER EACH OF THE INSTALLMENT SALE AGREEMENTS TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE BUFFALO CSD OR THE CITY AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE BUFFALO CSD OR THE CITY ARE PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENTS. THE OBLIGATIONS OF THE BUFFALO CSD UNDER EACH OF THE INSTALLMENT SALE AGREEMENTS TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE BUFFALO CSD CONSTITUTE A CURRENT EXPENSE OF THE BUFFALO CSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE BUFFALO CSD, THE CITY OR THE STATE WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR

OTHER LAWS OF THE STATE OF NEW YORK. THE ONLY SOURCE OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2021 BONDS IS INSTALLMENT PURCHASE PAYMENTS MADE BY THE BUFFALO CSD UNDER THE RESPECTIVE INSTALLMENT SALE AGREEMENTS, TO THE EXTENT OF STATE AID APPROPRIATED BY THE STATE AND AVAILABLE TO THE BUFFALO CSD AND APPROPRIATED BY THE BUFFALO CSD TO MAKE SUCH PAYMENTS, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID LAWFULLY APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR FROM TIME TO TIME FOR THE BENEFIT OF THE BUFFALO CSD.

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ANNUAL INSTALLMENT PURCHASE PAYMENTS

The following table sets forth the annual installment purchase payments due on April 1 of each year pursuant to the respective Series Facilities Agreement with respect to each series of Project Bonds after giving effect to the refunding, of the 2011 Refunded Bonds.

Installment Sale Payment Date due <u>April 1</u>	2012A Installment Purchase Payments ⁽¹⁾	2013A Installment Purchase Payments ⁽¹⁾	2015A Installment Purchase Payments ⁽¹⁾	2016 Installment Purchase Payments ⁽¹⁾	2021A Installment Purchase Payments ⁽¹⁾	2021B Installment Purchase Payments ⁽¹⁾	Total Installment Purchase Payments
2022	\$23,898,500.00	\$3,299,450.00	\$27,079,875.00	\$20,486,125.00			
2023	23,896,875.00	3,302,750.00	27,072,750.00	20,487,000.00			
2024	23,898,625.00	3,299,000.00	27,079,250.00	20,483,250.00			
2025	23,901,000.00	3,303,000.00	27,076,625.00	20,487,750.00			
2026	10,675,375.00	21,280,125.00	26,297,250.00	2,509,250.00			
2027		21,281,750.00	25,514,250.00	2,509,250.00			
2028		21,279,000.00	24,644,000.00	2,509,250.00			
2029			5,945,000.00	22,228,625.00			
2030				23,791,375.00			
2031				7,272,375.00			
2032							
TOTAL	\$106,270,375.00	\$77,045,075.00	\$190,709,000.00	\$142,764,250.00			

(1) An amount equal to the total principal and interest due on Project Bonds each May 1 and November 1 is due in full on each preceding April 1 pursuant to the respective Series Facilities Agreement.

BONDHOLDERS' RISKS

The discussion in this section regarding risks to holders of the Series 2021 Bonds is not intended to be dispositive, comprehensive or definitive, nor does the order in which the risks are discussed necessarily reflect their relative importance. The discussion is intended only to summarize certain matters that could affect payment on the Series 2021 Bonds. Holders of the Series 2021 Bonds should be aware that these matters and other potential risks and factors could materially adversely affect receipt by the holders of payments on the Series 2021 Bonds. There can be no assurance that other risks or factors will not become material in the future. Other sections of this Official Statement should be referred to for a more detailed description of the risks described in this section, which descriptions are qualified by reference to any documents discussed therein. Copies of all such documents are available for inspection at the principal corporate trust office of the Trustee.

The State's Financial Condition, Reduced State Aid, Delayed Payment, COVID-19

The amount of State Aid paid to the Buffalo CSD is dependent in large measure upon the financial condition of the State. The State regularly publishes its Annual Information Statement relating to its financial condition, as well as quarterly updates and supplements thereto.

The State's 2021-22 Enacted Budget provided for school aid of approximately \$29.1 billion, an increase of approximately \$3.1 billion in school aid spending from the 2020-21 school year. The Foundation Aid increase amounts to \$1.4 billion, while \$1.1 billion is allocated to the full restoration of the Pandemic Adjustment, a budget balancing cut implemented in the 2020-21 State Budget. Other increases in 2021-22 school aid are largely formula driven, or related to additional grant programs. Further, State legislation was passed as part of the 2021-22 State Budget that is expected to fully fund Foundation Aid by 2023-24, which would provide school aid amounting to \$2.5 billion over the 2022-23 and 2023-24 years.

Due to the anticipated impact of the COVID-19 pandemic on State revenues, State Aid in the State's 2020-21 Enacted Budget was 3.7 percent lower than in the State's 2019-20 Enacted Budget but as described below, was offset in part with increased Federal support. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State Aid in the school district fiscal year 2020-21 is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent. The State's 2019-20 Enacted Budget provided for school aid of approximately \$27.9 billion, an increase of more than \$1 billion in school aid spending from the 2018-19 school year. The State's 2018-19 Enacted Budget provided for school aid of approximately \$26.7 billion, an increase of approximately \$1.0 billion in school aid spending from the 2017-18 school year.

The State's 2020-21 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The State 2020-21 Enacted Budget also provided over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid was continued under existing aid formulas. Out-year growth in State Aid reflects current projections of the ten-year average growth in State personal income.

As a result of fiscal stress due to the COVID-19 pandemic, provisions in the State's 2020-2021 Enacted Budget granted the Budget Director the authority to reduce "aid-to-localities" appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by the New York State Division of the Budget. Aid-to-localities is a broad spending category that includes funding for health

care, K-12 schools, and higher education as well as support for local governments, public transit systems, and the State's not-for-profit partners. In addition, the Budget Director was authorized to withhold and reduce specific local aid payments during the 2020-2021 fiscal year, if the State's 2020-2021 Enacted Budget was deemed out of balance for such the fiscal year. The State's 2020-2021 Enacted Budget was premised on the assumption that the Budget Director's powers would be activated and across-the-board and targeted reductions to local aid programs would be taken to close a substantial portion of the State fiscal year 2021 budget gap.

Any significant reductions or delays in the payment of State Aid could adversely affect the financial condition of school districts in the State.

The State's 2020-21 Enacted Budget included, and the State's 2021-22 Enacted Budget includes, significant amounts of federal funding. The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget. There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State Aid including school districts in the State.

While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State Aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State Aid appropriated and apportioned to the Buffalo CSD can be paid only if the State has such monies available for such payment. Recent Federal stimulus aid pursuant to the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan of 2021 (ARP), include maintenance of effort provisions for states receiving these funds on behalf of school districts, during state fiscal years 2021-22 and 2022-23. The maintenance of effort calculation is based on the state's overall spending. According to the adopted 2021-22 New York State Budget, the Buffalo CSD's total State Aid is expected to grow approximately \$72.4 million or 9.8% in the general fund, while the largest component of Buffalo CSD State Aid, Foundation Aid, is expected to grow \$43.3 million or 8.0% from \$544.2 million to \$587.5 million in 2021-22. Further, State legislation has been passed that is expected to fully fund Foundation Aid by 2023-24, which would result in a roughly 4.5% annual increase in Foundation Aid in both 2022-23 and 2023-24.

The total amount of State Aid for all funds is comprised of Foundation Aid and a number of other State Aid categories. Foundation Aid is the largest component of State Aid for the Buffalo CSD. The receipt of Foundation Aid is dependent upon, among others, satisfaction of certain monitoring and expenditure requirements. No increases in Foundation Aid were received in fiscal years 2010-11 or 2011-12. In addition, within Foundation Aid there are stipulations that the Buffalo CSD must use a formula-based amount on new programs, or expansion of existing programs, to improve student achievement as outlined in the Contract for Excellence ("CFE") and the Community Schools set-aside that was established in 2016-17. For fiscal years 2014-15 through 2019-20 the total CFE set-aside was \$13.6 million. The Community Schools set-aside was \$12.5 million in 2016-17; \$15.5 million in 2017-18; \$18.3 million in 2018-19 and \$21.1 million in 2019-20 and 2020-21. In the adopted 2021-22 State Budget, the CFE set-aside is \$13.6 million, while the Community Schools set-aside is \$21.1 million. Future reductions in Foundation Aid or other aid categories of State Aid to the Buffalo CSD could adversely affect the financial condition of the Buffalo CSD. See "SECURITY AND SOURCES OF

PAYMENT FOR THE SERIES 2021 BONDS — State Aid — *State Aid Categories Generally.*” See also “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS—State Aid” with respect to the timing of the approval of the Buffalo CSD fiscal year 2021-22 budget.

Principal of and interest on the Project Bonds, including the Series 2021 Bonds, will be paid from State Aid payable through (i) installment purchase payments made by the Buffalo CSD under the Series Facilities Agreements, including the Installment Sale Agreements or (ii) from the intercept of State Aid by the State Comptroller. Both methods of payment are dependent upon lawful appropriations of State Aid being made each year by the State to the Buffalo CSD. No assurance can be given that present State Aid levels will be maintained in the future. The Buffalo Schools Act provides that (x) any amount of State Aid paid by the State Comptroller pursuant to the State Aid Intercept provisions of the Buffalo Schools Act shall not obligate the State to make, nor entitle the Buffalo CSD to receive, any additional amounts of State Aid, (y) nothing contained in the Buffalo Schools Act shall be deemed to prevent the State from modifying, reducing or eliminating any program or programs of State Aid and (z) the State shall not be obligated by the terms of the Buffalo Schools Act to maintain State Aid at any particular level or amount. Financial difficulties of the State could result in reduced payments of State Aid to municipalities and school districts in the State (including the Buffalo CSD) in future fiscal years. Given the Buffalo CSD’s dependence on State Aid (the only source of funds to make the installment purchase payments payable by the Buffalo CSD pursuant to the Series Facilities Agreements, including the Installment Sale Agreements), substantial reductions in the payment of State Aid could adversely impact the Buffalo CSD’s ability to pay, or timely pay, installment purchase payments under the Series Facilities Agreements, including the Installment Sale Agreements, and accordingly, the payment of debt service on the Project Bonds, including the Series 2021 Bonds.

State financial difficulties also may result in protracted and delayed State budget negotiations which could result in delays in the adoption of the State budget. Delays in adoption of the State budget in future years could result in delayed payment of State Aid to school districts in the State, including the Buffalo CSD. During the State’s 2011-12 to 2019-20 fiscal years, State Aid to school districts was paid in a timely manner; however, during the State’s 2009-10 fiscal year, State budgeting restrictions resulted in delayed payments of State Aid to school districts in the State. In the past, adoption of a State budget has been delayed as long as four and a half months. There can be no assurance that (y) the State Legislature will continue to adopt State budgets in a timely fashion, or that (z) in the absence of such budget adoption, that the State Legislature will provide on a continuing resolution or other basis State Aid to the Buffalo CSD on an interim basis.

Furthermore, State financial difficulties could result in delayed payment of State Aid in the current and future fiscal years, and could affect payment of State Aid to the Buffalo CSD. Delay in the receipt of State Aid by the Buffalo CSD could have a material adverse financial impact on the Buffalo CSD and result in a delay in the application of such State Aid to the payment of installment purchase payments under the Series Facilities Agreements, including the Installment Sale Agreements.

Impact of COVID-19

The outbreak of COVID-19 has affected education, travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The Buffalo CSD has been communicating with the New York State Education Department and with local and State level department of health agencies. The Buffalo CSD has been following all relevant guidance as it has been released by State and federal agencies. Pursuant to the Governor’s Executive Order, the Buffalo CSD suspended on-site instruction effective March 16, 2020, which suspension was recently extended for the balance of the academic year. During the 2020-21 school year, the District began to phase-in in person instruction, and continues to plan for more students returning through the end of the 2020-21 school year. The degree of the impact of COVID-19 on the Buffalo CSD’s operations and finances is extremely difficult to predict

due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. There can be no assurances that the spread of COVID-19 will not result in a delay and/or reduction in State Aid paid to school districts, including the Buffalo CSD. Any delay or reduction in State Aid payment to the Buffalo CSD would have a negative impact on the Buffalo CSD's finances and operations. Through the State fiscal year ending March 31, 2021, the Buffalo CSD received all scheduled State Aid payments.

Default by the Buffalo CSD

No representations or assurances can be given that the Buffalo CSD will perform its obligations under the Installment Sale Agreements. The obligation of the Buffalo CSD to make installment purchase payments under the Installment Sale Agreements is executory and dependent upon the receipt of State Aid and the appropriation of such State Aid by the Buffalo CSD to the payment of installment purchase payments under the Installment Sale Agreements. In the event State Aid has been appropriated by the State to the Buffalo CSD and the Buffalo CSD has failed to appropriate such State Aid to the payment of the Installment Sale Agreements, there is no right to accelerate all future payments due under the Series 2021 Bonds and the sole source of payment for the Series 2021 Bonds will be the intercept of State Aid by the State Comptroller. The failure of the Buffalo CSD to appropriate amounts necessary to make installment purchase payments due under the Installment Sale Agreements may result in the failure of the Issuer to make required debt service payments under the Series 2021 Bonds. In such event, the sole remedy available to the Bondholders will be the intercept of State Aid by the State Comptroller. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid Intercept."

Appropriation of Installment Purchase Payments by the Buffalo CSD

The availability of installment purchase payments under the Installment Sale Agreements are subject to and dependent upon lawful appropriations of State Aid being made each year to and by the Buffalo CSD for such purposes. The Installment Sale Agreements are not a general obligation of the Buffalo CSD or the City. The obligation of the Buffalo CSD under the Installment Sale Agreements to pay installment purchase payments in any fiscal year of the Buffalo CSD constitutes a current expense of the Buffalo CSD for such fiscal year and shall not constitute an indebtedness of the Buffalo CSD or the City within the meaning of any constitutional or statutory provision or other laws of the State. Neither the Installment Sale Agreements, nor any representation by any public employee or officer creates any legal or moral obligation of the Buffalo CSD to appropriate or make moneys available for the purposes of the Installment Sale Agreements. The failure of the Buffalo CSD to pay installment purchase payments due under the Installment Sale Agreements may result in the failure of the Issuer to make required debt service payments under the Series 2021 Bonds. In such event, there is no right to accelerate payments due under the Series 2021 Bonds and the sole remedy available to the Bondholders will be the intercept of State Aid by the State Comptroller.

Competing Claims to State Aid

General

Statutory provisions currently exist or may hereafter be enacted which permit State Aid otherwise payable to the Buffalo CSD to be diverted or intercepted and applied in satisfaction of indebtedness or obligations issued or incurred for school purposes or otherwise. In addition, at the present time, other than as provided in the State Aid Trust Agreement with respect to Project Bonds, there is no stated priority for the various multiple State Aid diversion and intercept claims. Furthermore, the impact of the

diversion or intercept of State Aid to pay obligations other than Project Bonds will be increased in the event State Aid payments to the Buffalo CSD are reduced as described above.

Direct Claims

Revenue Anticipation Notes. Revenue anticipation notes issued by the City in anticipation of the receipt of State Aid are payable in the first instance from the amount of State Aid in anticipation of which such revenue anticipation notes were issued. State law requires that such State Aid received by the City be applied to retire such revenue anticipation notes prior to the application of such State Aid to any other purpose. The BFSA issued revenue anticipation notes on behalf of the City on September 13, 2006 in the amount of \$60 million, of which \$30 million matured and was paid on May 15, 2007 and the remaining \$30 million matured and was paid on August 14, 2007. Since September 13, 2006, the City has not issued cash flow notes and currently does not anticipate any additional cash flow financing in the remainder of fiscal year 2020-21 or during fiscal year 2021-22. The State Aid Trust Agreement provides that, notwithstanding the provisions of the State Aid Trust Agreement providing for the flow of State Aid to the Series Trustee, upon receipt of written instructions to the Depository Bank from the City, together with an accompanying monthly payment schedule indicating that, pursuant to applicable State law and, if applicable, any credit enhancement agreement to which the City is a party, State Aid Revenues paid to the Buffalo CSD must be set aside in a special bank account designated in such instructions to be used only for the payment of the RAN Repayment Requirement, then each month the Depository Bank shall immediately withdraw from the State Aid Depository Fund all State Aid that is received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Trust Agreement, to the special bank account until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not paid. Notwithstanding the foregoing, in the event the Buffalo CSD shall fail to pay an installment purchase payment under the Installment Sale Agreements, the intercept provisions of the Buffalo Schools Act and the Indentures will operate to intercept State Aid prior to the payment of such State Aid to the Buffalo CSD in accordance with the State Aid Trust Agreement. Accordingly, such State Aid will be intercepted to pay installment purchase payments under the Installment Sale Agreements, prior to its application by the City to the payment of outstanding revenue anticipation notes of the City.

Municipal Bond Bank Agency Special Program Bonds. Pursuant to the Bond Bank Act, the Bond Bank is authorized to issue bonds (“Special Program Bonds”) for certain Special Program Municipalities, as defined in the Bond Bank Act, to fund the cost of making payment to such Special Program Municipalities to be applied to the cost of settling litigation involving the city school districts of Special Program Municipalities and the teachers’ unions in such Special Program Municipalities. Principal and interest on the Special Program Bonds are payable from annual payments appropriated and made by the Special Program Municipalities to the Bond Bank. In the event that a Special Program Municipality fails to make an annual payment when due and the Bond Bank certifies such failure to the State Comptroller, the State Comptroller is authorized to withhold State Aid and assistance to the Buffalo CSD in such amount so certified by the Bond Bank as necessary to fulfill the Special Program Municipality’s annual payment obligation and to immediately pay over to the Bond Bank the amount so withheld. The City is qualified under the Bond Bank Act as a Special Purpose Municipality and Special Program Bonds (the “2001 Special Purpose Bonds”) were issued in May 2001 to finance a \$25 million portion of a litigation settlement involving the Buffalo CSD and certain teachers’ unions. In 2012 the 2012 MBBA Refunding Bonds were issued to refund the 2001 Special Purpose Bonds. As of June 30, 2020 there were \$9.6 million of such bonds outstanding and maximum annual debt service with respect to such bonds was \$1.1 million. In connection with the issuance of the 2012 MBBA Refunding Bonds, the Buffalo CSD, the City, each Series Trustee and the Depository entered into the State Aid Trust Agreement. Pursuant to the State Aid Trust Agreement, no amounts shall be paid to the MBBA 2012

Series Trustee until all amounts payable to each Series Trustee have been paid in full. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid Trust Agreement.”

Expenses for Handicapped Children. The State Comptroller deducts from State Aid to the City amounts required by statute to reimburse the State for certain expenditures made by the State for the education of certain blind, deaf and handicapped children in the City. Expenditures of approximately \$0.2 million were withheld from Buffalo CSD State Aid for the 2020-21 fiscal year.

Deductions for ERS/TRS Payments. Contribution payments for Local Employees’ Retirement System (the “ERS”) are to be made on or before the first day of February. Municipalities and school systems are allowed to prepay their annual contribution on or before the 15th of December and receive a discounted payment through a divide-by factor that represents 45 days of interest. Chapter 49, Laws of 2003 changed the billing cycle and instituted a minimum contribution rate for ERS, which is equal to 4.5% of payroll every year, including years in which the investment performance of the system would make a lower contribution possible. Chapter 94, Laws of 2015 changed the calculation of employer contributions for the funding on the basis of rates determined on known salaries from the prior fiscal year rather than on an estimate of salaries from the incomplete current fiscal year. There was a retirement contribution of \$6.0 million paid by the Buffalo CSD for the fiscal year ended March 31, 2020 for the ERS. For 2020-21, Buffalo CSD officials have indicated that \$6.6 million was budgeted for this purpose.

New York State Teachers Retirement System (“TRS”) contributions are paid as a reduction in State Aid to Education payments due September 15, October 15 and November 15 on the succeeding fiscal year. For fiscal year 2020-21, the Buffalo CSD contribution for TRS is 9.53% of salaries. Payment is withheld from aid to education payments in the fall of the fiscal year subsequent to which the rate is applicable. The Buffalo CSD records the liability in the year it is incurred, i.e., the year for which the rate is applicable. Any deficiency or excess in TRS contributions are settled on a current basis in the month of January. For the 2019-20 fiscal year, TRS expenditures were approximately \$27.4 million. For 2020-21, Buffalo CSD officials have indicated that \$29.1 million was budgeted for this purpose.

Contingent Claims

Section 99-b. In the event of a default in the payment of the principal of and/or interest on outstanding general obligation indebtedness of the City issued for Buffalo CSD purposes, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, State Aid and assistance to the Buffalo CSD and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of such general obligation indebtedness for Buffalo CSD purposes. As measured by the State Constitution and the Local Finance Law, as of June 30, 2020, the City had a total of \$25.5 million of outstanding net indebtedness applicable to the Buffalo CSD, all of which is benefited by the Section 99-b intercept (the “Section 99-b Debt”), which constitutes approximately 2.6% of its debt limit. The Section 99-b Debt consists of the principal amount of long-term bonds and bond anticipation notes (the “Section 99-b Bonds”). Maximum annual debt service on the Section 99-b Bonds is \$9.1 million.

The Series 2021 Bonds are not general obligation indebtedness of the City and accordingly do not benefit from the Section 99-b intercept.

Charter School Delinquencies. Pursuant to the Charter Schools Acts, the Buffalo CSD is required to pay a State-set tuition rate to charter schools that enroll students residing in the City. Charter school enrollment of City resident pupils increased from 3,100 students in the 2003-04 school year to 9,807 in the 2020-21 school year and was projected for budgeting purposes to be 9,700 in 2021-22. The increases have been attributable through the availability of new seats and a continued growth of enrollment in

existing charter schools. In 2003-04, the amount of charter school funding was \$8,434 per student (including \$7,934 for basic tuition, plus an estimated additional \$500 for special education funding) for a total of approximately \$26.4 million. The current funding rate for fiscal year 2021-22 is estimated to be \$13,985 per student (including \$13,310 for basic tuition, plus an estimated \$675 for special education funding). Total payments were \$125.3 million, \$130.8 million in fiscal years, 2018-19 and 2019-20 respectively. The budgeted amount for fiscal year 2020-21 is \$138.1 million, as of March 31, 2021, total payments are projected to be \$135.8 million. The budgeted amount for fiscal year 2021-22 is \$135.7 million. Under legislation enacted in 2015, there are 94 remaining charters that may be issued in the State, all of which are outside of New York City. Accordingly, enrollment in charter schools is expected to increase through a combination of newly approved schools opening and grade evolution within existing charter schools; however increases may be offset with potential charter closings. New charter schools are not subject to Buffalo CSD approval. In the event the Buffalo CSD fails to make any required payment to charter schools that enroll City resident students, the State Comptroller may deduct delinquent amounts from State Aid otherwise payable to the Buffalo CSD and pay such amounts to the charter schools.

Failure to Comply with Regulations. Payment of State Aid to education may be withheld due to the failure of the City or the Buffalo CSD to comply with various requirements of State law or the regulations of the Commissioner of Education relating to instructional programs, programs for the handicapped or other matters or the failure of the City to pay debt service on obligations issued for school purposes.

The 2016-17 Enacted State Budget included a provision linking the payment of additional State Aid to compliance with a modified teacher evaluation process which provides that school districts will not be eligible for aid unless they have negotiated the optional components of evaluations with their local unions and obtained State approval by December 1, 2016. The Buffalo CSD developed a teacher evaluation process for each of the 2016-17, 2017-18, 2018-19, 2019-20 and 2020-21 fiscal years that was compliant with Education Law Section 3012-d.

In addition, the State may withhold aid if the Buffalo CSD fails to meet the deadline for submitting its independent audit report to the State Education Department. Pursuant to Section 2116-a of the Education Law, the Buffalo CSD must file such report no later than January 1st, however, the State has granted school districts a 30-day “grace period” before aid is withheld. The Buffalo CSD timely filed its report for fiscal year 2019-20 in October 2020.

Beginning with the 2018-19 school year, any school district with at least four schools that receives at least 50% percent of its total revenue through State Aid is required to annually report its budgeted support for individual schools within the school district and, in 2019-20, this requirement expanded to all school districts with at least four schools, regardless of State Aid. The report must follow a format developed by the State Division of Budget (“DOB”) in consultation with SED. In 2020-21, the requirement will apply to all school districts in the State. This report is due to the State by the beginning of the school year, and the State has 30 days to respond. While DOB or SED does not formally approve a school district’s school-based budget, DOB and SED have authority to determine whether the information was provided in a timely and sufficient manner. The reporting must include demographic data, per pupil funding, source of funds and uniform decision rules regarding allocation of centralized spending to individual schools from all funding sources. Should either DOB or SED determine that a school district did not meet this requirement, the school district’s State Aid increase can be withheld for the applicable year until compliance is determined by DOB and SED. If either DOB or SED determines that a school district has not properly complied, the school district has 30 days to “cure” the problem. In the event the problem is not cured in 30 days, the city comptroller or chief financial officer, and in the event a school district located outside a city, the chief financial officer in the municipality where the school district is most located, is authorized, at his or her discretion, to gather information and submit on behalf of the school district. Under this legislation, beginning with the 2018-19 school year, the Buffalo CSD is

required to annually report its budgeted support for individual schools. The Buffalo CSD timely filed its reports for the 2018-19, and 2019-20, and 2020-21 school years.

Effect on State Aid

Statutory application and intercept of State Aid for any of the above purposes or any other purpose would have the result of diminishing the flow of State Aid to the Buffalo CSD to make installment purchase payments under the Installment Sale Agreement, as well as possibly diminishing State Aid subject to an intercept by the State Comptroller under the Buffalo Schools Act. Furthermore, other State financing programs incorporate similar procedures for the application or withholding of State Aid as security for the repayment of obligations, or the repayment of financial assistance provided to school districts in the State. Moreover, the State has the power to (i) create additional State Aid Intercept provisions, (ii) reduce or eliminate State Aid paid to school districts in the State and (iii) create State Aid intercept provisions having a prior right to intercept State Aid senior to the intercept of State Aid provided by the Buffalo Schools Act. If the Buffalo CSD is or becomes a participant in any such State financing program or otherwise pledges its State Aid, the extent to which State Aid would be available (x) to pay installment purchase payments under the Installment Sale Agreement, or (y) to be intercepted by the State Comptroller and paid to the Trustee, could be adversely affected. No assurance is given that the Buffalo CSD will not participate in any such State financing programs in the future.

In addition to the foregoing, it is important to note that State Aid may, after the payment of Base Installment Purchase Payments, be applied to the payment of Additional Payments under the Installment Sale Agreement for, among other things, casualty and indemnity obligations of the Buffalo CSD to the Issuer. Accordingly, a significant casualty or indemnity event could substantially reduce State Aid coverage levels in relation to Base Installment Payment obligations of the Buffalo CSD.

Additional Series of Project Bonds

The Series 2021 Bonds will each rank on a ratable basis with the claims of any remaining principal amount of the Project Bonds outstanding under the State Aid Trust Agreement, or from the State Comptroller as an intercept of State Aid under the Buffalo Schools Act. See “APPENDIX D — Summary of Certain Provisions of the Installment Sale Agreements” and “APPENDIX C — Summary of Certain Provisions of the Indentures of Trust.”

Although no amendments have been introduced for additional Program improvements beyond Phase V, the Buffalo Schools Act could be amended in the future to permit the Buffalo CSD to finance additional costs associated with the acquisition, renovation, reconstruction, improvement, equipping and furnishing of certain public school buildings and the acquisition of certain equipment and fixtures for use by the Buffalo CSD with the issuance of an additional Series of Project Bonds. The authorization and issuance of such additional Series of Project Bonds would further dilute the amount of State Aid available to make installment purchase payments with respect to the Series 2021 Bonds and reduce the amount of State Aid subject to intercept by the State Comptroller and payable to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS.” No limitation exists upon the principal amount of Project Bonds, as may be issued, nor upon their payment dates or rate of amortization. This could result in a reduction in the funds available to make payments of principal of and interest on the Series 2021 Bonds.

BFSA Review of Financial Plans and Budgets

Commencing with the City’s 2004-05 fiscal year, the BFSA Act requires that the Mayor submit to the BFSA a four-year financial plan and the Mayor’s proposed City budget on or before May 1 of each year. Such financial plans must provide that the major operating funds of the City will be balanced in

accordance with generally accepted accounting principles. Not more than 20 days after submission by the City of a financial plan or more than 15 days after the submission of a financial plan modification, the BFSA is to determine whether such plan or modification is complete and complies with the BFSA Act, and shall submit its recommendations with respect to the financial plan. Upon approval by the City of a budget in accordance with the City Charter, the Mayor must submit such approved budget and financial plan to the BFSA accompanied by expenditure, revenue, and cash flow projections on a quarterly basis and the Mayor must certify that such budget is consistent with the financial plan. The City and the non-exempted Covered Organizations also are required to submit to the BFSA their budget modifications to address changing expenditures and revenue projections.

The BFSA is now operating with advisory period powers. Under an advisory period, the BFSA may comment on budget, budget modifications and financial plans as the BFSA deems necessary or appropriate but is not required to approve such budgets, budget modifications or financial plans. On May 1, 2020, the preliminary budgets and four-year financial plans were submitted for City and Covered Organizations for review and determination that the financial plans were complete and complied with the standards set forth in BFSA Act §3857, subd. 2. On May 20, 2020, the BFSA determined that the four-year preliminary financial plan for the Buffalo City School District were complete and compliant.

After an advisory period has been established, a control period can be reimposed on the City upon a determination by the BFSA that a fiscal crisis is imminent or that any of certain listed events has occurred or that there is a substantial likelihood and imminence of an occurrence of one or more of the listed events. If a control period were reimposed on the City, the City and Buffalo CSD would have to obtain approval of their budgets and four year plans from the BFSA. Although past City budgets and past four year plans have been approved by the BFSA, no assurance can be given that should a control period be reimposed that the BFSA will approve future budgets and four year plans. During a control period, failure of the BFSA to approve future four year plans and budgets could result in (i) withholding of BFSA funding to the City and (ii) the BFSA imposing maximum spending limits and formulating and imposing financial plans on the City, all of which could adversely affect the financial condition of the City and the Buffalo CSD. See “PROGRAM PARTICIPANTS — The Buffalo Fiscal Stability Authority,” “— The Buffalo CSD and Board of Education” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid.”

Potential Future Budget Imbalance

On May 1, 2021, the Buffalo CSD submitted a four-year financial plan for years 2021-22 through 2024-25. The plan indicates budgetary surpluses of \$0 in 2021-22, \$6.5 million in 2022-23, \$19.9 million in 2023-24 and \$0.9 million in 2024-25, with a planned use of fund balance of \$29.0 million in 2021-22 only. State Foundation Aid is expected to grow \$43.3 million or 8.0% from \$544.2 million to \$587.5 million in 2021-22. Further, State legislation has been passed that is expected to fully fund Foundation Aid by 2023-24, which includes a roughly 4.5% annual increase in Foundation Aid in both 2022-23 and 2023-24. Prior four-year plans have included projected budget deficits and there is no certainty that deficits will not develop in the future. By law, the Buffalo CSD must submit a balanced budget and it is expected that the Buffalo CSD’s fiscal year 2021-22 will be in balance. Past projected budget deficits have been eliminated by utilizing reserves and undertaking certain gap elimination programs. However, no assurance can be given that future budgetary results will be in balance and that future four-year plans will not contain budget deficits. There is also no certainty that State Aid levels will not be reduced in future years, which could increase the likelihood of budget deficits in the future. Future budget deficits could have a material adverse effect upon the financial operations of the Buffalo CSD, requiring the Buffalo CSD to either increase revenues from sources other than State Aid or curtail expenditures. See “PROGRAM PARTICIPANTS — The Buffalo Fiscal Stability Authority” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS — State Aid.”

Absence of Title Insurance

No title insurance policy had been obtained for insuring the Series 2011A Facilities or the Series 2003 Facilities nor will it be obtained for the Series 2011A Facilities or the Series 2003 Facilities under either the Ground Leases. In the event the Issuer lacks a valid leasehold or subleasehold interest in the Series 2011A Facilities or the Series 2003 Facilities under the Ground Leases, any such defect could put into question the authority of the Issuer: (i) to lease or sublease the Series 2011A Facilities and the Series 2003 Facilities from the City and the Buffalo CSD under the Ground Leases, or (ii) to sell, pursuant to the Installment Sale Agreement, such leasehold interest or subleasehold interest in the Series 2011A Facilities or the Series 2003 Facilities to the Buffalo CSD and thereby jeopardize the basis upon which the Buffalo CSD is obligated to make installment purchase payments under the Installment Sale Agreement and upon which the Issuer (through the Trustee) may make certification to the State Comptroller for intercepting State Aid.

Loss of Federal Tax Exemption

Interest on the Series 2021 Bonds may become subject to federal income taxation if certain events occur subsequent to the date of issuance of the Series 2021 Bonds that violate the requirements and limitations prescribed by the Code. Although the Agency and the Buffalo CSD have each agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2021 Bonds may be deemed to be taxable from the date of issuance. The Series 2021 Bonds are not subject to mandatory redemption or to mandatory acceleration in the event of such an occurrence. No premium or additional interest will be paid to the bondholders or former bondholders to compensate the bondholders for any losses they may incur as a result of the interest on the Series 2021 Bonds becoming subject to federal income taxation. See “TAX MATTERS” below.

Enforceability of Remedies

The remedies available to the holders of the Series 2021 Bonds upon an event of default under the Indenture or other documents described herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Existing constitutional and statutory law and judicial decisions, including Title 11 of the United States Code, affect the payment rights of Bondholders, and the remedies specified by the federal bankruptcy laws, the Indenture, and the various documents referred to herein may not be readily available or may be limited. The legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds will be qualified as to enforceability of the legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally. In addition, such opinions will state that the availability of remedies may be limited by judicial application of principles of equity which may delay or preclude the exercise of remedies, including mortgage foreclosure.

State Aid Trust Agreement

Amounts held in the State Aid Depository Fund under the State Aid Trust Agreement are not pledged to the repayment of the Series 2021 Bonds. The State Aid Depository Fund is not a trust fund held under the Indentures, and the Trustee does not and will not have a security interest in amounts held therein. In addition, the obligations of the City, the Buffalo CSD, the Depository Bank and the Series Trustees relating to the collection, deposit and disbursement of State Aid Revenues contained in the State Aid Trust Agreement are not statutory obligations but contractual obligations of the Depository, the City, the Buffalo CSD and the Series Trustees and failure of such parties to comply with the provisions of the State Aid Trust Agreement would be actionable solely as a breach of contract matter. See also “— Additional Series of Project Bonds” above.

Statutory Interpretation

There is currently no statutory authorization under the Buffalo Schools Act to finance school facilities beyond Phase V. The Buffalo CSD is subject to the limitations imposed by State law including, but not limited to, the Education Law, the General Municipal Law and the Local Finance Law. Generally, such laws limit the power of the Buffalo CSD to incur indebtedness, lease or purchase facilities, and enter into installment purchase agreements similar to the Installment Sale Agreement. Notwithstanding such limitations, the Corporation Counsel of the City will provide an opinion to be delivered at the closing of the Series 2021 Bonds to the effect that the Installment Sale Agreement is valid, binding and enforceable against the Buffalo CSD in accordance with its terms subject to certain limitations (bankruptcy, discretion as to remedies, etc.). Such opinions will be based on a number of factors including the Corporation Counsel's interpretation of State Law and the Buffalo Schools Act and the Corporation Counsel's interpretation of legislative history relating to the Buffalo Schools Act. The Buffalo Schools Act has not been subjected to judicial review and the legal authority provided to the Buffalo CSD by the Buffalo Schools Act could be subject to differing interpretation. Reference is hereby made to the form of opinion of Corporation Counsel of the City to be delivered upon issuance of the Series 2021 Bonds, a copy of which will be on file with the Trustee.

Future Legislation

For the last several years, Governor Cuomo has included in his proposed budget, a proposal to consolidate certain reimbursable Expense-Based Aids in the general fund into a single block grant, which could reduce the overall funding level of the Buffalo CSD. Current legislation allows Transportation Aid, for example, to grow based on the actual Transportation spending of the Buffalo CSD. By combining aid types into a block grant, the future revenue would likely be capped or increased at the rate of inflation, which is less than historical increases in Transportation Aid. The New York State Assembly and Senate have summarily rejected these proposals every year.

Limited Obligations of the Issuer

THE SERIES 2021 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM STATE AID REVENUES PAYABLE BY THE BUFFALO CSD UNDER THE INSTALLMENT SALE AGREEMENTS, AND THE PLEDGE OF CERTAIN FUNDS INCLUDING THE BOND FUND UNDER THE INDENTURES. IN THE EVENT THE BUFFALO CSD FAILS TO MAKE AN INSTALLMENT PURCHASE PAYMENT UNDER EITHER OF THE INSTALLMENT SALE AGREEMENTS, IT IS PROVIDED IN THE BUFFALO SCHOOLS ACT AND THE INDENTURES THAT, UPON RECEIPT BY THE STATE COMPTROLLER OF A CERTIFICATE FROM THE TRUSTEE ON BEHALF OF THE ISSUER AS TO THE AMOUNT OF SUCH FAILED PAYMENT, THE STATE COMPTROLLER SHALL WITHHOLD ANY STATE AID FROM THE BUFFALO CSD PAYABLE THERETO TO THE EXTENT OF THE AMOUNT SO STATED IN SUCH CERTIFICATE AS NOT HAVING BEEN MADE, AND SHALL IMMEDIATELY PAY OVER TO THE TRUSTEE ON BEHALF OF THE ISSUER THE AMOUNT SO WITHHELD. THE OBLIGATION OF THE BUFFALO CSD UNDER THE INSTALLMENT SALE AGREEMENTS TO PAY INSTALLMENT PURCHASE PAYMENTS IS NOT A GENERAL OBLIGATION OF THE BUFFALO CSD OR THE CITY AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE BUFFALO CSD OR THE CITY ARE PLEDGED TO THE PAYMENT OF INSTALLMENT PURCHASE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENTS. THE OBLIGATIONS OF THE BUFFALO CSD UNDER THE INSTALLMENT SALE AGREEMENTS TO PAY INSTALLMENT PURCHASE PAYMENTS IN ANY FISCAL YEAR OF THE BUFFALO CSD CONSTITUTE A CURRENT EXPENSE OF THE BUFFALO CSD FOR SUCH FISCAL YEAR AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OR MORAL OBLIGATION OF THE BUFFALO CSD, THE CITY OR THE STATE WITHIN THE MEANING OF

ANY CONSTITUTIONAL OR STATUTORY PROVISION OR OTHER LAWS OF THE STATE OF NEW YORK. THE ONLY SOURCE OF MONEYS AVAILABLE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2021 BONDS IS INSTALLMENT PURCHASE PAYMENTS MADE BY THE BUFFALO CSD UNDER THE INSTALLMENT SALE AGREEMENTS, TO THE EXTENT OF STATE AID APPROPRIATED BY THE STATE AND AVAILABLE TO THE BUFFALO CSD AND APPROPRIATED BY THE BUFFALO CSD TO MAKE SUCH PAYMENTS, AND THE INTERCEPT BY THE STATE COMPTROLLER OF STATE AID LAWFULLY APPROPRIATED BY THE STATE AND AVAILABLE THEREFOR FROM TIME TO TIME FOR THE BENEFIT OF THE BUFFALO CSD.

Absence of Public Market for the Series 2021 Bonds

The Buffalo CSD has been advised by the Underwriters that the Underwriters presently intend to make a market in the Series 2021 Bonds. The Underwriters, however, are not obligated to do so, and any market-making activities with respect to the Series 2021 Bonds may be discontinued at any time without notice. No assurance is given that an active public or other market will develop for the Series 2021 Bonds or as to liquidity of or the trading market for the Series 2021 Bonds. If a trading market does not develop or is not maintained, holders of the Series 2021 Bonds may experience difficulty in reselling the Series 2021 Bonds or may be unable to sell them at all. If a market for the Series 2021 Bonds develops, any such market may be discontinued at any time. If a public trading market develops for the Series 2021 Bonds, future trading prices of the Series 2021 Bonds will depend on many factors, including, among other things, prevailing interest rates, State Aid paid to the Buffalo CSD and the market for similar securities. Depending on prevailing interest rates, the market for similar securities and other factors, including the financial condition of the Buffalo CSD, the Series 2021 Bonds may trade at a discount from their principal amount.

Cybersecurity Risks

The Buffalo CSD relies on computer systems and technologies to conduct many of its operations, and faces many potential cybersecurity threats including, but not limited to, hacking, viruses, malware, ransomware and other attacks on its computing and other digital networks and information systems. Cybersecurity incidents could result from unintentional events or errors or from malfeasance or deliberate attacks by unauthorized entities or individuals attempting to gain access to the Buffalo CSD's technology systems for the purposes of misappropriating assets or information or causing operational or financial disruption and damage or extorting ransom. Cybersecurity breaches could compromise or damage one or more the Buffalo CSD's information and security systems and cause material disruption to its operations, services to students and financial position. There can be no assurance that any existing or additional cyber safety and security measures will prove adequate in the event that cybersecurity attacks are directed in the future against the Buffalo CSD's computer and technology systems. Additionally, third party cloud providers may pose a threat to the Buffalo CSD's computer and technology systems if their systems are compromised. The costs of security measures or remedying damage from security breaches and the resulting disruptions therefrom in the future could be greater than anticipated depending on what systems have been breached or compromised and to what extent. On March 12, 2021, the Buffalo CSD experienced a cyber-attack which resulted in certain computer files and systems becoming temporarily inoperable. As a result of the attack, the Buffalo CSD has incurred and will continue to incur significant costs to restore operability of its systems and conduct an investigation. The Buffalo CSD does not maintain cybersecurity insurance.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hodgson Russ LLP, Bond Counsel to the Agency, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2021 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2021 Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. In rendering its opinion, Bond Counsel to the Agency has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Agency and the Buffalo CSD in connection with the Series 2021 Bonds, and Bond Counsel has assumed compliance by the Agency and the Buffalo CSD with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

It is also the opinion of Bond Counsel that interest on the Series 2021 Bonds is exempt, under existing statutes, from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

Certain Ongoing Federal Tax Requirements and Covenants

The Code established certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2021 Bonds in order that interest on the Series 2021 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2021 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2021 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Agency and the Buffalo CSD have each covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2021 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2021 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2021 Bonds.

Prospective owners of the Series 2021 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2021 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

[Original Issue Discount]

["Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2021 Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of each maturity of the Series 2021 Bonds was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Series 2021 Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel further is of the opinion that, for any Series 2021 Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2021 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.]

[Bond Premium]

[In general, if an owner acquires a Series 2021 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2021 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2021 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to the period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a tax-exempt Premium Bond may realize a taxable gain upon disposition of the tax-exempt Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.]

Information Reporting and Backup Withholding

Information reporting requirements will apply to interest paid on tax-exempt obligations, including the Series 2021 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payer with, a Form W 9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payer” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2021 Bond through a brokerage account has executed a Form W 9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2021 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the beneficial owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Other Impacts

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2021 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2021 Bonds, or under state and local tax law.

Future Legislation, Administrative Actions, or Court Decisions

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2021 Bonds under Federal or state law, or otherwise prevent beneficial owners of the Series 2021 Bonds from realizing the full current value of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted), or such decisions, could affect the market price or marketability of the Series 2021 Bonds. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2021 Bonds may affect the tax-exempt status of interest on the Series 2021 Bonds, under Federal or state law, or otherwise prevent beneficial owners of the Series 2021 Bonds from realizing the full current value of the tax status of such interest, or affect the market price or marketability of the Series 2021 Bonds.

Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the foregoing matters.

Miscellaneous

Bond Counsel’s engagement with respect to the Series 2021 Bonds ends with the issuance of the Series 2021 Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Agency or the holders of the Series 2021 Bonds regarding the tax-exempt status of the Series 2021 Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the Agency and its appointed counsel, including the holders of the Series 2021 Bonds, would have

little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the Agency legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Series 2021 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2021 Bonds, and may cause the Agency or the holders of the Series 2021 Bonds to incur significant expense.

Form of Opinion of Bond Counsel

The proposed form of the approving opinion of Bond Counsel for the Series 2021 Bonds is attached hereto as Appendix E. See “Form of Bond Counsel Opinion for Series 2021 Bonds” in APPENDIX E. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of an opinion by recirculation of the Official Statement or otherwise will create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in such opinion subsequent to its date.

PROSPECTIVE PURCHASERS OF THE SERIES 2021 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

APPROVAL OF LEGAL MATTERS

All legal matters incident to the authorization, issuance and delivery of the Series 2021 Bonds by the Issuer are subject to the approving opinion of Hodgson Russ LLP, Buffalo, New York, Bond Counsel to the Issuer. A copy of the opinion of Bond Counsel will be available at the time of delivery of the Series 2021 Bonds, the form of which is set forth in APPENDIX E. Certain legal matters will be passed upon for the Issuer by its counsel, Harris Beach PLLC, Buffalo, New York. Legal matters pertaining to the Buffalo CSD and the City will be passed upon by the Corporation Counsel of the City. For purposes of this transaction, Bond, Schoeneck & King PLLC is serving as counsel to the Depository Bank and to the Trustee. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

FINANCIAL ADVISOR

Capital Markets Advisors, LLC (the “Financial Advisor”) serves as independent registered financial advisor to the City and the Buffalo CSD on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2021 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2021 Bonds was based on materials provided by the City and the Buffalo CSD and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the City or the Buffalo CSD or the information set forth in this Official Statement or any other information available to the City or the Buffalo CSD with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

NO LITIGATION

It is a condition of their acceptance of the Series 2021 Bonds at closing that the Underwriters receive certificates from the Issuer and the Buffalo CSD to the effect that there is no pending or, to the knowledge of the Issuer or the Buffalo CSD, threatened litigation against the Issuer or the Buffalo CSD that in any way questions or affects the validity of the Series 2021 Bonds, the Indentures, the Installment Sale Agreements, the Ground Leases, the State Aid Trust Agreement, or any proceedings or transactions relating to the issuance, sale or delivery of the Series 2021 Bonds or the execution and delivery of any of such documents or that would materially and adversely affect the refunding of the 2011 Refunded Bonds.

As of the date of this Official Statement, except as described herein, the Buffalo CSD has certified that it does not know of any fact or set of facts from which liability might arise which individually or collectively would materially and adversely affect the business or operations of the Buffalo CSD or the refunding of the 2011 Refunded Bonds.

VERIFICATION

Causey Demgen & Moore P.C., an independent certified public accounting firm (the “Verification Agent”), will independently verify, and issue a report on, the arithmetical accuracy of the computations included in schedules provided to them by the Underwriters indicating the sufficiency of the amounts deposited to the Escrow Funds established under the Refunding Escrow Trust Agreements to pay the redemption price of and interest on the 2011 Refunded Bonds on the Redemption Date. Furthermore, the Verification Agent will have restricted its procedures to verifying the arithmetical accuracy of such computations and will not have made any study or evaluation of the assumptions and information on which the computations were based and, accordingly, will not express an opinion on such assumptions and information, the reasonableness of such assumptions, or the achievability of future events.

RATINGS

Moody’s Investors Service, Inc. has rated the Series 2021 Bonds “Aa3” with a Stable Outlook and Standard & Poor’s has rated the Series 2021 Bonds “AA” with a Negative Outlook.

Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions by such rating agency. There is no assurance that such rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such lowering, suspension or withdrawal of the rating might have an adverse effect upon the market price or marketability of the Series 2021 Bonds. The Underwriters, the Issuer and the Buffalo CSD undertake no responsibility after the issuance of the Series 2021 Bonds to assure the maintenance of the rating or to oppose any revision, suspension or withdrawal thereof.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

UNDERWRITING

Citigroup Global Markets Inc., as representative (the “Representative”) of the underwriters (collectively, the “Underwriters”) under the Purchase Contract for the Series 2021 Bonds (the “Series 2021 Purchase Contract”), among the Issuer, the Buffalo CSD and the Underwriters, has agreed, subject to certain conditions, to purchase the Series 2021 Bonds from the Issuer at a purchase price of \$_____ (representing the principal amount of the Series 2021 Bonds of \$_____ plus an

original issue [premium/discount] of \$ _____ less an underwriters' discount of \$ _____ and to make a public offering of the Series 2021 Bonds. The Underwriters will be obligated to purchase all of the Series 2021 Bonds if any are purchased.

In connection with the public offering of the Series 2021 Bonds, the Underwriters will be receiving compensation in the amount of the underwriters' discount. The Underwriters' obligation under the Series 2021 Purchase Contract to accept delivery of the Series 2021 Bonds is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The public offering prices set forth on the inside cover page hereof may be changed from time to time at the discretion of the Underwriters.

Pursuant to the Series 2021 Purchase Contract, the Buffalo CSD has agreed to indemnify the Underwriters and the Issuer against certain liabilities to the extent permitted by law.

Citigroup Global Markets Inc., an underwriter of the Series 2021 Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

SECONDARY MARKET DISCLOSURE

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, as amended (the "Rule"), the Buffalo CSD will undertake, pursuant to an agreement (the "Continuing Disclosure Agreement"), for the benefit of the holders and beneficial owners of the Series 2021 Bonds, to provide to the Municipal Securities Rulemaking Board ("MSRB"), as the sole nationally recognized securities repository through the MSRB's Electronic Municipal Market Access ("EMMA"), on an annual basis no later than 360 days after the end of each respective Fiscal Year of the Buffalo CSD commencing with the Fiscal Year ending June 30, 2017, certain financial and operating data concerning the Buffalo CSD of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the Buffalo CSD will undertake, for the benefit of the holders and beneficial owners of the Series 2021 Bonds, to provide notice to the MSRB through EMMA, in a timely manner, but in not more than 10 business days after the occurrence of any event enumerated in the Rule. Any filing to be made under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB through EMMA as provided at <http://emma.msrb.org>. A form of the Continuing Disclosure Agreement for the Series 2021 Bonds is set forth in APPENDIX F hereto.

Continuing disclosure agreements which were executed by the Buffalo CSD with respect to each series of Project Bonds outstanding require the filing with each Nationally Recognized Municipal Securities Information Depository (“NRMSIR”) or EMMA, as the case may be, of audited financial statements and certain financial and operating data of the type contained in the respective official statements relating to each of the respective Project Bonds outstanding no later than 360 days after the end of each respective fiscal year of the Buffalo CSD. Such financial and operating data includes among others, information under the subheading “The Buffalo CSD and Board of Education,” under the heading “PROGRAM PARTICIPANTS” and under the subheading “Program Overview,” under the heading “THE PROGRAM.”

Certain financial and operating data described above for the Buffalo CSD’s filings for each of the years 2016 through 2019 that were made available in a timely manner on EMMA were not linked to the relevant Project Bonds. On March 17, 2021, the filings were updated by the Buffalo CSD to make such previous years’ filings more complete in accordance with the applicable continuing disclosure undertakings of the Buffalo CSD.

The Buffalo CSD has established procedures to insure that future filings of continuing disclosure information will be complete and will be undertaken in a timely manner in compliance with existing continuing disclosure obligations, including transmitting such filings to the MSRB through EMMA. In furtherance of the foregoing, the Buffalo CSD’s audited financial statements will on a forward going basis include all required financial and operating data under existing continuing disclosure agreements for Project Bonds which financial and operating data will be filed with EMMA on an annual basis. Except as noted above, the Buffalo CSD is in compliance with all existing continuing disclosure agreements during the previous five years.

AUDITOR

The financial statements of the Board of Education (a component unit of the City of Buffalo, New York) for the year ended June 30, 2020 included in this Official Statement have been audited by Lumsden McCormick LLP, independent auditors, as stated in their report appearing in Appendix A.

MISCELLANEOUS

The summaries of and references herein to the Act, the Buffalo Schools Act, the Series 2021 Bonds, the Indentures, the Installment Sale Agreements, the State Aid Trust Agreement, the Ground Leases and other documents and materials are only brief outlines of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is hereby made to such documents for the complete provisions thereof, copies of which may be obtained from the Trustee.

Any statements in this Official Statement involving matters of opinion or forecast, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of the opinions, estimates or forecasts will be realized. This Official Statement is not to be construed as a contract or an agreement between the Issuer, the Buffalo CSD or the Underwriters and any purchaser of the Series 2021 Bonds.

The appendices hereto are an integral part of this Official Statement and must be read together with all of the foregoing statements.

The Buffalo CSD has reviewed the information contained herein that relates to it, its properties and operations, and has approved all such information for use within this Official Statement.

The distribution of this Official Statement to prospective purchasers of the Series 2021 Bonds by the Underwriters has been duly authorized by the Issuer and the Buffalo CSD. This Official Statement is made available only in connection with the sale of the Series 2021 Bonds and may not be used in whole or in part for any other purpose.

**ERIE COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

By: _____
Authorized Officer

**CITY SCHOOL DISTRICT OF
THE CITY OF BUFFALO**

By: _____
President, Board of Education

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE CITY
SCHOOL DISTRICT OF THE CITY OF BUFFALO FOR FISCAL YEAR ENDED JUNE 30, 2020**

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**BOARD OF EDUCATION,
CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)**

FINANCIAL STATEMENTS

JUNE 30, 2020

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Education, City of Buffalo, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of the Board as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Comparative Information

The financial statements of Board of Education, City of Buffalo, New York as of June 30, 2019 were audited by other auditors, whose report dated October 21, 2019 expressed an unmodified opinion on the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



October 14, 2020

Management's Discussion and Analysis (unaudited)

June 30, 2020

Introduction

Management's Discussion and Analysis (MD&A) of Board of Education, City of Buffalo, New York (the Board) provides an overview of the Board's financial activities and performance for the year ended June 30, 2020. The information contained in the MD&A should be considered in conjunction with the information presented as part of the Board's financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to a full understanding of the Board's financial position and results of operations. The Board's financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) agency fund statements, (5) notes to the financial statements, and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between them is reported as net position. The statement of activities presents information showing how the Board's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows; thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about the Board as a whole. All of the activities of the Board are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating the Board's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Board's near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside the Board. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Board's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position (in thousands)	2020	2019	Change	
			\$	%
Current and other assets	\$ 513,334	\$ 457,842	\$ 55,492	12.1%
Capital assets	799,996	859,880	(59,884)	(7.0%)
Total assets	1,313,330	1,317,722	(4,392)	(0.3%)
Deferred outflows of resources	620,884	351,323	269,561	76.7%
Long-term liabilities	3,480,424	3,306,545	173,879	5.3%
Other liabilities	148,967	154,508	(5,541)	(3.6%)
Total liabilities	3,629,391	3,461,053	168,338	4.9%
Deferred inflows of resources	795,947	725,908	70,039	9.6%
Net position				
Net investment in capital assets	98,848	88,389	10,459	11.8%
Restricted	59,102	54,727	4,375	8.0%
Unrestricted	(2,649,074)	(2,661,032)	11,958	(0.4%)
Total net position	\$ (2,491,124)	\$ (2,517,916)	\$ 26,792	(1.1%)

Net position amounted to a deficit of (\$2,491,124) and (\$2,571,916) as of June 30, 2020 and 2019, respectively. The net deficit is a result of recognition of the Board's total other postemployment benefits (OPEB) liability, which is an actuarial estimate of amounts the Board will owe for health insurance for its retirees. The largest positive portion of the Board's net position reflects its investment in capital assets consisting of land, buildings and improvements, and furniture and equipment, less outstanding debt used to acquire those assets. The Board uses capital assets to provide services to students; consequently, these assets are not available for future spending.

The Board's net position also includes resources that are subject to external restrictions on how they may be used, which includes reserves set aside for specific purposes governed by statutory law and regulations. Such reserves include funds for judgments, claims, and property loss, which are used for outstanding litigation or uninsured losses on Board property; the unemployment reserve, which is used to pay the cost of reimbursement to the State Unemployment Insurance Fund; and the stabilization reserve, which is used for unanticipated, extraordinary, or capital needs. Other restricted resources include funds restricted for debt service.

Total assets decreased by \$4,392 (\$22,662 increase in 2019). Capital assets decreased \$59,884 due to current year depreciation of \$78,591, while State and Federal aid receivable declined \$16,851 due in part to timing and to a reserve of \$8,753 charged against State aid receivables outstanding at June 30, 2020 to recognize the potential withholding of 20% by the State as it deals with a fiscal crisis as a result of COVID-19. These decreases were offset by an increase in current and other assets of \$55,492 due to an increase of \$59,587 in cash held by the City of Buffalo as a result of the general fund surplus, and a \$13,471 increase in the Board's net pension asset for its proportionate share of the NYS Teachers' Retirement System (TRS) net pension asset.

Long-term liabilities, which include the Board's total OPEB liability of \$2,613,913 (\$2,395,142 in 2019), increased by \$173,879 (\$104,990 increase in 2019), while other liabilities decreased by \$5,541 (\$30,113 increase in 2019). Other liabilities decreased as a result of a decrease in amounts due to retirement systems of \$5,287. A majority of the increase in long-term liabilities relates to an increase in the Board's proportionate share of the NYS and Local Employees' Retirement System (ERS) net pension liability of \$28,422 and an increase in the total OPEB liability of \$218,771, which were offset by payments of \$67,667 made on outstanding bonds while there were no debt refundings or new debt issuances during the year.

Many of the Board's employees participate in TRS and ERS, which are reflected in amounts reported as net pension asset, net pension liability, and deferred outflows and deferred inflows of resources related to pensions. Changes in these balances, along with changes in the total OPEB liability and deferred outflows and deferred inflows related to OPEB, are heavily influenced by actuarial assumptions and investment performance versus expected performance. See the footnotes to the financial statements for further details.

Condensed Statement of Activities (in thousands)	2020	2019	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 4,543	\$ 4,819	\$ (276)	(5.7%)
Operating grants and contributions	135,075	139,389	(4,314)	(3.1%)
Capital grants and contributions	9,368	10,641	(1,273)	(12.0%)
General revenues				
Contributions from the City and school tax relief	70,823	70,823	-	-
State aid	779,271	770,651	8,620	1.1%
Sales tax and other	55,618	75,783	(20,165)	(26.6%)
Total revenues	1,054,698	1,072,106	(17,408)	(1.6%)
Expenses				
Instruction	835,618	797,175	38,443	4.8%
Support services				
General support	89,995	81,924	8,071	9.9%
Pupil transportation	43,205	57,572	(14,367)	(25.0%)
Food service	30,974	34,911	(3,937)	(11.3%)
Interest and other	28,114	30,565	(2,451)	(8.0%)
Total expenses	1,027,906	1,002,147	25,759	2.6%
Change in net position	26,792	69,959	(43,167)	(61.7%)
Net position – beginning	(2,517,916)	(2,587,875)	69,959	(2.7%)
Net position – ending	\$ (2,491,124)	\$ (2,517,916)	\$ 26,792	(1.1%)

Board revenues decreased by \$17,408 or 1.6% (\$30,188 or 2.9% increase in 2019). State aid increased \$8,620 (\$6,474 or 0.8% increase in 2019) primarily as a result of an increase in State Foundation Aid. Offsetting this State aid increase, the Board recorded a \$3,553 reserve against State Aid receivables outstanding at June 30, 2020 in the general fund as a result of the State's announced 20% withholding of aid payments to localities and schools starting in July 2020. During the 2019-20 fiscal year, the State did not withhold or reduce any other State aid payments to the Board. Operating grants and contributions decreased \$4,314 (\$1,577 or 1.1% increase in 2019) primarily as a result of the Board recording a \$5,200 reserve against State grants receivable outstanding at June 30, 2020 to recognize the potential withholding of 20% by the State. Sales tax and other revenues decreased \$20,165 (\$20,517 or 37.1% increase in 2019) due to a decline in one-time revenues of \$15,084 received in 2019 related to prior year premium equivalent overpayments refunded after the Board's conversion to a traditional model of self-insurance for employee and retiree health insurance, while sales tax and other miscellaneous revenues also declined as a result of the COVID-19 crisis, which reduced overall business activity and related tax collections.

Total expenses increased \$25,759 or 2.6% (\$13,707 or 1.3% decrease in 2019). This increase is primarily due to employee-related costs, and the allocation of a \$14,136 increase in OPEB expense and a \$45,784 increase in pension expense among employee groups. Payroll and associated benefits are allocated among instruction and support services categories. Additionally, charter school tuition expenditures increased \$5,765. These increases were offset by a decrease in pupil transportation and food service expenses of \$14,367 and \$3,937 respectively, as a result of closure of District schools related to the COVID-19 crisis, while interest and other expenses was reduced \$2,451 due to continued pay down of the Board's outstanding debt. No new debt was issued in 2020.

Financial Analysis of the Board's Funds

Total fund balances for the governmental funds increased from \$276,886 to \$323,872 as described below:

- Total revenues decreased by \$17,408 or 1.6%, mainly due to the aforementioned reduction in prior year one-time revenues of \$15,084, while Federal aid declined \$4,624 due to lower spending on reimbursement-based federal grants. State aid increased \$4,316 due primarily to State Foundation Aid increases in the general fund as mentioned previously, offset by 20% reserves on outstanding State aid receivables at June 30, 2020 in the general and special aid funds of \$3,553 and \$5,200, respectively.

- Total expenses decreased \$34,397 or 3.3% as a result of reduced spending related to the impact of the COVID-19 closures. This was offset by an increase of \$5,765 in charter school tuition expense, and an increase in debt service principal payments as a result of the repayment of \$1,885 on outstanding bonds that became callable during the fiscal year.
- The general fund experienced an increase in fund balance of \$42,326, to \$265,990, during 2020 compared to a \$28,950 increase for 2019. Significant changes in fund balance include assigned fund balance - designated for next year's budget which increased \$40,000, from \$10,000 to \$50,000, as a result of the \$50,000 deficit budgeted in the 2020-21 fiscal year in response to projected decreases in State aid in 2020-21, and projected cost increases to restart in-person instruction during 2020-21. Additionally, restricted fund balance for unemployment insurance was increased by \$6,000, from \$3,156 to \$9,156 in anticipation of likely unemployment costs in future years resulting from the potential layoffs if State aid increases or Federal disaster relief do not materialize. Unassigned fund balance declined \$1,076, from \$86,131 to \$85,055, with \$38,188 being maintained for the required 4% minimum unassigned fund balance required by Board policy, and \$46,867 being the additional amount in excess of the Board policy minimum.
- The capital projects fund experienced an increase in fund balance of \$4,900 due to reduced capital expenditures as a result of the COVID-19 related closures the fiscal year, which delayed costs projected to be incurred during the fiscal year.

General Fund Budgetary Highlights

The total original revenue budget for 2020 was \$916,050. Actual revenues amounted to \$912,939, an unfavorable difference of \$3,111 or 0.3%. This was primarily caused by \$5,113 less in state funding as a result of the \$3,553 reserve against State aid receivables outstanding at June 30, 2020 in response to the State withholding 20% of aid payments starting in July 2020. Contributions from the City of Buffalo and STAR aid combined were flat with budget at \$70,823. Non-property tax items (Erie County Sales tax) were \$1,519 over budget, even with reductions in the last four months of the fiscal year; however, it was the first annual decline in sales tax revenue in 11 years. Use of money and property was \$477 over budget due to increased interest earnings on certain Board cash balances held by the City of Buffalo. Charges for services were \$1,336 over budget, primarily due to conservative budgeting for tuitions and charges to other school districts. Miscellaneous revenues were \$2,786 under budget, while Federal revenues, primarily Medicaid, exceeded budget.

Actual expenditures and carryover encumbrances were less than the final revised budget by \$54,049. The difference is attributable to many factors and many unknown items when the budget was prepared. As a result of the COVID-19 crisis, schools were closed for in-person education from March 16 through the end of the school year, with all student learning being done remotely. Board staff continued to be paid throughout the closure, with the exception of substitute teachers, who were not utilized. However, many costs related to the Board's vendors or that required in-person service were reduced because services could not be provided. This resulted in significant budgetary savings in many of the functional expenditure categories below.

General support - central services, which includes plant and IT costs was \$3,699 under the revised budget because of savings in salary and hourly pay of \$1,134 due to vacancies and reduced overtime. There were further savings in utilities of \$876, supplies of \$539, and contractual costs of \$1,142 due to the closure of Board facilities. All other general support categories had a combined favorable budgetary variance of \$730.

Instruction, excluding charter school tuition, had budgetary savings of \$16,366 compared to the revised budget. Salaries had a favorable variance of \$14,150 to the revised budget, and \$8,528 to the original budget, with a portion of the difference between the two resulting from increased teaching positions added during the year for reasons of equity or compliance. Most substitute teachers were not utilized after March 16, 2020, resulting in a favorable budgetary variance of \$113 to the revised budget or \$1,272 to the original budget, with unused funds from the original budget being transferred to other lines. Contractual and supplies costs had favorable budgetary variances of \$1,266 and \$759, respectively.

Charter school tuition was flat with the revised budget, but \$2,944 below the original budget. In actual dollars per pupil, charter school tuition increased \$144 from \$13,350 to \$13,494, while charter pupils increased from 9,004 in 2018-19 to 9,213 in 2019-20, continuing the long-term trend of further saturation of charter school seats in Buffalo, which is approximately 23% of total K-12 seats in Buffalo in 2019-20. In response to an audit from the Office of the State Comptroller of New York, during the 2019-20 fiscal year, the Board withheld cash payments to charter schools amounting to \$3,008 related to prior year overpayments of special education tuition. These amounts withheld were recorded as expenditures.

Pupil transportation costs were \$19,133 below the revised budget due to the closure of schools starting on March 16, 2020. Costs of yellow bus and public transportation were \$14,533 and \$2,610 under budget, respectively, while bus aide costs were \$1,539 under budget. The Board did not pay for contracted transportation services during the period of the closure, which resulted in approximately three months of savings.

Employee benefit costs were \$14,120 below revised budget due to several factors. Self-insured employee and retiree health insurance costs during the period of most extreme closures in the region from March through June 2020 declined substantially, and resulted in an \$8,141 favorable variance to the revised budget, while lower salaries, overtime, and extra activity resulted in a \$3,688 favorable variance in pension and social security costs. Workers comp costs were \$1,516 under budget, while termination payments were also \$686 under budget.

Operating transfers out were flat with the revised budget, but \$5,650 over the original budget. This was primarily as a result of a \$5,200 transfer to the special aid fund to cover the State aid revenue shortfall resulting from potential State withholding of 20% of outstanding State aid receivables as of June 30, 2020. Transfers to the City of Buffalo were flat with the revised budget, but \$1,916 over the original budget. This was the result of the repayment of \$1,918 of principal and interest on outstanding bonds that became callable during the fiscal year.

Capital Assets

	2020	2019
Land	\$ 3,012	\$ 3,012
Construction in progress	29,354	34,394
Buildings and improvements	1,787,924	1,774,749
Equipment and vehicles	41,821	31,406
	<u>1,862,111</u>	1,843,561
Accumulated depreciation	<u>(1,062,115)</u>	(983,681)
	<u>\$ 799,996</u>	<u>\$ 859,880</u>

Current year additions of \$18,707 were offset by depreciation of \$78,591.

Debt

At June 30, 2020, the Board had \$668,805 in bonds outstanding, with \$74,320 due within one year (\$735,759 outstanding at June 30, 2019). Amounts due to New York State amounted to \$7,413, with \$713 due within one year (\$8,127 outstanding at June 30, 2019). Outstanding compensated absences payable were \$23,903 with \$9,952 expected to be paid within one year (\$22,809 outstanding at June 30, 2019).

Additional information on the Board's long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts and their residents, employees, and vendors, none of which can be predicted at this time. The Board has already experienced a 20% holdback of State aid that could become permanent. Significant reductions are expected in 2020-21 State aid, which, at 20% of the Board's adopted budget, would mean the reduction of approximately \$147.6 million in the general fund, and another \$9.5 million in grant funds. This could force the Board to implement significant budgetary cost reductions during the 2020-21 fiscal year that would also continue or expand further in the 2021-22 fiscal year. Federal revenue sources are expected to increase but the extent of Federal assistance is not yet known.

The Board will continue to mitigate the impact of rising costs of education on the overall budget. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the educational resources necessary to meet student needs and flexibility on how students are taught.

Contacting the Board's Financial Management

This financial report is designed to provide our Board's residents, taxpayers, parents, students, investors, and creditors with a general overview of the Board's finances, and to show the Board's accountability for the money it receives. For more detailed information, questions may be directed to the Office of the Chief Financial Officer, Buffalo City School District, 708 City Hall, Buffalo, New York 14202.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Net Position

June 30, 2020

(With comparative totals as of June 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 10,543,453	\$ 10,394,862
Cash held by the City of Buffalo	324,211,910	264,626,050
Cash with fiscal agent	16,019,666	17,774,728
Cash and cash equivalents - restricted	12,768,728	11,983,507
Due from other governments, net	4,582,974	5,343,555
Accounts receivable	10,926,011	10,695,674
State and federal aid receivable, net	85,627,080	102,477,677
Inventory and prepaid deposits	2,235,648	1,598,824
Net pension asset	46,418,092	32,947,326
Capital assets (Note 4)	1,862,111,777	1,843,562,019
Accumulated depreciation	(1,062,115,472)	(983,681,837)
Total assets	1,313,329,867	1,317,722,385
Deferred Outflows of Resources		
Defeasance loss	22,095,496	24,343,942
Deferred outflows of resources related to pensions	175,950,271	180,940,003
Deferred outflows of resources related to OPEB	422,838,000	146,039,000
Total deferred outflows of resources	620,883,767	351,322,945
Liabilities		
Accounts payable	32,964,748	39,394,765
Accrued liabilities	43,318,094	37,060,716
Due to other governments	1,401,230	1,674,608
Due to retirement systems	31,489,070	36,776,065
Due to fiduciary fund	503,704	830,310
Due to the City of Buffalo	39,289,914	38,771,582
Long-term liabilities		
Due within one year:		
Bonds	74,320,000	75,133,928
Due to New York State	713,332	713,334
Compensated absences	9,952,000	10,469,016
Workers' compensation	9,623,000	8,426,000
Due beyond one year:		
Bonds and related premiums	674,533,464	750,738,465
Due to New York State	6,700,000	7,413,332
Compensated absences	13,951,228	12,340,148
Workers' compensation	38,383,000	36,256,000
Net pension liability	38,334,713	9,912,527
Total OPEB liability	2,613,913,000	2,395,142,000
Total liabilities	3,629,390,497	3,461,052,796
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	70,532,970	54,022,605
Deferred inflows of resources related to OPEB	725,414,000	671,886,000
Total deferred inflows of resources	795,946,970	725,908,605
Net Position		
Net investment in capital assets	98,848,003	88,389,252
Restricted	59,102,539	54,726,906
Unrestricted	(2,649,074,375)	(2,661,032,229)
Total net position (deficit)	\$ (2,491,123,833)	\$ (2,517,916,071)

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Activities

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Governmental activities						
General support	\$ 89,995,086	\$ 29,256	\$ -	\$ -	\$ (89,965,830)	\$ (78,185,190)
Instruction - regular	703,209,507	3,536,185	103,517,465	9,368,199	(586,787,658)	(553,796,145)
Instruction - charter	132,408,194	-	-	-	(132,408,194)	(128,231,817)
Pupil transportation	43,205,284	-	-	-	(43,205,284)	(55,822,180)
Interest expense	27,877,972	-	-	-	(27,877,972)	(30,346,950)
School food service	30,974,132	978,051	31,557,190	-	1,561,109	(697,187)
Home and community services	236,154	-	-	-	(236,154)	(218,306)
	<u>\$ 1,027,906,329</u>	<u>\$ 4,543,492</u>	<u>\$ 135,074,655</u>	<u>\$ 9,368,199</u>	<u>(878,919,983)</u>	<u>(847,297,775)</u>
General revenues						
Contribution from City of Buffalo					62,148,344	61,367,016
School tax relief reimbursement					8,674,414	9,455,742
Sales taxes					48,519,017	48,767,444
Use of money and property					1,014,089	1,138,015
State aid					779,270,635	770,651,072
Miscellaneous					6,085,722	25,877,836
Total general revenues					<u>905,712,221</u>	<u>917,257,125</u>
Change in net position					26,792,238	69,959,350
Net position (deficit) - beginning					(2,517,916,071)	(2,587,875,421)
Net position (deficit) - ending					<u>\$ (2,491,123,833)</u>	<u>\$ (2,517,916,071)</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Balance Sheet - Governmental Funds

June 30, 2020

(With comparative totals as of June 30, 2019)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
					2020	2019
Assets						
Cash and cash equivalents	\$ 10,261,823	\$ 91,720	\$ -	\$ 189,910	\$ 10,543,453	\$ 10,394,862
Cash held by the City of Buffalo	294,503,773	-	12,657,256	17,050,881	324,211,910	264,626,050
Cash with fiscal agent	-	-	-	16,019,666	16,019,666	17,774,728
Cash and cash equivalents - restricted	680,709	-	-	12,088,019	12,768,728	11,983,507
Due from other governments, net	4,582,974	-	-	-	4,582,974	5,343,555
Accounts receivable	10,833,804	35,770	-	56,437	10,926,011	10,695,674
State and federal aid receivable, net	26,151,245	46,784,869	10,095,444	2,595,522	85,627,080	102,477,677
Due from other funds, net	9,999,219	-	-	-	9,999,219	22,320,208
Inventory and prepaid deposits	1,042,941	-	-	1,192,707	2,235,648	1,598,824
Total assets	\$ 358,056,488	\$ 46,912,359	\$ 22,752,700	\$ 49,193,142	\$ 476,914,689	\$ 447,215,085
Liabilities and Fund Balances						
Accounts payable	\$ 24,082,621	\$ 4,927,563	\$ 2,275,353	\$ 1,314,423	\$ 32,599,960	\$ 39,011,931
Accrued liabilities	35,093,885	2,177,621	-	487,588	37,759,094	30,943,932
Due to other governments	1,401,230	-	-	-	1,401,230	1,674,608
Due to retirement systems	31,489,070	-	-	-	31,489,070	36,776,065
Due to other funds, net	-	517,261	9,985,662	-	10,502,923	23,150,518
Due to the City of Buffalo	-	39,289,914	-	-	39,289,914	38,771,582
Total liabilities	92,066,806	46,912,359	12,261,015	1,802,011	153,042,191	170,328,636
Fund Balances						
Nonspendable:						
Inventory and prepaid deposits	1,042,941	-	-	1,192,707	2,235,648	1,598,824
Endowment	-	-	-	312,277	312,277	313,006
Restricted:						
Unemployment insurance	9,156,044	-	-	-	9,156,044	3,156,044
Judgments, property loss, and claims	17,750,000	-	-	-	17,750,000	17,750,000
Stabilization	3,899,200	-	-	-	3,899,200	3,876,337
Debt service	-	-	-	27,795,408	27,795,408	29,445,229
Special activities	-	-	-	189,610	189,610	186,290
Assigned:						
OPEB and other employee benefits	49,146,089	-	-	-	49,146,089	52,146,089
Prior year claims	9,000,000	-	-	-	9,000,000	9,000,000
Capital projects and repairs	16,080,000	-	10,491,685	-	26,571,685	22,671,478
Health Insurance	15,084,559	-	-	-	15,084,559	15,084,559
School budget equity	5,000,000	-	-	-	5,000,000	5,000,000
School food service	-	-	-	17,901,129	17,901,129	16,974,726
Designated for subsequent year's expenditures	50,000,000	-	-	-	50,000,000	10,000,000
Other purposes	4,776,135	-	-	-	4,776,135	3,553,325
Unassigned	85,054,714	-	-	-	85,054,714	86,130,542
Total fund balances	265,989,682	-	10,491,685	47,391,131	323,872,498	276,886,449
Total liabilities and fund balances	\$ 358,056,488	\$ 46,912,359	\$ 22,752,700	\$ 49,193,142	\$ 476,914,689	\$ 447,215,085

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

June 30, 2020

Total fund balances - governmental funds \$ 323,872,498

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. 799,996,305

Defeasance losses associated with bond refundings are recognized as deferred outflows of resources in the government-wide statements. 22,095,496

The District's proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Net pension asset	46,418,092	
Deferred outflows of resources related to pensions	175,950,271	
Net pension liability	(38,334,713)	
Deferred inflows of resources related to pensions	<u>(70,532,970)</u>	113,500,680

The District's total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized on the government-wide statements and include:

Deferred outflows of resources related to OPEB	422,838,000	
Total OPEB liability	(2,613,913,000)	
Deferred inflows of resources related to OPEB	<u>(725,414,000)</u>	(2,916,489,000)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Retainages payable	(364,788)	
Accrued interest	(5,559,000)	
Bonds and related premiums	(748,853,464)	
Due to other governments	(7,413,332)	
Compensated absences	(23,903,228)	
Workers' compensation	<u>(48,006,000)</u>	(834,099,812)

Net position - governmental activities \$ (2,491,123,833)

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

	General	Special Aid	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds	
					2020	2019
Revenues						
Contributions from City of Buffalo	\$ 62,148,344	\$ -	\$ -	\$ -	\$ 62,148,344	\$ 61,367,016
School tax relief reimbursement	8,674,414	-	-	-	8,674,414	9,455,742
Nonproperty tax items	48,519,017	-	-	-	48,519,017	48,767,444
Charges for services	3,536,185	-	-	-	3,536,185	3,517,805
Use of money and property	592,474	-	99,365	340,993	1,032,832	1,138,015
Sale of property and compensation for loss	10,513	-	-	-	10,513	34,374
Miscellaneous	6,077,807	3,286,493	-	61,737	9,426,037	25,843,462
State sources	779,270,635	37,997,696	9,368,199	1,400,541	828,037,071	823,720,650
Federal sources	4,109,487	58,123,789	-	30,102,827	92,336,103	96,960,367
Sales	-	-	-	978,051	978,051	1,301,032
Total revenues	912,938,876	99,407,978	9,467,564	32,884,149	1,054,698,567	1,072,105,907
Expenditures						
General support	69,796,805	2,930,992	-	29,066,729	101,794,526	104,275,223
Instruction - regular	336,425,424	78,745,924	-	-	415,171,348	428,911,446
Instruction - charter	130,925,843	1,482,350	-	-	132,408,193	126,642,996
Pupil transportation	39,086,610	1,630,371	-	-	40,716,981	56,533,632
Community service	147,984	-	-	5,770	153,754	154,812
Employee benefits	171,373,714	22,485,693	-	2,299,464	196,158,871	201,976,088
Debt service						
Principal	-	-	-	57,158,334	57,158,334	54,413,334
Interest	-	-	-	35,086,116	35,086,116	37,753,516
Capital outlay	-	-	16,959,621	429,652	17,389,273	19,773,273
Total expenditures	747,756,380	107,275,330	16,959,621	124,046,065	996,037,396	1,030,434,320
Excess revenues (expenditures)	165,182,496	(7,867,352)	(7,492,057)	(91,161,916)	58,661,171	41,671,587
Other financing sources (uses)						
Transfer to City of Buffalo for debt service	(11,675,122)	-	-	-	(11,675,122)	(10,429,505)
Operating transfers, net	(111,180,892)	7,867,352	12,392,264	90,921,276	-	-
Total other financing sources (uses)	(122,856,014)	7,867,352	12,392,264	90,921,276	(11,675,122)	(10,429,505)
Net change in fund balances	42,326,482	-	4,900,207	(240,640)	46,986,049	31,242,082
Fund balances - beginning	223,663,200	-	5,591,478	47,631,771	276,886,449	245,644,367
Fund balances - ending	\$ 265,989,682	\$ -	\$ 10,491,685	\$ 47,391,131	\$ 323,872,498	\$ 276,886,449

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended June 30, 2020

Total net change in fund balances - governmental funds		\$ 46,986,049
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays (net of retainages).		(59,865,831)
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:		
2020 TRS and ERS contributions	33,345,115	
2020 ERS accrued contribution	1,538,198	
2019 ERS accrued contribution	(1,499,509)	
2020 TRS net pension expense	(56,190,033)	
2020 ERS net pension expense	<u>(13,645,288)</u>	(36,451,517)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.		4,500,000
Payments of long-term liabilities, including bonds and amounts due to New York State, are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.		67,667,334
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds these expenditures are reported when paid. These differences are:		
Amortization of defeasance loss	(2,248,446)	
Amortization of bond premiums	10,064,929	
Interest	557,784	
Worker's compensation	(3,324,000)	
Compensated absences	<u>(1,094,064)</u>	3,956,203
Change in net position - governmental activities		<u>\$ 26,792,238</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Local sources					
Contributions from City of Buffalo	\$ 60,348,132	\$ 60,348,132	\$ 62,148,344		\$ 1,800,212
School tax relief reimbursement	10,474,626	10,474,626	8,674,414		(1,800,212)
Nonproperty tax items	47,000,000	47,000,000	48,519,017		1,519,017
Charges for services	2,200,000	2,200,000	3,536,185		1,336,185
Use of money and property	115,000	115,000	592,474		477,474
Sale of property and compensation for loss	64,939	64,939	10,513		(54,426)
Miscellaneous	8,863,927	8,863,927	6,077,807		(2,786,120)
State sources	784,383,376	784,383,376	779,270,635		(5,112,741)
Federal sources	2,600,000	2,600,000	4,109,487		1,509,487
Total revenues	916,050,000	916,050,000	912,938,876		(3,111,124)
Expenditures					
General support					
Board of education	248,623	290,022	268,632	7,940	(13,450)
Central administration	1,231,592	1,303,438	1,258,819	24,645	(19,974)
Finance	3,570,022	3,597,241	3,310,496	67,471	(219,274)
Staff	3,820,431	3,718,096	3,244,708	33,060	(440,328)
Central services	66,411,158	65,968,121	59,750,260	2,519,214	(3,698,647)
Special items	2,455,338	2,003,667	1,963,890	2,728	(37,049)
Instruction					
Instruction, administration, and improvement	36,365,150	36,735,984	33,768,827	24,550	(2,942,607)
Teaching - regular school	149,409,185	150,554,212	143,368,134	1,051,723	(6,134,355)
Programs for children with handicapping conditions	113,337,900	115,178,644	110,265,530	99,195	(4,813,919)
Occupational education	21,184,620	21,592,293	21,358,933	1,693	(231,667)
Teaching - special schools	2,523,370	2,426,052	2,254,875	10,110	(161,067)
Charter school payments	133,880,073	130,936,516	130,925,844	-	(10,672)
Instructional media	5,509,556	5,444,447	4,552,409	799,472	(92,566)
Pupil services	23,025,227	22,942,380	20,856,715	105,797	(1,979,868)
Pupil transportation	58,866,452	58,248,116	39,086,610	28,537	(19,132,969)
Community service	139,589	149,185	147,984	-	(1,201)
Employee benefits	193,104,719	185,493,577	171,373,714	-	(14,119,863)
Total expenditures	815,083,005	806,581,991	747,756,380	4,776,135	(54,049,476)
Excess revenues (expenditures)	100,966,995	109,468,009	165,182,496	(4,776,135)	50,938,352
Other financing sources (uses)					
Transfers to City of Buffalo for debt service	(9,759,044)	(11,709,044)	(11,675,122)		(33,922)
Operating transfers in	1,350,000	1,350,000	580,693		(769,307)
Operating transfers out	(106,111,276)	(111,819,687)	(111,761,585)		(58,102)
Appropriated fund balance, reserves, and carryover encumbrances	13,553,325	12,710,722	-		(12,710,722)
Total other financing sources (uses)	(100,966,995)	(109,468,009)	(122,856,014)		(13,388,005)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 42,326,482	\$ (4,776,135)	\$ 37,550,347

See accompanying notes.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Fiduciary Net Position

June 30, 2020

	<u>Private-Purpose Trusts</u>	<u>Agency</u>
Assets		
Cash and cash equivalents	\$ 6,007	\$ 1,151,699
Due from governmental funds, net	-	503,704
Total assets	<u>6,007</u>	<u>\$ 1,655,403</u>
Liabilities		
Extraclassroom activities balances	-	\$ 1,121,722
Agency liabilities	-	533,681
Total liabilities	<u>-</u>	<u>\$ 1,655,403</u>
Net Position		
Restricted for scholarships	<u>\$ 6,007</u>	

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BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Statement of Changes in Fiduciary Net Position

For the year ended June 30, 2020

	<u>Private-Purpose Trusts</u>
Additions	
Interest earnings	\$ 9
Net position - beginning	<u>5,998</u>
Net position - ending	<u>\$ 6,007</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Board of Education, City of Buffalo, New York (the Board) is governed by Education and other laws of the State of New York (the State). The Board of Education has responsibility and control over all activities related to public school education within the Board. The Board's Superintendent is the chief executive officer. Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

The Board provides education and support services such as administration, transportation, and plant maintenance. The Board receives funding from local, state, and federal sources and must comply with requirements of these funding sources. The Board is financially dependent upon the City of Buffalo (the City) and other governments and has no independent authority to contract bonded indebtedness or levy taxes, with the exception of the Special Program Revenue Bonds issued by the State of New York Municipal Bond Bank Agency (Note 5). The Board's reporting entity does not contain any component units as defined by accounting standards.

The financial statements of the Board, a component unit of the City, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

Joint Schools Construction Board

The Buffalo Joint Schools Construction Board (the JSCB) is an inter-municipal joint cooperative board created by resolutions of the Board and the City of Buffalo Common Council (the Council) and by amendment of the City Charter, §18-59 and §18-60, to assist in a comprehensive program to redevelop the Board's school buildings and facilities. The JSCB is comprised of two Board designees, the Superintendent of Schools, the Mayor, the City Comptroller, and one Council designee.

As further explained in the Joint Schools Construction Board Information section of these financial statements, although the Buffalo Schools Act conferred extensive powers upon the JSCB in relation to the construction of new educational facilities, it assigned to the JSCB only limited functions in relation to the reconstruction of existing schools, which the act authorized the Board to finance and implement as projects of the Erie County Industrial Development Agency (ECIDA). Phases I, II, III, IV, and V of the project were authorized by amendments to the Buffalo Schools Act as ECIDA reconstruction projects. The JSCB's role was principally to assist and advise the Board in developing projects up to the point when plans and specifications had been approved by the State Education Department, financing was completed and available, and construction began. The JSCB was also assigned to monitor implementation of the project's workforce and business diversification plan and to compare the financing available through ECIDA with financing available through the municipal bond agency, and to employ the financing that resulted in the lowest cost to the taxpayers. For Phase III, the JSCB was also required to submit certain cost reports to State officials and could not proceed with the projects if estimated costs did not meet certain limits prescribed in the Phase III regulation.

As a result of the completion of the projects overseen by JSCB, it is not anticipated that any more activity or business will be conducted and the JSCB special-revenue fund is no longer presented within the governmental funds. On a government-wide basis, all related capital assets and long-term debt are included within the Board's financial statements.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall Board, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of the Board. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Board does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the Board's programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) grants and contributions limited to the purchase of specific capital assets. Revenues that are not classified as program revenues, including the City's contribution, sales taxes, and state aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Board reports the following major funds:

- *General fund.* This is the Board's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted or committed to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.

The Board also elected to present the following as a major fund:

- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Board reports the following governmental funds as nonmajor governmental funds:

- *Debt service fund.* This fund is used to account for resources that are restricted to expenditure for principal and interest on the Board's long-term debt, except for amounts held by the City, which are recorded in the general and capital funds as transfers to the City. Financial resources that are being accumulated for principal and interest payments maturing in future years are also included in this fund.
- *School food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of the Board's breakfast, lunch, summer food, and Root Culinary programs.
- *Special activities fund.* This fund is used to account for transactions that support miscellaneous local grants and donations. The proceeds are legally restricted to expenditures for specified purposes.
- *Permanent fund.* This fund is used to report resources that are legally restricted to the extent that earnings, and not principal, may be used for the purposes that support the Board's programs.

The Board reports the following fiduciary funds:

- *Private-purpose trust fund.* This fund reports trust arrangements under which principal and income benefit various third party scholarship arrangements.
- *Agency fund.* This fund accounts for assets held by the Board as agent for various student groups and clubs, payroll, and employee third party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Board's financial statements for the year ended June 30, 2019, from which the summarized information was derived. Such statements were audited by other auditors, whose report dated October 21, 2019 expressed an unmodified opinion on those financial statements.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Board receives value directly without giving equal value in exchange, include contributions from the City, sales taxes, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues reported in the governmental funds to be available if they are collected within one year after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Proceeds of long-term liabilities and equipment and property purchased under capital leases are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budget Process, Amendments, and Encumbrances

Prior to May 1, the Board submits to the Mayor of the City its budget request and financial plan for the fiscal year beginning July 1. On or before May 1, the Mayor submits to the City Council a complete operating plan which includes the Board's estimated revenues and proposed expenditures. The City Council then acts upon the Mayor's recommended Board budget and may make additions or deletions within its authority as provided by the City Charter. The Board's budget, as approved by the City Council, is limited to total estimated revenues and proposed expenditures.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources not included in the original budget.

Major capital expenditures are subject to individual project budgets based on the cost of the project and external financing rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Cash and Cash Equivalents

The Board's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

Inventory and Prepaid Expenses

Inventories of food and or/supplies in the general and school food service funds are recorded at cost on a first-in, first-out basis. Donated commodities are stated at values which approximate market. Certain payments to vendors reflect expenditures applicable to future periods and are reflected as prepaid expenses.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Land improvements	\$ 5,000	20
Buildings and improvements	\$ 5,000	20-50
Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	7

Bond Defeasances

In the government-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of the retired debt, and are recorded as either a deferred outflow or deferred inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

Bond Premiums

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the government-wide statements, premiums are recognized with the related debt issue and amortized on a straight-line basis as a component of interest expense over the life of the related obligation.

Pensions

The Board participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, the Board recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for the Board's defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time at retirement or the option of converting this vested amount to provide for the payment of health insurance until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, and defeasance losses, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or the terms of the Board's bonds. Restricted net position is consistent with restricted fund balance at June 30, 2020, plus nonspendable net position in the permanent fund.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position and therefore are available for general use by the Board.

Governmental Fund Statements

The Board considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the Board allows the Chief Financial Officer or his designee to determine the order in which to use committed, assigned, and unassigned resources when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances are authorized by the Board of Education as recommended by the Board's management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

Fund balance restrictions consist of the following reserves:

- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as the Board has elected to use the benefit reimbursement method.
- *Judgments, property loss, and claims* – is used to cover self-insured property loss retention or liability claims that are not insured.
- *Fiscal stabilization* – created by the State Laws of 2000, Chapter 88, for the purpose of maintaining the fiscal stability of the Board, this reserve can be used to support the Board's educational programs and any liability incurred by the Board in carrying out its functions and responsibilities under Education Law.
- *Debt service* – is used to account for proceeds from the sale of property that was financed by obligations still outstanding, interest and earnings on outstanding obligations (including bond premiums), and remaining bond proceeds not needed for their original purpose as required under §165 of Finance Law. This reserve must be used to pay the debt service obligations for which the original money was generated.
- *Special activities* – is used to account for activity from miscellaneous local grants and donations.

The Board of Education has given the Chief Financial Officer the authority to assign fund balances for specific purposes that are neither restricted nor committed. Assigned fund balances include amounts designated for OPEB, health insurance, capital projects and repairs, and other purposes. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory, prepaid deposits, and endowment balances.

Interfund Balances

The operations of the Board include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is the Board's practice to settle these amounts at the net balances due between funds.

2. Cash and Cash Equivalents

Cash management is governed by State laws and as established in the Board's written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Board's banking policies permit the Chief Financial Officer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that in the event of a bank failure the Board's deposits may not be returned to it. At June 30, 2020, the Board's bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in the Board's name.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes.

Cash Held by the City of Buffalo

Amounts on deposit with the City on behalf of the Board total \$324,211,910. Such amounts represent cash held in the City's bank accounts. The cash is an asset of the Board and is specifically designated for Board purposes. These deposits are subject to applicable City and State investment and collateralization policies. The City has also advanced \$39,289,914 to the Board for purposes of providing cash flow to the special aid fund.

Cash and Cash Equivalents with Fiscal Agent

In accordance with the Indenture Trust Agreement, an amount of the Series 2008, 2009, 2011, 2012, and 2013 bond proceeds is to be deposited and maintained by the trustee in the debt service fund and amounted to \$16,019,666 as of June 30, 2020.

Restricted Cash and Cash Equivalents

Cash and cash equivalents in the amount of \$680,709 are restricted in the general fund to support obligations related to workers' compensation claims, along with an account held in trust with the Buffalo Teacher's Federation in relation to a previous teachers' settlement agreement.

In accordance with the Local Share Trust and Depository Agreement, the local share contribution of the JSCB projects is to be held in trust and can only be disbursed as specified by the aforementioned agreement. Such amounts total \$11,775,742 and are restricted within the debt service fund until completion of the related projects.

3. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 9,999,219	\$ -	\$ 580,693	\$ 111,761,585
Capital projects	-	9,985,662	12,392,264	-
Debt service	-	-	103,227,039	12,972,957
Special aid	202,934	720,195	7,867,352	-
School food service	-	-	667,194	-
Fiduciary	535,531	31,827	-	-
	<u>\$ 10,737,684</u>	<u>\$ 10,737,684</u>	<u>\$ 124,734,542</u>	<u>\$ 124,734,542</u>

The general fund provides cash flow to the various other funds; these amounts are repaid when funds are received from the State after final expenditure reports have been submitted and approved or when permanent financing is obtained. The general fund made permanent transfers to the special aid fund to cover its share of costs related to the summer school handicap program, to the school food service program for operations, and to the debt service fund for principal and interest payments on serial bonds. In accordance with the State's requirement, the debt service fund also transferred the difference between amounts received from building aid and amounts paid under refinanced JSCB debt agreements to the capital projects fund for capital expenditures.

4. Capital Assets

	July 1, 2019	Increases	Retirements/ Reclassifications	June 30, 2020
Non-depreciable capital assets:				
Land	\$ 3,011,900	\$ -	\$ -	\$ 3,011,900
Construction in progress	34,394,474	17,306,714	(22,346,843)	29,354,345
Total non-depreciable assets	37,406,374	17,306,714	(22,346,843)	32,366,245
Depreciable capital assets:				
Land improvements	5,542,686	-	-	5,542,686
Buildings and improvements	1,769,206,673	188,802	12,986,138	1,782,381,613
Equipment and vehicles	31,406,286	1,211,947	9,203,000	41,821,233
Total depreciable assets	1,806,155,645	1,400,749	22,189,138	1,829,745,532
Less accumulated depreciation:				
Land improvement	4,660,356	88,087	-	4,748,443
Buildings and improvements	955,326,172	76,863,295	-	1,032,189,467
Equipment and vehicles	23,695,309	1,639,958	(157,705)	25,177,562
Total accumulated depreciation	983,681,837	78,591,340	(157,705)	1,062,115,472
Total depreciable assets, net	822,473,808	(77,190,591)	22,346,843	767,630,060
	\$ 859,880,182	\$ (59,883,877)	\$ -	\$ 799,996,305

Depreciation expense has been allocated to the following functions: general support \$4,881,739, instruction \$70,592,229, pupil transportation \$1,181,409, and food service \$1,935,963.

As of June 30, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 799,996,305
Defeasance loss	22,095,496
Bonds payable and related premiums, net of unspent proceeds	(723,243,798)
Net investment in capital assets	\$ 98,848,003

5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Due to City for bonds payable	\$ 35,989,000	\$ -	\$ 10,509,000	\$ 25,480,000	\$ 8,345,000
JSCB bonds payable	689,515,000	-	55,780,000	633,735,000	65,280,000
Revenue bonds payable	10,255,000	-	665,000	9,590,000	695,000
Premium on bonds	90,113,393	-	10,064,929	80,048,464	10,064,928
Due to New York State	8,126,666	-	713,334	7,413,332	713,332
Compensated absences	22,809,164	1,094,064	-	23,903,228	9,952,000
Workers' compensation	44,682,000	11,477,000	8,153,000	48,006,000	9,623,000
	\$ 901,490,223	\$ 12,571,064	\$ 85,885,263	\$ 828,176,024	\$ 104,673,260

Due to City for Bonds Payable

Amounts due to the City are for bonds payable issued on behalf of the Board. Payments made to the City for purposes of principal and interest on bonds totaled \$11,675,112 for the year ended June 30, 2020.

Revenue Bonds Payable

These bonds represent amounts due for Municipal Bond Agency Revenue Bonds issued pursuant to the State of New York Municipal Bond Agency (the Agency) Act and a General Resolution and a Series Resolution to provide funds to finance a portion of the cost of settling litigation between the Board and the Buffalo Teachers Federation, fund the debt service reserve fund to at least the debt service reserve fund requirement, and to pay legal, accounting, financing, and other fees and expenses related to the issuance of the bonds.

The bonds are special revenue obligations of the Agency and are secured by annual payments by the City from all monies legally available (which availability is, in general, dependent upon annual appropriations by the City), amounts received by the Agency pursuant to the Agency's statutory right to intercept State school aid payable to the City, and all funds and accounts established by the General Resolution described in the Official Statement.

Due to New York State

In June 2000, the State Legislature passed special legislation to advance the Board \$20,000,000 in lottery aid, interest-free, to help pay a litigation settlement with the Buffalo Teachers' Federation. In June 2006, the Board received an additional lottery aid advance of \$1,400,000.

Existing Obligations

Description	Maturity	Rate	Balance
Due to New York State	June 2036	0.0%	\$ 7,413,332
2012 Revenue bonds	May 2031	3.0%-5.0%	9,590,000
2011-2016 JSCB revenue and refunding bonds	May 2031	0.75%-5.25%	633,735,000
2010-2016 City of Buffalo serial and refunding bonds	April 2026	3.0%-5.0%	25,480,000
			<u>\$ 676,218,332</u>

Debt Service Requirements

Years ending June 30,	Bonds Payable		Due to New York State
	Principal	Interest	Principal
2021	\$ 74,320,000	\$ 33,008,941	\$ 713,332
2022	80,640,000	29,485,823	713,334
2023	84,460,000	25,545,566	713,334
2024	80,780,000	21,430,541	713,332
2025	74,450,000	17,491,016	713,334
2026-2030	247,410,000	40,543,922	3,566,666
2031-2035	26,745,000	1,688,376	233,334
2036	-	-	46,666
	<u>\$ 668,805,000</u>	<u>\$ 169,194,185</u>	<u>\$ 7,413,332</u>

Leases

The Board leases property and equipment under the terms of various operating leases. Rental expense for all of such leases amounted to \$5,457,734 for the year ended June 30, 2020. Future minimum rentals to be paid for all noncancelable operating leases are:

Years ending June 30,	
2021	\$ 7,146,000
2022	6,656,000
2023	6,274,000
2024	6,301,000
2025	6,603,000
2026-2030	25,517,000
2031-2035	15,279,000
	<u>\$ 73,776,000</u>

6. Pension Plans

Plan Descriptions

The Board participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 8.86% for 2020. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by the Board to the pension accumulation fund. For 2020, these rates ranged from 9.4% - 21.4%.

The amount outstanding and payable to TRS for the year ended June 30, 2020 was \$27,347,081. A liability to ERS of \$1,538,198 is accrued based on the Board's legally required contribution for employee services rendered from April 1 through June 30, 2020.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2020, the Board reported an asset of \$46,418,092 for its proportionate share of the TRS net pension position and a liability of \$38,334,713 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures applied to roll forward the net pension position to June 30, 2019. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2019, the Board's proportion was 1.786681%, a decrease of 0.035361 from its proportion measured as of June 30, 2018.

The ERS net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. The Board's proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, the Board's proportion was 0.1447654%, an increase of 0.0048624 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, the Board recognized net pension expense of \$69,835,321 on the government-wide statements (TRS expense of \$56,190,033 and ERS expense of \$13,645,288). At June 30, 2020, the Board reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,456,356	\$ 3,451,740	\$ 2,256,153	\$ -
Changes of assumptions	87,689,986	21,381,299	771,880	666,505
Net difference between projected and actual earnings on pension plan investments	-	37,224,916	19,652,237	-
Changes in proportion and differences between contributions and proportionate share of contributions	3,891,761	7,735,230	1,346,619	73,280
Board contributions subsequent to the measurement date	27,347,081	-	1,538,198	-
	<u>\$ 150,385,184</u>	<u>\$ 69,793,185</u>	<u>\$ 25,565,087</u>	<u>\$ 739,785</u>

Board contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2021	\$ 19,821,926	\$ 4,173,461
2022	154,239	5,918,905
2023	19,745,809	7,354,341
2024	12,632,296	5,840,397
2025	2,006,506	-
Thereafter	(1,115,858)	-
	<u>\$ 53,244,918</u>	<u>\$ 23,287,104</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis

Discount rate – 7.1%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%
Salary increases – 4.2%
COLA – 1.3% annually
Investment rate of return – 6.8% compounded annually, net of investment expense, including inflation
Mortality – Society of Actuaries’ Scale MP-2018
Discount rate – 6.8%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems’ target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.3%	36%	4.1%
Global and international equities	20%	7.2%-7.8%	14%	6.2%
Private equities	8%	9.9%	10%	6.8%
Real estate	11%	4.6%	10%	5.0%
Inflation-indexed bonds	-	-	4%	0.5%
Domestic fixed income securities	16%	1.3%	-	-
Global fixed income securities	2%	0.9%	-	-
Bonds and mortgages	7%	2.9%	17%	0.8%
Short-term	1%	0.3%	1%	-
Other	2%	3.6%-6.5%	8%	3.3%-6.0%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Board’s proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 6.8% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
	Board’s proportionate share of the TRS net pension asset (liability)	\$ (209,526,423)	\$ 46,418,092
Board’s proportionate share of the ERS net pension asset (liability)	\$ (70,355,022)	\$ (38,334,713)	\$ (8,843,873)

7. OPEB

Plan Description

The Board maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical, prescription, vision, and dental insurance for virtually all Board retirees and their spouses. Benefit provisions are based on individual contracts with the Board, as negotiated from time to time. Eligibility is based on covered employees who retire from the Board over the age of 55 and have met vesting requirements. Retirees have various contribution requirements based on the bargaining agreement terms in effect at the time of retirement. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2019, employees covered by the Plan include:

Active employees	5,061
Inactive employees or beneficiaries currently receiving benefits	3,978
Inactive employees entitled to but not yet receiving benefits	-
	<u>9,039</u>

Total OPEB Liability

The Board's total OPEB liability of \$2,613,913,000 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019, rolled forward through an interim valuation to June 30, 2020.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare cost trend rate – based on a combination of employer history, national trend surveys, and professional judgment, initially 7.5% and reduced to an ultimate rate of 4.5% after 2026

Salary increases – 1.76% to 10.3%

Mortality – MP-2018 Society of Actuaries' Pub-2010 mortality table fully generational for healthy general and teacher retirees

Discount rate – 2.66% based on a range of indices of 20-year bonds with an average rating of AA/Aa or higher as of the measurement date

Inflation rate – 1.3%

Changes in the Total OPEB Liability

	Total OPEB Liability (In thousands)
Balance at June 30, 2019	<u>\$ 2,395,142</u>
Changes for the year:	
Service cost	72,956
Interest	85,561
Changes of benefit terms	-
Differences between expected and actual experience	(229,606)
Changes of assumptions or other inputs	351,329
Benefit payments	<u>(61,469)</u>
Net changes	<u>218,771</u>
Balance at June 30, 2020	<u>\$ 2,613,913</u>

The following presents the sensitivity of the Board's total OPEB liability to changes in the discount rate, including what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate (amounts in thousands):

	1.0% Decrease (1.66%)	Discount Rate (2.66%)	1.0% Increase (3.66%)
Total OPEB liability	<u>\$ (3,117,105)</u>	<u>\$ (2,613,913)</u>	<u>\$ (2,218,889)</u>

The following presents the sensitivity of the Board's total OPEB liability to changes in the healthcare cost trend rates, including what the Board's total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates (amounts in thousands):

	Healthcare Cost		
	1.0% Decrease (6.50% to 3.50%)	Trend Rate (7.50% to 4.50%)	1.0% Increase (8.50% to 5.50%)
Total OPEB liability	\$ (2,156,484)	\$ (2,613,913)	\$ (3,219,440)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2020, the Board recognized OPEB expense of \$56,969,000. At June 30, 2020, the Board reported deferred outflows and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (560,204)
Changes of assumptions or other inputs	422,838	(165,210)
	\$ 422,838	\$ (725,414)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	Amount (in thousands)
2021	\$ (101,548)
2022	(101,548)
2023	(101,547)
2024	(33,325)
2025	18,003
Thereafter	17,389
	\$ (302,576)

8. Risk Management

General Liability

The Board is self-insured for most liabilities, but has purchased commercial insurance for various risks including property damage, automobiles, and theft. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Health Insurance

The Board maintains a self-funded health insurance plan and the program is managed by a third party administrator. The Board makes weekly payments based on employee claims as well as payments for fees charged for administering the program and for excess insurance coverage. The Board has recorded an estimate for claim liabilities incurred but not paid based on an actuarial valuation. The Board maintains excess insurance coverage that limits their self-funded exposure to \$600,000 per individual occurrence in a given plan year in the aggregate.

At the end of the year, the Board records the liability for claims paid subsequent to year end as an accrued liability and a 21-day pre-funded escrow requirement held on deposit by the third party administrator as a receivable.

Claims activity is as follows:

	2020	2019
Estimated claims liability, beginning of year	\$ 10,235,122	\$ 10,235,122
Current year claims and changes in estimates	127,332,000	132,970,000
Claim payments	<u>(127,332,000)</u>	<u>(132,970,000)</u>
Estimated claims liability, end of year	<u>\$ 10,235,122</u>	<u>\$ 10,235,122</u>

Workers' Compensation

The Board is self-insured for workers' compensation and has accrued its best estimate of workers' compensation losses based on an actuarial valuation dated August 17, 2020. The estimate represents claims that have occurred and are open due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board as well as anticipated future payouts based on prior experience with actual payments of claims. Management believes the estimated liability is reasonable based upon historical experience and the opinions of internal risk management administrators and legal counsel.

Changes in the reported liability claims for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Estimated claims liability, beginning of year	\$ 44,682,000	\$ 43,763,000
Current year claims	11,477,000	10,480,000
Claim payments	<u>(8,153,000)</u>	<u>(9,561,000)</u>
Estimated claims liability, end of year	<u>\$ 48,006,000</u>	<u>\$ 44,682,000</u>

9. Commitments and Contingencies

Grants

The Board receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the State. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the Board. Based on prior experience, management expects such amounts to be immaterial.

As of June 30, 2020, the Board recorded a \$5,200,000 reserve against State aid receivables outstanding in the special aid fund to recognize the potential withholding of 20% by the State. The State has announced that due to its COVID-19-related fiscal crisis, it may withhold 20% of payments made to localities and school districts, and the withholding could become permanent.

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2020 include \$302,000 for equipment, \$1,683,000 for supplies, and \$2,791,000 for contractual services.

Litigation

The Board is subject to claims and lawsuits that arise in the ordinary course of business. Claims probable of resulting in an unfavorable outcome to the Board have been reasonably estimated and are included in accrued liabilities in the government-wide and fund financial statements. For claims not accrued, the ultimate outcome of the suits cannot presently be determined and no provisions for loss, if any, has been made in the accompanying financial statements. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the Board.

Commitments

The Board has approved and plans to spend up to \$88,187,000 for various capital projects that remain in progress at year end. Amounts outstanding under these projects totaled \$16,285,000 at June 30, 2020.

10. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on the Board's operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts, including its residents, employees, and vendors, none of which can be predicted.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014
District's proportion of the net pension position	1.786681%	1.822042%	1.836709%	1.651498%	1.668248%	1.695591%
District's proportionate share of the net pension asset (liability)	\$ 46,418,092	\$ 32,947,326	\$ 13,960,812	\$ (17,688,235)	\$ 173,277,759	\$ 188,878,283
District's covered payroll	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212
District's proportionate share of the net pension position as a percentage of its covered payroll	15.56%	9.47%	4.80%	6.94%	69.15%	75.41%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
The following is a summary of changes of assumptions:						
Inflation	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%
Investment rate of return	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Discount rate	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA

Data prior to 2014 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of District Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 27,347,081	\$ 31,671,613	\$ 34,111,928	\$ 34,062,426	\$ 33,792,412	\$ 43,929,324	\$ 40,700,597	\$ 28,341,558	\$ 26,491,441	\$ 20,465,737
Contribution in relation to the contractually required contribution	(27,347,081)	(31,671,613)	(34,111,928)	(34,062,426)	(33,792,412)	(43,929,324)	(40,700,597)	(28,341,558)	(26,491,441)	(20,465,737)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 308,657,799	\$ 298,226,111	\$ 348,080,898	\$ 290,635,034	\$ 254,844,736	\$ 250,595,117	\$ 250,465,212	\$ 239,371,267	\$ 238,446,814	\$ 237,421,543
Contributions as a percentage of covered payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.62%

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
District's proportion of the net pension position	0.1447654%	0.139903%	0.136396%	0.132444%	0.141447%	0.142493%
District's proportionate share of the net pension liability	\$ (38,334,713)	\$ (9,912,527)	\$ (4,402,094)	\$ (12,444,723)	\$ (22,702,665)	\$ (4,813,758)
District's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,110,981
District's proportionate share of the net pension position as a percentage of its covered payroll	86.33%	23.28%	10.95%	30.05%	58.05%	12.31%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:						
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of District Contributions
New York State and Local Employees' Retirement System

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 5,998,034	\$ 5,947,217	\$ 6,266,223	\$ 6,004,084	\$ 6,923,385	\$ 7,335,763	\$ 8,494,573	\$ 8,436,183	\$ 7,065,431	\$ 4,440,936
Contribution in relation to the contractually required contribution	(5,998,034)	(5,947,217)	(8,970,690)	(6,252,808)	(7,163,096)	(7,566,788)	(5,070,646)	(8,436,183)	(7,065,431)	(4,440,936)
Contribution deficiency (excess)*	\$ -	\$ -	\$ (2,704,467)	\$ (248,724)	\$ (239,711)	\$ (231,025)	\$ 3,423,927	\$ -	\$ -	\$ -
District's covered payroll	\$ 44,405,569	\$ 42,572,064	\$ 40,206,979	\$ 41,408,099	\$ 39,110,981	\$ 39,579,898	\$ 40,651,043	\$ 39,735,784	\$ 34,302,213	\$ 38,838,292
Contributions as a percentage of covered payroll	13.51%	13.97%	15.58%	14.50%	17.70%	18.53%	20.90%	21.23%	20.60%	11.43%

**In 2014, the District elected to participate in the Contribution Stabilization Program. As a result, the District's 2014 payment was reduced by \$3,423,927, which was deferred and paid in installments over the next four years until fully repaid during 2018.*

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Required Supplementary Information
Schedule of Changes in the District's Total
OPEB Liability and Related Ratios (In thousands)

June 30,	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305	\$ 2,852,359
Changes for the year:				
Service cost	72,956	71,543	82,946	105,405
Interest	85,561	90,227	92,126	82,361
Changes of benefit terms	-	-	509	-
Differences between expected and actual experience	(229,606)	(166,075)	(234,596)	(202,349)
Changes of assumptions or other inputs	351,329	170,379	(124,707)	(238,475)
Benefit payments	(61,469)	(61,084)	(61,431)	(63,996)
Net change in total OPEB liability	218,771	104,990	(245,153)	(317,054)
Total OPEB liability - ending	\$ 2,613,913	\$ 2,395,142	\$ 2,290,152	\$ 2,535,305
Covered-employee payroll	\$ 373,087	\$ 377,000	\$ 345,602	\$ 344,791
Total OPEB liability as a percentage of covered-employee payroll	700.6%	635.3%	662.7%	735.3%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	7.5%-4.5%	8.0%-4.5%	8.5%-5.5%	9.0%-5.0%
Salary increases	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%	1.76%-10.30%
Discount rate	2.66%	3.51%	3.87%	3.56%
Inflation	1.30%	1.30%	2.50%	1.30%
Society of Actuaries' mortality scale	MP-2018	MP-2018	MP-2017	MP-2015

Data prior to 2017 is unavailable.

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Combining Balance Sheet - Nonmajor Governmental Funds

June 30, 2020

	Debt Service	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ 300	\$ 189,610	\$ -	\$ 189,910
Cash held by the City of Buffalo	-	17,050,881	-	-	17,050,881
Cash with fiscal agent	16,019,666	-	-	-	16,019,666
Cash and cash equivalents - restricted	11,775,742	-	-	312,277	12,088,019
Accounts receivable	-	56,437	-	-	56,437
State and federal aid receivable	-	2,595,522	-	-	2,595,522
Inventory	-	1,192,707	-	-	1,192,707
Total assets	<u>\$ 27,795,408</u>	<u>\$ 20,895,847</u>	<u>\$ 189,610</u>	<u>\$ 312,277</u>	<u>\$ 49,193,142</u>
Liabilities and Fund Balances					
Accounts payable	\$ -	\$ 1,314,423	\$ -	\$ -	\$ 1,314,423
Accrued liabilities	-	487,588	-	-	487,588
Total liabilities	<u>-</u>	<u>1,802,011</u>	<u>-</u>	<u>-</u>	<u>1,802,011</u>
Fund Balances					
Nonspendable:					
Inventory	-	1,192,707	-	-	1,192,707
Endowment	-	-	-	312,277	312,277
Restricted:					
Debt service	27,795,408	-	-	-	27,795,408
Special activities fund	-	-	189,610	-	189,610
Assigned:					
School food service	-	17,901,129	-	-	17,901,129
Total fund balances	<u>27,795,408</u>	<u>19,093,836</u>	<u>189,610</u>	<u>312,277</u>	<u>47,391,131</u>
Total liabilities and fund balances	<u>\$ 27,795,408</u>	<u>\$ 20,895,847</u>	<u>\$ 189,610</u>	<u>\$ 312,277</u>	<u>\$ 49,193,142</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds

For the year ended June 30, 2020

	Debt Service	School Food Service	Special Activities	Permanent	Total Nonmajor Governmental Funds
Revenues					
Use of money and property	\$ 340,547	\$ -	\$ -	\$ 446	\$ 340,993
Miscellaneous	-	53,822	7,915	-	61,737
State sources	-	1,400,541	-	-	1,400,541
Federal sources	-	30,102,827	-	-	30,102,827
Sales	-	978,051	-	-	978,051
Total revenues	340,547	32,535,241	7,915	446	32,884,149
Expenditures					
General support	-	29,066,729	-	-	29,066,729
Community service	-	-	4,595	1,175	5,770
Employee benefits	-	2,299,464	-	-	2,299,464
Debt service					
Principal	57,158,334	-	-	-	57,158,334
Interest	35,086,116	-	-	-	35,086,116
Capital outlay	-	429,652	-	-	429,652
Total expenditures	92,244,450	31,795,845	4,595	1,175	124,046,065
Excess revenues (expenditures)	(91,903,903)	739,396	3,320	(729)	(91,161,916)
Other financing sources					
Operating transfers, net	90,254,082	667,194	-	-	90,921,276
Net change in fund balances	(1,649,821)	1,406,590	3,320	(729)	(240,640)
Fund balances - beginning	29,445,229	17,687,246	186,290	313,006	47,631,771
Fund balances - ending	\$ 27,795,408	\$ 19,093,836	\$ 189,610	\$ 312,277	\$ 47,391,131

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Change from Original to Final Budget

For the year ended June 30, 2020

Original expenditure budget	\$ 927,400,000
Encumbrances carried over from prior year	3,553,325
Budget amendments:	
Cancelled enbumbrances	<u>(842,603)</u>
Revised expenditure budget	<u>\$ 930,110,722</u>

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2020

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Computers & Technology	\$ 1,200,000	\$ 1,236,462	\$ 1,189,882	\$ 2,490	\$ 1,192,372	\$ 44,090
Refunding Savings Phase II	27,917,363	27,944,206	27,768,848	-	27,768,848	175,358
Partial Refunding Savings Phase IV	11,063,175	11,079,507	10,733,082	49,189	10,782,271	297,236
Joint Schools Construction Board Local Share	-	2,613,256	2,596,756	16,500	2,613,256	-
Refunding Savings Phase III A&B	25,936,750	25,944,908	23,856,088	1,132,223	24,988,311	956,597
PA System Upgrades	145,584	315,584	224,789	89,339	314,128	1,456
Consolidated Capital Funds	-	4,246,767	-	-	-	4,246,767
Partial Refunding 2 Savings Phase IV	17,676,113	17,704,798	844,782	6,301,681	7,146,463	10,558,335
Pool Heater Replacement - School 84	30,000	30,000	23,350	-	23,350	6,650
Smart Schools Bond Act	10,000,000	33,321,161	20,616,795	9,368,199	29,984,994	3,336,167
Total	\$ 93,968,985	\$ 124,436,649	\$ 87,854,372	\$ 16,959,621	\$ 104,813,993	\$ 19,622,656

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through New York State Education Department			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 5,680,964
National School Lunch Program	10.555	N/A	12,098,541
Summer Food Service Program for Children	10.559	N/A	1,114,517
COVID-19 - Summer Food Service Program for Children	10.559	N/A	7,535,563
			26,429,585 ¹
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
	10.561	TDA01-C00252GG-34100	61,743
Passed Through New York State Department of Health			
Child and Adult Care Food Program	10.558	N/A	851,943
Passed Through New York State Office of General Services			
National School Lunch Program	10.555	N/A	1,797,860 ¹
Fresh Fruit and Vegetable Program	10.582	N/A	1,023,439
Total U.S. Department of Agriculture			30,164,570
U.S. Department of Defense			
ROTC Language and Culture Training Grants	12.357	N/A	254,901
U.S. Department of Labor			
YouthBuild	17.274	YC-25402-14-60-A-36	(42,388)
WIOA Dislocated Worker Formula Grants	17.278	C015445	154
Total U.S. Department of Labor			(42,234)
U.S. Department of Education			
Direct programs			
Title I Grants to Local Educational Agencies	84.010	N/A	18,885
Indian Education Grants to Local Educational Agencies	84.060	S060A181033	6,327
Indian Education Grants to Local Educational Agencies	84.060	S060A191033	202,676
School Safety National Activities	84.184	S184G140241	36,290
Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods	84.215	S215F160281	350,569
School Improvement Grants	84.377	S377B150004	4,167

¹ total Child Nutrition Cluster totals \$28,227,445

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department			
Special Education Cluster:			
Special Education Grants to States	84.027	0032-19-0202	\$ 103,322
Special Education Grants to States	84.027	0032-20-0202	12,811,632
Special Education Grants to States	84.027	C012213	(16,382)
Special Education Preschool Grants	84.173	0033-19-0202	1,684
Special Education Preschool Grants	84.173	0033-20-0202	575,217
Total Special Education Cluster			13,475,473
Adult Education - Basic Grants to States	84.002	0040-19-2096	4,002
Adult Education - Basic Grants to States	84.002	0040-20-2096	147,946
Adult Education - Basic Grants to States	84.002	0138-19-2059	3,235
Adult Education - Basic Grants to States	84.002	0138-20-2059	119,316
Adult Education - Basic Grants to States	84.002	2338-19-3132	(20,340)
Adult Education - Basic Grants to States	84.002	2338-20-3132	498,384
Adult Education - Basic Grants to States	84.002	2338-19-3224	(14,456)
Adult Education - Basic Grants to States	84.002	2338-20-3224	98,179
Adult Education - Basic Grants to States	84.002	2338-19-3225	(5,363)
Adult Education - Basic Grants to States	84.002	2338-20-3225	128,790
Adult Education - Basic Grants to States	84.002	2338-19-3223	324
Adult Education - Basic Grants to States	84.002	2338-20-3223	90,454
Title I Grants to Local Educational Agencies	84.010	0011-18-2002	246,039
Title I Grants to Local Educational Agencies	84.010	0011-19-2002	57,042
Title I Grants to Local Educational Agencies	84.010	0011-20-2002	397,015
Title I Grants to Local Educational Agencies	84.010	0011-20-2702	172,290
Title I Grants to Local Educational Agencies	84.010	0011-20-3002	6,087
Title I Grants to Local Educational Agencies	84.010	0011-20-5030	173,897
Title I Grants to Local Educational Agencies	84.010	0011-20-5031	222,682
Title I Grants to Local Educational Agencies	84.010	0011-20-5032	158,144
Title I Grants to Local Educational Agencies	84.010	0011-20-5050	460,181
Title I Grants to Local Educational Agencies	84.010	0011-20-5051	450,418
Title I Grants to Local Educational Agencies	84.010	0011-20-5052	392,994
Title I Grants to Local Educational Agencies	84.010	0011-20-5053	467,233
Title I Grants to Local Educational Agencies	84.010	0011-20-5054	380,557
Title I Grants to Local Educational Agencies	84.010	0011-20-5055	434,930
Title I Grants to Local Educational Agencies	84.010	0011-18-7120	324
Title I Grants to Local Educational Agencies	84.010	0011-19-7120	4,279
Title I Grants to Local Educational Agencies	84.010	0016-19-0740	92,448
Title I Grants to Local Educational Agencies	84.010	0016-20-0740	333,808
Title I Grants to Local Educational Agencies	84.010	0021-18-0740	453
Title I Grants to Local Educational Agencies	84.010	0021-19-0740	1,280,805
Title I Grants to Local Educational Agencies	84.010	0021-20-0740	27,874,362

BOARD OF EDUCATION, CITY OF BUFFALO, NEW YORK
(A Component Unit of the City of Buffalo, New York)

Supplementary Information
Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Grant Title	CFDA Number	Grantor Number	Federal Expenditures
U.S. Department of Education, continued			
Passed Through New York State Education Department, continued			
School Improvement Grants	84.377	0123-19-6101	\$ 663
School Improvement Grants	84.377	0123-19-6102	14,684
School Improvement Grants	84.377	0123-19-6103	(1,955)
School Improvement Grants	84.377	0123-19-6104	(853)
School Improvement Grants	84.377	0123-19-6105	(610)
School Improvement Grants	84.377	0123-19-6106	4,001
School Improvement Grants	84.377	0123-19-7000	137
School Improvement Grants	84.377	0123-19-7002	353
School Improvement Grants	84.377	0123-19-7507	219
School Improvement Grants	84.377	0123-19-7508	3,954
School Improvement Grants	84.377	0123-19-7509	(19,937)
School Improvement Grants	84.377	0123-19-7510	835
School Improvement Grants	84.377	0123-19-7511	2,861
School Improvement Grants	84.377	0123-19-7512	4,876
Career and Technical Education - Basic Grants to States	84.048	8000-19-0075	6,342
Career and Technical Education - Basic Grants to States	84.048	8000-20-0075	419,483
Career and Technical Education - Basic Grants to States	84.048	8000-19-9002	20,264
Career and Technical Education - Basic Grants to States	84.048	8000-20-9002	457,857
English Language Acquisition State Grants	84.365	0293-19-0740	309,102
English Language Acquisition State Grants	84.365	0293-20-0740	468,573
English Language Acquisition State Grants	84.365	0014-19-0740	34,754
Mathematics and Science Partnerships	84.366	0294-19-0305	59,868
Supporting Effective Instruction State Grants	84.367	0145-19-1005	219,710
Supporting Effective Instruction State Grants	84.367	0145-20-1005	557,835
Supporting Effective Instruction State Grants	84.367	0147-19-0740	3,017,308
Student Support and Academic Enrichment Program	84.424	0196-19-1124	795,543
Student Support and Academic Enrichment Program	84.424	0196-19-2124	940,054
Student Support and Academic Enrichment Program	84.424	0204-19-0740	74,241
Student Support and Academic Enrichment Program	84.424	0204-20-0740	1,680,906
Disaster Recovery Assistance for Education	84.938	0084-19-0740	27,630
Total U.S. Department of Education			57,849,544
U.S. Department of Health and Human Services			
Teenage Pregnancy Prevention Program	93.297	N/A	41,464
Title V Sexual Risk Avoidance Education Program	93.787	90TS002-01-00	(197)
Total U.S. Department of Health and Human Services			41,267
Total Expenditures of Federal Awards			\$ 88,268,048

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, an entity as defined in Note 1 to the Board's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

The Board uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the Board's financial reporting system.

Indirect Costs

The Board does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

Non-Monetary Federal Program

The Board is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2020, the Board used \$1,797,860 worth of commodities under the National School Lunch Program (CFDA Number 10.555).

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Education
Board of Education, City of Buffalo, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Education, City of Buffalo, New York (the Board), a component unit of the City of Buffalo, New York, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

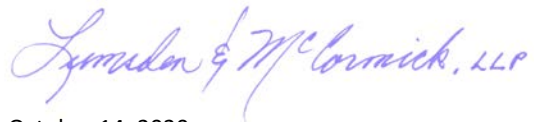
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 14, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Board of Education, City of Buffalo, New York

Report on Compliance for Each Major Federal Program

We have audited Board of Education, City of Buffalo, New York's (the Board), a component unit of the City of Buffalo, New York, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2020. The Board's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

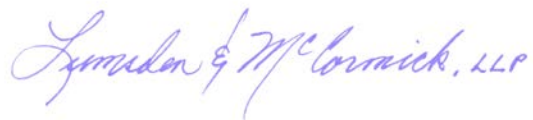
Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lyman & McCormick, LLP". The signature is written in a cursive, flowing style.

October 14, 2020

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Title I Grants to Local Educational Agencies	84.010	\$ 33,624,873
School Improvement Grants	84.377	13,395
Student Support and Academic Enrichment Program	84.424	3,490,744
Special Education Grants to States	84.027	12,898,571
Special Education Preschool Grants	84.173	576,901
		<u>\$ 50,604,484</u>

Dollar threshold used to distinguish between type A and type B programs: \$2,647,859

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

Summary Schedule of Prior Audit Findings

For the year ended June 30, 2020

Finding 2019-001:

Title I Grants to Local Education Agencies (CFDA Number 84.010)
Student Support and Academic Enrichment Program (CFDA Number 84.424)
Special Education Grants to States (CFDA Number 84.027)
Special Education Preschool Grants (CFDA Number 84.173)

Condition: The Board's control process to ensure that payroll expenditures are properly allocated to each applicable grant program includes the preparation, maintenance, and review of time and effort certifications. During the 2019 audit, there were instances of certifications not completed and reviewed timely, and, in some cases, not completed at all.

Current Status: This finding has been corrected.

JOINT SCHOOLS CONSTRUCTION BOARD INFORMATION

Information Regarding Joint Schools Construction Board Debt

For the year ended June 30, 2020

The Program

Authorization

The Program was developed by the Joint Schools Construction Board (JSCB) in conjunction with the Program Provider pursuant to the Buffalo Schools Act, the resolutions of the Board of Education and the Common Council, and the Charter of the City, and encompassed a comprehensive redevelopment program for the reconstruction of existing public schools and the construction of new public schools for the Buffalo City School District (Buffalo CSD). Prior to the Program, few new public schools had been built in the City and many elementary and secondary schools in the City were in need of substantial improvement, renovation, and reconstruction. The Buffalo Schools Act was enacted to encourage the City and the Buffalo CSD to cooperatively undertake new and innovative ways of renovating, building, and financing public schools within the City.

Program Overview

To date, \$1.304 billion aggregate principal amount of Project Bonds (excluding Project Bonds issued for refunding purposes) have been issued and are dedicated to the Program. Each phase of the Program has been completed. Currently no additional phases are anticipated to be undertaken for the Program.

In September 2003, the Erie County Industrial Development Agency (the Agency) issued its Series 2003 Bonds to provide funds for Phase I of the Program (the "Series 2003 Project"). The Series 2003 Project provided for the general reconstruction of nine school facilities and included site work, exterior and interior building improvements, mechanical and electrical upgrades, and the renovation and improvement of Buffalo CSD's telecommunications system and an energy program on a district-wide basis. Phase I was completed in April 2005. The Series 2003 Bonds were refunded in whole from proceeds of the sale of the Series 2011B Bonds.

In December 2004, the Agency issued its Series 2004 Bonds to provide funds for a portion of the cost of Phase II of the Program (the "Series 2004 Project"). The Series 2004 Project provided for the reconstruction of 13 existing schools, continued the construction of the district-wide technology and energy upgrades to create a state of the art educational environment, and provided for renovation of an outdoor sports facility for use district-wide. A portion of the proceeds of the Series 2007A Bonds was applied to finance additional costs relating to Phase II of the Program. Phase II of the Program was completed in July 2008. The Series 2004 Bonds were ultimately fully refunded from proceeds of the sale of the Series 2012A Bonds.

In August 2007, the Agency issued its Series 2007A Bonds to provide funds for a portion of the cost of Phase II of the Program and a portion of the cost of Phase III of the Program (the "Series 2007 Project"). The Series 2007 Project provided for the general reconstruction of four school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades begun with the Series 2003 Project. The technology portion of the Series 2004 Project and of the Series 2007 Project included an ongoing program known as E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis.

In February 2008, the Agency issued its Series 2008A Bonds to provide funds for the balance of the cost of Phase III of the Program (the "Series 2008 Project"). The Series 2008 Project provided for the general reconstruction of five school facilities including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2008 Project included E-RATE to renovate and improve the Buffalo CSD's telecommunications system on a district-wide basis. These improvements are designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase III of the Program is complete. The Series 2007A and 2008A Bonds were fully refunded from proceeds of the sale of the Series 2015A Bonds on June 24, 2015.

In November 2009, the Issuer issued its Series 2009A Bonds to provide funds for Phase IV of the Program (the “Series 2009 Project”). The Series 2009 project provided for the general reconstruction of 10 school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2009 Project includes expanded security cameras and an access control system on a district-wide basis. These improvements were designed to deliver the flexible educational spaces, instructional technology, and social support necessary to enhance student achievement. Phase IV of the Program is substantially complete. The Series 2009A Bonds were refunded in part from proceeds of the sale of the Series 2013A bonds and partially from the proceeds of the Series 2016A Bonds.

In July 2011, the Issuer issued its Series 2011A Bonds to provide funds for Phase V of the Program (the “Series 2011 Project”). The Series 2011 Project provided for the general reconstruction of seven school facilities, including site work, exterior and interior building improvements, and continuation of the construction of the technology and energy upgrades. The technology portion of the Series 2011 project includes the creation of data server hubs for the Buffalo CSD at two school locations and improved network technology and access on a district-wide basis. Phase V of the Program is complete.

The Buffalo City School District and Board of Education

The Buffalo CSD is dependent on funding from the City, the County, the State, and the Federal government. It is governed by an independently elected nine-member Board of Education and operates pursuant to the New York State Education Law (the Education Law). The administration of the schools is the responsibility of the Superintendent of Schools who is appointed by the Board of Education of the Buffalo CSD. The school system operates 21 secondary schools, 38 elementary and intermediate schools, and 3 special schools. There are 20 charter schools that operate independently from the Buffalo CSD. All charter schools receive the same per pupil tuition rate for Buffalo Resident pupils, regardless of their location.

The following table sets forth information relating to the size of the school system:

Years ended June 30,	Size of Buffalo School System								
	2021 ⁽⁴⁾	2020	2019	2018	2017	2016	2015	2014	2013
Enrollment	32,507	33,290	33,286	33,512	33,834	34,174	34,402	33,938	32,765
Schools ⁽¹⁾	61	61	61	61	61	61	62	65	68
Instructional staff ⁽²⁾	3,654	3,626	3,631	3,624	3,542	3,489	3,416	3,489	3,403
Administrative personnel ⁽²⁾	257	258	262	257	240	243	241	240	208
Non-certified personnel ⁽²⁾⁽³⁾	1,549	1,523	1,561	1,531	1,545	1,525	1,521	1,517	1,454

Source: Buffalo CSD, Finance Office

⁽¹⁾ Includes active schools (with student enrollment)

⁽²⁾ Paid from Buffalo CSD General, Grants, and Food Service Funds

⁽³⁾ Includes clerical, custodial, transportation, maintenance, instructional aides, exempt personnel, and other full-time non-certified personnel

⁽⁴⁾ Projected as of September 30, 2020

State Aid

State Aid (All Funds)	
Buffalo CSD	
Years ended June 30,	(in Millions)
2021 ⁽¹⁾	\$ 789.4
2020	830.2
2019	822.1
2018	811.8
2017	764.7
2016	721.9
2015	697.9
2014	679.8
2013	661.8
2012	624.4

Source: City of Buffalo Board of Education

⁽¹⁾ Projected as of September 30, 2020

APPENDIX B
CERTAIN DEFINITIONS

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APPENDIX B

CERTAIN DEFINITIONS

As used in this Official Statement, the following terms shall have the meanings set forth below (provided that, unless the context otherwise requires, such terms shall only relate to either the Series 2021A Bonds or the Series 2021B Bonds separately and not collectively):

Act or IDA Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 293 of the 1970 Laws of New York, as amended.

Additional Bonds shall mean one or more series of additional bonds issued, executed, authenticated and delivered under the Indenture.

Additional Facilities shall mean any “educational facilities” of the City and/or the Buffalo CSD as shall after the Closing Date become subject to a Series Facilities Agreement other than the Installment Sale Agreement; provided, however, that to the extent that only items of machinery, equipment, furniture, furnishings or fixtures located within an “educational facility” owned by or leased to the City and/or the Buffalo CSD shall be financed in whole or in part from a Series of Project Bonds, then “Additional Facilities” shall mean only such items so financed and all replacements, repairs or additions thereto.

Additional Payments shall mean all amounts payable by the Buffalo CSD under the Installment Sale Agreement, other than for Installment Purchase Payments.

Agreement Term shall mean the duration of the Installment Sale Agreement.

Amended 2003 Ground Lease shall mean the Amended and Restated Ground Lease (Series 2003 Project), dated as of July 1, 2011, between the City and Buffalo CSD, as lessors, and the Issuer, as lessee, with respect to the Series 2003 Facilities, as amended or supplemented.

Authorized Representative shall mean (i) in the case of the Issuer, the Chairman, Vice Chairman, President/CEO, Chief Operating Officer, Executive Vice President, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary or Executive Director of the Issuer, or any officer or employee of the Issuer authorized to perform specific acts or to discharge specific duties, (ii) in the case of the PPDS Provider, the President, any Vice President, the Treasurer or any Assistant Treasurer of the PPDS Provider, or any officer or employee of the PPDS Provider authorized to perform specific acts or to discharge specific duties, and (iii) in the case of the Buffalo CSD, (y) the Comptroller of the City, but only for the purposes of (1) directing the Trustee in the application of prepayments of Installment Purchase Payments, (2) directing the Trustee with respect to investments and reinvestments by the Trustee of moneys held under the Indenture, (3) directing the Trustee in the application of moneys from the Redemption Account of the Bond Fund to either the Interest Account or Principal Account of the Bond Fund as provided in the Indenture, (4) directing the Trustee to the purchase of Bonds from amounts in the Redemption Account of the Bond Fund, and the order of crediting of sinking fund payments upon the purchase or redemption of any Bonds subject to sinking fund payments, all as provided in the Indenture, (5) directing the Trustee in the investment of amounts held under the Indenture, requesting the Trustee to deliver statements of net investment gain or loss and of amounts held in the Project Fund and in each Account of the Bond Fund, and directing the Trustee to sell, redeem or exchange for cash any obligations in which moneys shall have been invested, all as provided in the Indenture, (6) directing the Trustee to make deposits to or transfers from the Rebate Fund as provided in the Indenture, (7) directing the Trustee as to the order of maturity of Bonds to be redeemed as provided in the Indenture, (8) directing the Trustee relative to action to be taken

under the Tax Compliance Certificate as provided in the Indenture, (9) consenting to the execution of a Supplemental Indenture by the Issuer and the Trustee upon the circumstances set forth therefor under the Indenture, and (10) designating to the Trustee a “Qualified Swap” as provided in the definition of such term; or (z) the Superintendent of the Buffalo CSD, the President of the Board of Education of the Buffalo CSD or any other officer or employee of the Buffalo CSD authorized to so act, and without limitation in purpose as provided in preceding clause (y); provided, however, that in each case for which a certification or other statement of fact or condition is required to be submitted by an Authorized Representative to any Person pursuant to the terms of the Installment Sale Agreement or the Indenture, such certificate or statement shall be executed only by an Authorized Representative in a position to know or to obtain knowledge of the facts or conditions that are the subject of such certificate or statement.

Bankruptcy Code shall mean Title 11 of the United States Code, as it is amended from time to time.

Base Facilities Agreement Payment Certificate shall have the meaning ascribed thereto in the State Aid Trust Agreement.

Beneficial Owner shall mean, whenever used with respect to a Bond, the Person in whose name such Bond is recorded as the beneficial owner of such Bond by the respective systems of DTC and each of the Participants of DTC.

Beneficial Ownership Interest shall mean the beneficial right to receive payments and notices with respect to the Bonds which are held by the Securities Depository under a book-entry system.

Bond Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in the Indenture.

Bond Resolution shall mean, as applicable, (i) with respect to the Series 2011A Bonds, the resolution of the Issuer adopted on September 11, 2002, as amended on October 16, 2002 and on June 11, 2003, and as amended and restated on November 10, 2004, and as further amended on April 11, 2005, June 11, 2007, July 9, 2007, January 17, 2008, October 19, 2009 and May 16, 2011 Authorizing the Series 2011A Project and the issuance of the Series 2011A Bonds, or (ii) with respect to the Series 2011B Bonds, the resolution of the Issuer adopted on September 11, 2002, as amended on October 16, 2002 and on June 11, 2003, and as amended and restated on November 10, 2004, and as further amended on April 11, 2005, June 11, 2007, July 9, 2007, January 17, 2008, October 19, 2009, May 16, 2011, March 26, 2012, March 25, 2013, May 25, 2015, August 24, 2016 and adopted on April 28, 2021 authorizing the issuance of the Series 2021A Bonds and the Series 2021B Bonds.

Bonds shall mean, as applicable, (i) the Series 2011A Bonds, the Series 2021A Bonds and any other Series of Additional Bonds issued under the Series 2011A Indenture, or (ii) the Series 2011B Bonds, the Series 2021B Bonds and any other Series of Additional Bonds issued under the Series 2011B Indenture.

Bond Service Charges shall mean the principal, interest and redemption premium, if any, required to be paid on the Bonds when and as the same become due, whether by scheduled maturity or prior redemption.

Bond Year shall mean each period of twelve months commencing on November 2 and ending on the succeeding November 1.

Buffalo CSD shall mean the City School District of the City of Buffalo, a school district of the State of New York, acting by and through the Board of Education of the City School District of Buffalo, and any body, board, authority, agency or other governmental agency or instrumentality which shall succeed to the powers, duties, obligations and functions thereof.

Buffalo Schools Act shall mean chapter 605 of the Laws of 2000 of the State, as amended by chapter 59 of the Laws of 2003 of the State, as further amended by chapter 421 of the Laws of 2004 of the State, as further amended by chapter 283 of the Laws of 2006 of the State, as further amended by chapter 403 of the Laws of 2008 of the State, as further amended by chapter 492 of the Laws of 2008 of the State, as further amended by chapter 497 of the Laws of 2008 of the State, and as further amended by Chapter 209 of the Laws of 2009 of the State, as the same may be further amended from time to time.

Buffalo Schools Reconstruction Project shall mean the acquisition, renovation, construction, reconstruction, equipping and/or furnishing of public schools of the City and/or the Buffalo CSD as an authorized project of the Issuer pursuant to the Buffalo Schools Act.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banks in the State of New York, or in the cities in which the corporate trust office of the Trustee is located, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Bonds in book-entry-only form.

City shall mean the City of Buffalo, New York.

Closing Date shall mean, as applicable, (i) with respect to the Series 2021A Bonds, the date of the original issuance and delivery of the Series 2021A Bonds, or (ii) with respect to the Series 2021B Bonds, the date of the original issuance and delivery of the Series 2021B Bonds.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder.

Costs of Issuance shall mean issuance costs with respect to a Series of Bonds described in Section 147(g) of the Code and any regulations thereunder, including but not limited to the following: underwriter's spread (whether realized directly or derived through purchase of such Series of Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, underwriter's counsel, Trustee's counsel, Issuer's counsel, Buffalo CSD's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Issuer or the Buffalo CSD incurred in connection with the issuance of the Series of Bonds; professional consultant's fees; Rating Agency fees; Trustee, Paying Agent and Depository Bank fees; Credit Facility fees and the fees and expenses of counsel to the provider of the Credit Facility; accountant fees and other expenses related to the issuance of such Series of Bonds; printing and reproduction costs; filing and recording fees; costs of Rating Agencies; fees and expenses of the Issuer incurred in connection with the issuance of such Series of Bonds; Blue Sky fees and expenses; and any other charges, fees, costs or expenses related to the issuance of such Series of Bonds.

County shall mean Erie County, New York.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer or the Buffalo CSD and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds.

Defeasance Obligations shall mean only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof.

Depository Bank shall mean Manufacturers and Traders Trust Company, Buffalo, New York, acting as depository bank pursuant to the State Aid Trust Agreement, and shall include its successors and assigns in such capacity.

DTC shall mean The Depository Trust Company, a limited purpose trust company, New York, New York.

“educational activity” or “educational facility” shall have the meanings assigned to such terms by the Buffalo Schools Act.

Environmental Compliance Agreement shall mean, as applicable, (i) with respect to the Series 2011A Bonds, the Environmental Compliance and Indemnification Agreement, dated as of June 1, 2011, from the Buffalo CSD for the benefit of the Issuer, as amended or supplemented, (ii) with respect to the Series 2011B Bonds, the Amended and Restated Environmental Compliance Agreement, dated as of July 1, 2011, from the Buffalo CSD for the benefit of the Issuer, as amended or supplemented, or (iii) with respect to the Series 2021A Bonds and the Series 2021B Bonds, the Environmental Compliance and Indemnification Agreement, dated as of May 1, 2021, from the Buffalo CSD for the benefit of the Issuer, as amended or supplemented.

Event of Default shall have the meaning specified in the Indenture or the Installment Sale Agreement, as applicable.

Event of Nonappropriation shall mean failure by the Buffalo CSD, as a result of a nonappropriation of funds, to pay or cause to be paid, when due, the Installment Purchase Payments or Additional Payments to be paid under the Installment Sale Agreement.

Facility or Facilities shall mean, as applicable, (i) with respect to the Series 2021A Bonds, the Series 2011 Facility or the Series 2011 Facilities, or (ii) with respect to the Series 2021B Bonds, the Series 2003 Facility or the Series 2003 Facilities.

Fiscal Year shall mean a year commencing on July 1 and ending on the next succeeding June 30.

Ground Lease shall mean, as applicable, (i) with respect to the Series 2021A Bonds, the Series 2011A Ground Lease, or (ii) with respect to the Series 2021B Bonds, the Amended 2003 Ground Lease.

Indenture shall mean, as applicable, (i) with respect to the Series 2021A Bonds, the Series 2011A Indenture, or (ii) with respect to the Series 2021B Bonds, the Series 2011B Indenture.

Installment Purchase Payments shall mean, as applicable (i) with respect to the Series 2011A Bonds, those installment purchase payments payable by the Buffalo CSD pursuant to the 2011A Installment Sale Agreement with respect to principal of and interest on the Series 2021A Bonds, (ii) with respect to the Series 2011B Bonds, those installment purchase payments payable by the Buffalo CSD pursuant to the 2011B Installment Sale Agreement with respect to principal of and interest on the Series 2011B Bonds, (iii) with respect to the Series 2021A Bonds, those installment purchase payments payable by the Buffalo CSD pursuant to the 2011A Installment Sale Agreement with respect to principal of and interest on the Series 2021A Bonds or (iv) with respect to the Series 2021B Bonds, those installment purchase payments payable by the Buffalo CSD pursuant to the 2011B Installment Sale Agreement with respect to principal of and interest on the Series 2021B Bonds.

Installment Purchase Payment Date shall mean, as applicable, (i) with respect to the Series 2011A Bonds, April 1 of each year commencing April 1, 2013, all as set forth in the schedule of Installment Purchase Payments attached to the 2011A Installment Sale Agreement, subject, however, to modification as provided in the 2011A Installment Sale Agreement, (ii) with respect to the Series 2011B Bonds, April 1 of each year commencing April 1, 2012, all as set forth in the schedule of Installment Purchase Payments attached to the 2011B Installment Sale Agreement, (iii) with respect to the Series 2021A Bonds, April 1 of each year commencing April 1, 2022, all as set forth in the schedule of Installment Purchase Payments attached to the 2011A Installment Sale Agreement, subject, however, to modification as provided in the 2011A Installment Sale Agreement or (iv) with respect to the Series 2021B Bonds, April 1 of each year commencing April 1, 2022, all as set forth in the schedule of Installment Purchase Payments attached to the 2011A Installment Sale Agreement, subject, however, to modification as provided in the 2011B Installment Sale Agreement.

Installment Sale Agreement shall mean, as applicable, (i) with respect to the Series 2011A Bonds and the Series 2021A Bonds, the 2011A Installment Sale Agreement, or (ii) with respect to the Series 2011B Bonds and the Series 2021B Bonds, the 2011B Installment Sale Agreement.

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Interest Payment Date shall mean, as applicable, (i) with respect to the Series 2011A Bonds, May 1 and November 1 of each year, commencing November 1, 2011, and the maturity date of the Series 2011A Bonds, (ii) with respect to the Series 2011B Bonds, May 1 and November 1 of each year, commencing November 1, 2011, and the maturity date of the Series 2011B Bonds, (iii) with respect to the Series 2021A Bonds, May 1 and November 1 of each year, commencing May 1, 2022, and the maturity date of the Series 2021A Bonds or (iv) with respect to the Series 2021B Bonds, May 1 and November 1 of each year, commencing May 1, 2022, and the maturity date of the Series 2021B Bonds.

Issuer shall mean the Erie County Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall succeed to the powers, duties, obligations and functions thereof.

Issuer's Reserved Rights shall mean, collectively,

(i) the right of the Issuer to exercise in its own behalf its rights under the Installment Sale Agreement with respect to the payment and/or collection of Additional Payments due to the Issuer in its own behalf under the Installment Sale Agreement;

(ii) the right of the Issuer in its own behalf to receive all Opinions of Counsel, reports, financial statements, certificates, insurance policies, binders or certificates, or other notices or communications required to be delivered to the Issuer under the Installment Sale Agreement;

(iii) the right of the Issuer to grant or withhold any consents or approvals required of the Issuer under the Installment Sale Agreement;

(iv) the right of the Issuer to enforce or otherwise exercise in its own behalf all agreements of the Buffalo CSD with respect to ensuring that the Facilities shall always constitute a qualified “project” and “educational facility” for “educational activities” as defined in and as contemplated by the IDA Act and the Buffalo Schools Act;

(v) the right of the Issuer in its own behalf to enforce, receive Additional Payments payable under or otherwise exercise its rights under certain specified provisions of the Installment Sale Agreement, including those relating to Issuer fees and expenses, indemnification, liability insurance and compliance with laws;

(vi) the right of the Issuer to enforce the Environmental Compliance Agreement; and

(vii) the right of the Issuer in its own behalf to enforce the Issuer’s Reserved Rights upon the occurrence of an Event of Default or an Event of Nonappropriation.

Master Construction Agreement shall mean, as applicable, (i) with respect to the Series 2011A Bonds, the Phase V Master Design and Construction Agreement, dated as of December 1, 2009, as supplemented by the Supplement to the Phase V Master Design and Construction Agreement, dated as of June 1, 2011, each among the Buffalo CSD, on its own behalf and as agent for the Issuer, the Joint Board and the PPDS Provider, pursuant to which the PPDS Provider has undertaken to perform the Series 2011A Project, as the same may be amended and supplemented from time to time in accordance therewith, or (ii) with respect to the Series 2011B Bonds, the Master Construction Agreement, dated as of September 1, 2003, between the Buffalo CSD, on its own behalf and as agent for the Issuer, and the PPDS Provider, pursuant to which the PPDS Provider has agreed to perform the Series 2003 Project, as the same may be amended and supplemented from time to time in accordance therewith.

Moody’s shall mean Moody’s Investors Service Inc., a Delaware corporation, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Nationally Recognized Bond Counsel shall mean Hodgson Russ LLP or other counsel acceptable to the Issuer and the Trustee experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Net Base Facilities Agreement Payment shall mean the Installment Purchase Payment as reduced by any credits from amounts available in the Bond Fund.

Notice Parties shall mean the Issuer, the Buffalo CSD, the Paying Agent and the Trustee.

Opinion of Counsel shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Installment Sale Agreement or any other Security Document) be counsel for the Buffalo CSD or the Issuer and who shall be acceptable to the Trustee.

Outstanding, when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except:

(i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation;

(ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the defeasance provisions of the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either:

(A) moneys, and/or

(B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys,

(i) in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, together with that documentation required under the defeasance provisions of the Indenture, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice: and

(iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under the Indenture,

(ii) provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Buffalo CSD shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded, Bonds which have been pledged in good faith to a Person may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Buffalo CSD.

Participants shall mean those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean and include:

(i) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance filed on record which are being contested in good faith and have not proceeded to judgment;

(ii) the liens of taxes and assessments which are not delinquent;

(iii) the liens of taxes and assessments which are delinquent but the validity of which is being contested in good faith unless thereby any of the affected Facilities or the interest of the City or the Buffalo CSD therein may be in danger of being lost or forfeited;

(iv) minor defects and irregularities in the title to any Facility which do not in the aggregate materially impair the use of the affected Facility for the purposes for which it is or may reasonably be expected to be held;

(v) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of the affected Facility for the purposes for which it is or may reasonably be expected to be held;

(vi) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of a Facility which do not materially impair the use of the affected Facility for the purposes for which it is or may reasonably be expected to be held;

(vii) any obligations or duties affecting any portion of a Facility of any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit;

(viii) present or future valid zoning laws or ordinances;

(ix) the Installment Sale Agreement, the Ground Lease and the Indenture;

(x) the liens of any Series Ground Lease, Series Facilities Agreement or Series Indenture;
and

(xi) any other lien which, in the opinion of counsel to the Buffalo CSD delivered and addressed to the Issuer and the Trustee, will not have a material adverse effect upon the obligations of the Buffalo CSD under the Installment Sale Agreement.

Plans and Specifications shall mean, as to a particular Facility, the plans and specifications for the acquisition, construction, reconstruction, renovation, improvement, equipping and/or furnishing of such Facility, prepared by the PPDS Provider and approved by the Buffalo CSD and the State Education Department, including site plans, as the same may be amended from time to time.

PPDS Agreement shall mean the Comprehensive Program Packaging and Development Services Provider Agreement, dated June 5, 2002, by and among LPCiminelli, Inc., a corporation organized pursuant to the Delaware Corporation Law, and the Joint School Construction Board, created pursuant to Sections 18-59, 18-60 and 18-61 of the City of Buffalo Charter and the Buffalo School Act and resolutions of the Board of Education of the City School District of the City of Buffalo and the Common

Council of the City of Buffalo, to act for itself and as agent and on behalf of the City and the Buffalo CSD, and shall include any and all amendments thereof and supplements made in conformity therewith.

PPDS Provider shall mean LPCiminelli, Inc., a corporation organized pursuant to the Delaware Corporation Law, and its successors and assigns under the PPDS Agreement.

Principal Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Project Bonds shall mean the Bonds and any series of bonds of the Issuer or any other public entity issued under a Series Indenture to finance all or a portion of the costs of the Buffalo Schools Reconstruction Project.

Project Costs shall mean, as applicable, (i) with respect to the Series 2011A Bonds, together with any other proper item of cost not specifically mentioned in the Series 2011A Indenture but authorized pursuant to the IDA Act or the Buffalo Schools Act, the cost of construction, acquisition, building, alteration, enlargement, reconstruction, renovation, remodeling, improvement, equipping or furnishing of a Facility and the financing or refinancing thereof, including interest on a Series of Bonds from the date thereof to completion of construction, renovation or improvement of a Facility, the payment of the fees and expenses of the Trustee and of any provider of a Credit Facility during the construction, renovation or improvement of a Facility, the cost of acquisition of any land or interest (including rights, easements and franchises) therein required as the site of a Facility or for use in connection therewith, the cost of preparation of the site of a Facility and of any land to be used in connection therewith, the cost of any indemnity and surety bonds and premiums on insurance, the cost of reserves, a Credit Facility or a Qualified Swap, all Costs of Issuance, the costs of audits, the cost of all labor, materials, services, supplies and other expenses, the cost of all contract bonds, the cost of all machinery, apparatus, furniture, fixtures and equipment, the cost of engineering, architectural services, design, plans, specifications and surveys, estimates of cost, and all other expenses necessary or incident to determining the feasibility or practicability of a Facility, and such other expenses not specified in the Series 2011A Indenture as may be necessary or incident to the construction, acquisition, building, alteration, enlargement, reconstruction, renovation, remodeling, improvement, equipping and furnishing of a Facility, the financing or refinancing thereof and the placing of the same in use and operation, (ii) with respect to the Series 2011B Bonds, together with any other proper item of cost not specifically mentioned in the Series 2011B Indenture but authorized pursuant to the IDA Act or the Buffalo Schools Act, the cost of refunding the outstanding Series 2003 Bonds in whole, all Costs of Issuance, and such other expenses not specified in the Series 2011B Indenture as may be necessary or incident to the refinancing of the Series 2003 Project, (iii) with respect to the Series 2021A Bonds, together with any other proper item of cost not specifically mentioned in the Series 2011A Indenture but authorized pursuant to the IDA Act or the Buffalo Schools Act, the cost of refunding the outstanding Series 2011A Bonds in whole, all Costs of Issuance, and such other expenses not specified in the Series 2011A Indenture as may be necessary or incident to the refinancing of the Series 2011 Project and (iv) with respect to the Series 2021B Bonds, together with any other proper item of cost not specifically mentioned in the Series 2011B Indenture but authorized pursuant to the IDA Act or the Buffalo Schools Act, the cost of refunding the outstanding Series 2011B Bonds in whole, all Costs of Issuance, and such other expenses not specified in the Series 2011B Indenture as may be necessary or incident to the refinancing of the Series 2003 Project.

Project Documents shall mean, as applicable, (i) with respect to the Series 2011A Bonds, collectively, the related Security Documents, the related Ground Lease, the State Aid Trust Agreement, the related Master Construction Agreement, the PPDS Agreement and the related Environmental Compliance Agreement, (ii) with respect to the Series 2011B Bonds, collectively, the related Security Documents, the related Ground Lease, the State Aid Trust Agreement, the related Master Construction

Agreement, the PPDS Agreement, the related Environmental Compliance Agreement and the related Refunding Escrow Trust Agreement, (iii) with respect to the Series 2021A Bonds, collectively, the related Security Documents, the related Ground Lease, the State Aid Trust Agreement and the related Environmental Compliance Agreement and (iv) with respect to the Series 2021B Bonds, collectively, the related Security Documents, the related Ground Lease, the State Aid Trust Agreement and the related Environmental Compliance Agreement.

Project Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures which are unconditionally guaranteed as to payment of principal and interest by an agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

(3) Collateralized (but such collateralization, if any, shall only be to the extent required by, and acceptable to, the Buffalo CSD as determined by the Comptroller of the City) Certificates of Deposit issued by a commercial bank or trust company authorized to do business in the State and Time Deposit, Demand Deposit, and Money Market Accounts in a bank or trust company authorized to do business in the State.

(4) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(5) Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “Prime-1” by Moody’s.

(6) Money market funds rated “AAm” or “AAm-G” by S&P, or better.

(7) “State Obligations”, which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated “A-1+” by S&P and “MiG-1” by Moody’s.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(8) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s meeting the following requirements:

(A) the municipal obligations are (1) not subject to redemption prior to maturity, or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions:

(B) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(D) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(E) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(F) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “A” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated “A” or better by S&P and Moody’s, provided that:

(A) The market value of the collateral and the type of the collateral are approved by the Comptroller of the City;

(B) The Trustee or a third party acting solely as agent therefor or for the Issuer (the “Holder of the Collateral”) has possession of the collateral or the collateral has

been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(C) The repurchase agreement shall state and an opinion of counsel to the provider addressed to the Issuer and the Trustee shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession); and

(D) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Trustee (who shall give such direction if so directed by the Comptroller of the City), within ten (10) days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Issuer or the Trustee.

(10) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(A) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Fund, construction draws) on the Bonds;

(B) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Trustee agrees to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(D) the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Issuer and the Trustee;

(E) the investment agreement shall provide that if during its term

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively (but not below "A-" or "A3", respectively), the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by

means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral (of the type and having a market value as approved by the Comptroller of the City) free and clear of any third-party liens or claims, provided, however, that the provider can only exercise its option under this clause (a) if the Trustee shall receive a Rating Confirmation with respect thereto; or (b) repay the principal of and accrued but unpaid interest on the investment with no penalty or premium to the Issuer or the Trustee, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction, if so directed by the Comptroller of the City), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or the Trustee, and

(F) the investment agreement shall state and an opinion of counsel to the provider addressed to the Issuer and the Trustee shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of the Collateral is in possession): and

(G) the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction, if so directed by the Comptroller of the City), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or the Trustee, as appropriate, and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or the Trustee, as appropriate.

(11) Any other investment, whether similar or dissimilar to any of the foregoing, to the extent that the Trustee (if so directed by the Comptroller of the City) shall receive a Rating Confirmation with respect thereto.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer or the Buffalo CSD with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the

Issuer or the Buffalo CSD for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed or variable interest rate Bonds on a synthetic basis or otherwise, (iii) which has been designated in writing to the Trustee by an Authorized Representative of the Buffalo CSD as a Qualified Swap with respect to such Obligations, and (iv) which provides that any termination or like payment thereunder shall be subordinated to the payment of the Bonds.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean S&P or Moody's and such other nationally recognized securities rating agency as shall have awarded a rating to the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of either Moody's or S&P without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean written evidence from each Rating Agency that no Outstanding Bond rating then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken as described or referred to therein.

Rebate Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Record Date shall mean, with respect to the Bonds, the fifteenth (15th) day of the month immediately preceding an Interest Payment Date.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Refunded Bonds shall mean, with respect to a Series of Refunding Bonds, the Bonds refunded by such Refunding Bonds pursuant to the Indenture.

Refunding Bonds shall mean one or more series of Refunding Bonds issued, executed, authenticated and delivered under the Indenture.

Refunding Escrow Trust Agreement shall mean, as applicable, (i) the 2011A Refunding Escrow Trust Agreement or (ii) the 2011B Refunding Escrow Trust Agreement.

Related Security Documents shall mean all Security Documents other than the Indenture.

Representation Letter shall mean the Blanket Issuer Letter of Representations from the Issuer and the Trustee to DTC.

Responsible Officer shall mean, with respect to the Trustee, any officer within the corporate trust office of the Trustee, including any vice-president, any assistant vice-president, any secretary, any assistant secretary, the treasurer, any assistant treasurer or other officer of the corporate trust office of the Trustee customarily performing functions similar to those performed by any of the above designated officers, who has direct responsibility for the administration of the trust granted in the Indenture, and shall also mean, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

S&P shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, by notice to the other Notice Parties.

Securities Depository shall mean any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of book-entry interests in the Bonds, and to effect transfers of book-entry interests in the Bonds in book-entry form, and includes and means initially DTC.

Security Documents shall mean, shall mean, as applicable, (i) with respect to the Series 2011A Bonds, collectively, the 2011A Installment Sale Agreement, the Series 2011A Indenture and the related Tax Compliance Certificate, or (ii) with respect to the Series 2011B Bonds, collectively, the 2011B Installment Sale Agreement, the Series 2011B Indenture and the related Tax Compliance Certificate.

Series shall mean all of the Bonds designated as being of the same series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Series Facilities Agreement shall mean the Series 2003 Bonds Facilities Agreement, the Series 2004 Bonds Facilities Agreement, the Series 2007 Bonds Facilities Agreement, the Series 2009 Bonds Facilities Agreement, the 2011A Installment Sale Agreement, the 2011B Installment Sale Agreement and each other installment sale agreement or facilities lease agreement pursuant to which the Issuer or other public entity shall sell, lease or sublease Additional Facilities to the Buffalo CSD, and the Buffalo CSD shall be obligated to make installment purchase payments or rental payments, as applicable, with respect to a Series of Project Bonds upon terms substantively comparable to that provided in the Installment Sale Agreement.

Series Ground Lease shall mean, collectively, the Series 2003 Ground Lease, the Series 2004 Ground Lease, the Series 2007 Ground Lease, the Series 2007 Ground Sublease, the Series 2009 Ground Lease, the Series 2009 Ground Sublease, the Series 2011A Ground Lease, the Amended 2003 Ground Lease and each other lease or sublease by the City and/or the Buffalo CSD to the Issuer or other public entity of Additional Facilities to be financed in whole or in part with a Series of Project Bonds.

Series Indenture shall mean, collectively, the Series 2003 Bonds Indenture, the Series 2004 Bonds Indenture, the 2007 Indenture, the 2009 Indenture, the Series 2011A Indenture, the Series 2011B Indenture, the Series 2012A Indenture and each other indenture of trust or bond resolution pursuant to which a Series of Project Bonds shall be issued to finance all or a portion of the costs of the Buffalo Schools Reconstruction Project.

Series Trustee shall mean, collectively, the Series 2003 Bonds Trustee, the Series 2004 Bonds Trustee, the 2007 Indenture Trustee, the 2009 Indenture Trustee, the Series 2011A Trustee, the Series

2011B Trustee, the Series 2021A Trustee, the Series 2021B Trustee and each financial institution acting as Trustee under a Series Indenture (other than the Indenture).

Series 2003 Bonds Facilities Agreement shall mean the Facilities Lease Agreement (Series 2003 Project), dated as of September 1, 2003, as amended by an Amendatory Installment Sale Agreement (Series 2003 Project), dated as of June 28, 2005, each between the Issuer and the Buffalo CSD.

Series 2003 Bonds Indenture shall mean the Indenture of Trust (Series 2003 Project), dated as of September 1, 2003, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2003 Project), dated as of June 28, 2005, each between the Issuer and the Series 2003 Bonds Trustee.

Series 2003 Bonds Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the Series 2003 Bonds Indenture, and its successors in such capacity and their assigns appointed in the manner provided in the Series 2003 Bonds Indenture.

Series 2003 Facility or Series 2003 Facilities shall mean, as applicable, each public school owned by the City and/or the Buffalo CSD, and described in the Description of Facilities in the 2011B Installment Sale Agreement, including the land upon which such school is located and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures and other improvements now or at any time made, erected or situated thereon (including the improvements made pursuant to the 2011B Installment Sale Agreement and the Master Construction Agreement), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto, together with all items of machinery, equipment, furniture, furnishings and fixtures located and used therein from time to time; provided, however, that (x) to the extent that only items of machinery, equipment, furniture, furnishings or fixtures located within a public school owned by the City and/or the Buffalo CSD shall be financed in whole or in part from the proceeds of the Series 2003 Bonds, then “Series 2003 Facility” shall mean only such items so financed and all replacements, repairs or additions thereto, (y) to the extent that an item of property constituting a fixture located at a public school is financed in whole or in part from the proceeds of the Series 2003 Bonds, and such public school shall not otherwise itself be included within the Series 2003 Facilities subject to the Amended 2003 Ground Lease and to the 2011B Installment Sale Agreement, then such fixture shall be deemed property severable from the remainder of the public school and thereby subject to the leasehold estate of the Amended 2003 Ground Lease and to the 2011B Installment Sale Agreement, and (z) “Series 2003 Facility” shall include any item of machinery, equipment, furniture, furnishings or fixtures to the extent any such item is installed or erected pursuant to the Buffalo CSD’s E-RATE 5 Program (involving certain technological upgrades to public schools within the Buffalo CSD) or Energy Management Program, as such items of machinery, equipment, furniture, furnishings or fixtures are generally described in the 2011B Installment Sale Agreement as to item and proposed location (but subject in all respects to the authority of the Buffalo CSD to make modifications thereto), but in each case only to the extent the costs of all or any portion of the same are financed with the proceeds of the Series 2003 Bonds.

Series 2003 Ground Lease shall mean the Ground Lease (Series 2003 Project), dated as of September 1, 2003, as amended by a First Amendment to Ground Lease (Series 2003 Project), dated as of June 28, 2005, each between the City and the Buffalo CSD, as lessors, and the Issuer, as lessee.

Series 2003 Project shall mean the construction, renovation, reconstruction, improvement, equipping and furnishing of each Series 2003 Facility in accordance with the related Plans and Specifications.

Series 2004 Bonds Facilities Agreement shall mean the Installment Sale Agreement (Series 2004 Project), dated as of December 1, 2004, as amended by a First Amendment to Installment Sale Agreement

(Series 2004 Project), dated as of June 28, 2005, and by a Second Amendment to Installment Sale Agreement (Series 2004 Project), dated as of August 1, 2007, each between the Issuer and the Buffalo CSD, and shall include any and all further amendments and supplements made in conformity therewith and with the Series 2004 Bonds Indenture.

Series 2004 Bonds Indenture shall mean the Indenture of Trust (Series 2004 Project), dated as of December 1, 2004, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2004 Project), dated as of June 28, 2005, and by a Second Supplemental Indenture of Trust (Series 2004 Project), dated as of August 1, 2007, each between the Issuer and the Series 2004 Bonds Trustee, as from time to time further amended or supplemented in accordance with the Series 2004 Bonds Indenture.

Series 2004 Bonds Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the Series 2004 Bonds Indenture, and its successors in such capacity and their assigns appointed in the manner provided in the Series 2004 Bonds Indenture.

Series 2004 Ground Lease shall mean the Ground Lease (Series 2004 Project), dated as of December 1, 2004, as amended by a First Amendment to Ground Lease (Series 2004 Project), dated as of August 1, 2007, each between the City and the Buffalo CSD, as lessors, and the Issuer, as lessee, with respect to the “Facilities” (as such term is defined in the Series 2004 Bonds Facilities Agreement), as amended or supplemented.

Series 2007 Bonds Facilities Agreement shall mean the Installment Sale Agreement (Series 2007 Project), dated as of August 1, 2007, as amended by a First Amendment to Installment Sale Agreement (Series 2008 Project), dated as of February 1, 2008, each between the Issuer and the Buffalo CSD, and shall include any and all further amendments and supplements thereto hereafter made in conformity therewith and with the 2007 Indenture.

Series 2007 Ground Lease shall mean the Ground Lease (Series 2007 Project), dated as of August 1, 2007, as amended by a First Amendment to Ground Lease (Series 2008 Project), dated as of February 1, 2008, each between the City and Buffalo CSD, as lessors, and the Issuer, as lessee, with respect to the “Facilities” (as such term is defined in the Series 2007 Bonds Facilities Agreement), as amended or supplemented.

Series 2007 Ground Sublease shall mean the Ground Sublease (Series 2007 Project), dated as of August 1, 2007, between the City and the Buffalo CSD, as sublessors, and the Issuer, as sublessee, with respect to the Phase II Facilities and the Phase III Facilities-First Part (as such terms are defined in the Series 2007 Bonds Facilities Agreement), as amended or supplemented.

Series 2009 Bonds Facilities Agreement, shall mean the Installment Sale Agreement (Series 2009 Project), dated as of November 1, 2009, between the Issuer and the Buffalo CSD, and shall include any and all amendments and supplements thereto made in conformity therewith and with the 2009 Indenture.

Series 2009 Ground Lease shall mean the Ground Lease (Series 2009 Project), dated as of November 1, 2009, between the City and Buffalo CSD, as lessors, and the Issuer, as lessee, with respect to the “Facilities” (as such term is defined in the Series 2009 Bonds Facilities Agreement) (other than School #84 as defined therein), as amended or supplemented.

Series 2011 Bonds shall mean, collectively, the Series 2011A Bonds and the Series 2011B Bonds.

Series 2011 Facility or Series 2011 Facilities shall mean, as applicable, each “educational facility” owned by, or leased to, the City and/or the Buffalo CSD, and described in the 2011A Installment

Sale Agreement including the land upon which such “educational facility” is located and all rights or interests therein or appertaining thereto, together with all structures, buildings, foundations, related facilities, fixtures and other improvements now or at any time made, erected or situated thereon (including the improvements made pursuant to the 2011A Installment Sale Agreement and the Master Construction Agreement), and all replacements, improvements, extensions, substitutions, restorations, repairs or additions thereto, together with all items of machinery, equipment, furniture, furnishings and fixtures located and used therein from time to time; provided, however, that (x) to the extent that only items of machinery, equipment, furniture, furnishings or fixtures located within an “educational facility” owned by, or leased to, the City and/or the Buffalo CSD shall be financed in whole or in part from the proceeds of the Series 2011A Bonds, then “Series 2011 Facility” shall mean only such items so financed and all replacements, repairs or additions thereto, (y) to the extent that an item of property constituting a fixture located at an “educational facility” is financed in whole or in part from the proceeds of the Bonds, and such “educational facility” shall not otherwise itself be included within the Series 2011 Facilities subject to the Series 2011A Ground Lease and to the 2011A Installment Sale Agreement, then such fixture shall be deemed property severable from the remainder of the “educational facility” and thereby subject to the leasehold estate of the Series 2011A Ground Lease and to the 2011A Installment Sale Agreement, and (z) “Series 2011 Facility” shall include any item of machinery, equipment, furniture, furnishings or fixtures to the extent any such item is installed or erected pursuant to the Buffalo CSD’s E-RATE 5 Program (involving certain technological upgrades to public schools within the Buffalo CSD) or Energy Management Program, as such items of machinery, equipment, furniture, furnishings or fixtures are generally described in the 2011A Installment Sale Agreement as to item and proposed location (but subject in all respects to the authority of the Buffalo CSD to make modifications thereto), but in each case only to the extent the costs of all or any portion of the same are financed with the proceeds of the Series 2011 A Bonds.

Series 2009 Ground Sublease shall mean the Ground Sublease (Series 2009 Project), dated as of November 1, 2009, between Buffalo CSD, as sublessor, and the Issuer, as sublessee, with respect to School #84, as defined therein, as amended or supplemented.

Series 2011A Bonds shall mean the \$165,315,0000 School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2011A of the Issuer authorized, issued, executed, authenticated and delivered under the Series 2011A Indenture.

Series 2011A Ground Lease shall mean the Ground Lease (Series 2011 Project), dated as of June 1, 2011, between the City and Buffalo CSD, as lessors, and the Issuer, as lessee, with respect to the Series 2011 Facilities, as amended or supplemented.

Series 2011A Indenture shall mean the Indenture of Trust (Series 2011 Project), dated as of June 1, 2011, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2011 Project), dated as of May 1, 2021, each between the Issuer and the Series 2011A Trustee, as from time to time further amended or supplemented in accordance with the Series 2011A Indenture.

Series 2011A Project or Series 2011 Project shall mean the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of each Series 2011 Facility in accordance with the related Plans and Specifications.

Series 2011A Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the Series 2011A indenture, and its successors in such capacity and their assigns appointed in the manner provided in the Series 2011A Indenture.

Series 2011B Bonds shall mean the \$112,560,000 School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2011B of the Issuer authorized, issued, executed, authenticated and delivered under the Series 2011B Indenture.

Series 2011B Indenture shall mean the Amended and Restated Indenture of Trust (Series 2003 Project), dated as of July 1, 2011, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2003 Project), dated as of May 1, 2021, each between the Issuer and the Series 2011B Trustee, as from time to time further amended or supplemented in accordance with the Series 2011B Indenture.

Series 2011B Project shall mean the refunding of the Series 2003 Bonds and the payment of the costs related to the issuance of the Series 2011B Bonds and the refinancing of the Series 2003 Project.

Series 2011B Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the Series 2011B Indenture, and its successors in such capacity and their assigns appointed in the manner provided in the Series 2011B Indenture.

Series 2021A Bonds shall mean the \$ _____ School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021A of the Issuer authorized, issued, executed, authenticated and delivered under the Series 2011B Indenture.

Series 2021B Bonds shall mean the \$ _____ School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021B of the Issuer authorized, issued, executed, authenticated and delivered under the Series 2011B Indenture.

Special Record Date shall mean such date as may be fixed for the payment of defaulted interest in accordance with the Indenture.

State shall mean the State of New York.

State Aid Revenues shall mean the total amount of State aid to education annually appropriated by the New York State Legislature and paid to the Buffalo CSD or the City or any officer thereof, for the provision of public educational instruction in the City together with earnings on the investment thereof while in the custody of the Depository Bank.

State Aid Trust Agreement shall mean the Amended and Restated State Aid Trust Agreement, dated as of December 1, 2004, as amended by a First Amendment to Amended and Restated State Aid Trust Agreement, dated as of June 28, 2005, among the Buffalo CSD, the Depository Bank, the City and the Series Trustee, and shall include any and all further amendments thereof and supplements thereto made in conformity therewith.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Issuer and the Trustee in accordance with the Indenture.

Tax Compliance Certificate shall mean, with respect to a Series of Bonds, the Tax Compliance Certificate of the Buffalo CSD and the Issuer relating to such Series of Bonds.

Trustee shall mean, as applicable, (i) with respect to the Series 2011A Bonds, the Series 2011A Trustee, or (ii) with respect to the Series 2011B Bonds, the Series 2011B Trustee.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Yield shall have the meaning set forth for such term in the Tax Compliance Certificate.

2007 Indenture shall mean the Indenture of Trust (Series 2007 Project), dated as of August 1, 2007, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2008 Project), dated as of February 1, 2008, each between the Issuer and the 2007 Indenture Trustee, as from time to time further amended or supplemented in accordance with the 2007 Indenture.

2007 Indenture Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the 2007 Indenture, and its successors in such capacity and their assigns appointed in the manner provided in the 2007 Indenture.

2009 Indenture shall mean the Indenture of Trust (Series 2009 Project), dated as of November 1, 2009, between the Issuer and the 2009 Indenture Trustee, as from time to time further amended or supplemented in accordance with the 2009 Indenture.

2009 Indenture Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, in its capacity as trustee under the 2009 Indenture, and its successors in such capacity and their assigns appointed in the manner provided in the 2009 Indenture.

2011A Installment Sale Agreement shall mean the Installment Sale Agreement (Series 2011 Project) dated as of June 1, 2011, as supplemented and amended by a First Amendment to Installment Sale Agreement (Series 2011 Project), dated as of May 1, 2021, each between the Issuer and Buffalo CSD, and shall include any and all amendments and supplements thereto made in conformity with the Series 2011A Indenture.

2011A Refunding Escrow Trust Agreement shall mean the Refunding Escrow Trust Agreement, dated as of May 1, 2021, among the Issuer, the Buffalo CSD and the Series 2011A Trustee, as escrow agent, and shall include any and all amendments thereof and supplements thereto made in conformity therewith.

2011B Installment Sale Agreement shall mean the Amended and Restated Installment Sale Agreement (Series 2003 Project) dated as of July 1, 2011, as supplemented and amended by a First Amendment to Amended and Restated Installment Sale Agreement (Series 2003 Project), dated as of May 1, 2021, each between the Issuer and Buffalo CSD, and shall include any and all amendments and supplements thereto made in conformity with the Series 2011B Indenture.

2011B Refunding Escrow Trust Agreement shall mean the Refunding Escrow Trust Agreement, dated as of May 1, 2021, among the Issuer, the Buffalo CSD and the Series 2011B Trustee, as escrow agent, and shall include any and all amendments thereof and supplements thereto made in conformity therewith.

2012A Installment Sale Agreement shall mean the Amended and Restated Installment Sale Agreement (Series 2004 Project) dated as of April 1, 2012, between the Issuer and Buffalo CSD, and shall include any and all amendments and supplements thereto made in conformity with the Series 2012 Indenture.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES OF TRUST

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES OF TRUST

The following is a combined summary of certain provisions of the Indenture of Trust (Series 2011 Project), dated as of June 1, 2011, as amended and supplemented by a First Supplemental Indenture (Series 2011 Project), dated as of May 1, 2021 (collectively, the "Series 2011A Indenture"), relating to the Series 2021A Bonds and the Amended and Restated Indenture of Trust (Series 2003 Project), dated as of July 1, 2011, as supplemented and amended by a First Supplemental Indenture (Series 2003 Project), dated as of May 1, 2021 (collectively, the "Series 2011B Indenture"), relating to the Series 2021B Bonds. The provisions summarized below are the same for each such Indenture unless specifically stated otherwise. References to "Indenture", "Installment Sale Agreement", "Bonds", "Additional Bonds", "Facilities", "Ground Lease", "Installment Purchase Payments", "Tax Compliance Certificate", "Trustee", any "Fund", any "Account" or other related defined terms shall mean only such terms which are related to either the Series 2021A Bonds or the Series 2021B Bonds and not such terms collectively. This summary is qualified in its entirety by reference to each such Indenture.

Additional Bonds. So long as the Installment Sale Agreement is in effect and no Event of Default exists thereunder, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) financing Facilities in connection with the Buffalo Schools Reconstruction Project, (ii) providing funds to repair, relocate, replace, rebuild or restore an affected Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions, improvements or facilities to one or more Facilities, the purpose of which shall be to constitute a "project" and an "educational facility" within the meaning of the IDA Act and the Buffalo Schools Act, or (iv) refunding Outstanding Bonds. Such Series of Additional Bonds shall be payable from the Installment Purchase Payments under the Installment Sale Agreement. Prior to the issuance of a Series of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the City, the Buffalo CSD and the Issuer shall enter into an amendment to the Ground Lease and if necessary, to subject the Facility(ies) to the leasehold estate thereof, and the Issuer and the Buffalo CSD shall enter into an amendment to the Installment Sale Agreement to subject the Facility(ies) to the Installment Sale Agreement and to provide, among other things, that the Installment Purchase Payments payable under the Installment Sale Agreement shall be increased and computed so as to amortize in full the principal of and interest on the Bonds including such Series of Additional Bonds. In addition, the Buffalo CSD and the Issuer shall enter into an amendment to the Tax Compliance Certificate.

Each such Series of Additional Bonds shall be deposited with the Trustee and thereupon shall be authenticated by the Trustee. Upon payment to the Trustee of the proceeds of sale of the Additional Bonds, they shall be made available by the Trustee for pick-up by the order of the purchaser or purchasers thereof, but only upon receipt by the Trustee of:

- (1) a copy of the resolution, duly certified by the Secretary or Assistant Secretary of the Issuer, authorizing, issuing and awarding the Additional Bonds to the purchaser or purchasers thereof and providing the terms thereof and authorizing the execution of any Supplemental Indenture and any amendments of or supplements to the Ground Lease and the Installment Sale Agreement
- (2) original executed counterparts of the Supplemental Indenture and an amendment of or supplement to the Ground Lease and the Installment Sale Agreement, expressly providing that, to the extent applicable, for all purposes of the Supplemental Indenture, the Ground Lease and the Installment Sale Agreement, the Facilities referred to therein and the premises leased

pursuant to the Ground Lease and sold under the Installment Sale Agreement, shall include the buildings, structures, improvements, machinery, equipment or other facilities being financed, and the Bonds referred to therein shall mean and include the Additional Bonds being issued as well as the Bonds now being issued and any Additional Bonds theretofore issued;

(3) a written opinion by Nationally Recognized Bond Counsel, to the effect that the issuance of the Additional Bonds and the execution thereof have been duly authorized, that all conditions precedent to the delivery thereof have been fulfilled, and that the issuance of the Additional Bonds will not cause the interest on any Series of Bonds Outstanding to become includable in gross income for federal income tax purposes;

(4) except in the case of Refunding Bonds (defined below) refunding all Outstanding Bonds, a certificate of an Authorized Representative of the Buffalo CSD to the effect that the Ground Lease, the Tax Compliance Certificate and the Installment Sale Agreement continues in full force and effect and that there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default;

(5) to the extent applicable, those documents required under the Installment Sale Agreement;

(6) an original, executed counterpart of the amendment, if any, to the Tax Compliance Certificate; and

(7) a written order to the Trustee executed by an Authorized Representative of the Issuer to authenticate and make available for pick-up the Series of Additional Bonds to the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price therein specified, plus accrued interest, if any.

Upon the request of the Buffalo CSD, one or more Series of Additional Bonds may be authenticated and made available for pick-up upon original issuance to refund (“Refunding Bonds”) all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of a Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Indenture and of the resolution authorizing said Series of Refunding Bonds. In the case of the refunding under this heading of less than all Bonds Outstanding of any Series or of any maturity within such Series, the Trustee shall proceed to select such Bonds in accordance with the Indenture.

Refunding Bonds may be authenticated and made available for delivery only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the second paragraph under this heading, as may be applicable) of:

(A) Irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption pursuant to the Indenture to the Holders of all the Outstanding Bonds to be refunded prior to maturity on the redemption date specified in such instructions; and

(B) Either:

(i) moneys in an amount sufficient to effect payment at maturity or upon redemption at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date, which moneys shall

be held by the Trustee or any Paying Agent in a separate account irrevocably in trust for and assigned to the respective Holders of the Outstanding Bonds being refunded, or

(ii) Defeasance Obligations in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the defeasance provisions of the Indenture, and any moneys required pursuant to such defeasance provisions (with respect to all Outstanding Bonds or any part of one or more series of Outstanding Bonds being refunded), which Defeasance Obligations and moneys shall be held in trust and used only as provided in such defeasance provisions.

The Buffalo CSD shall furnish to the Trustee and the Issuer at the time of delivery of the Series of Refunding Bonds a certificate of an independent certified public accountant stating that the Trustee and/or the Paying Agent (and/or any escrow agent as shall be appointed in connection therewith) hold in trust the moneys or such Defeasance Obligations and moneys required to effect such payment at maturity or earlier redemption.

Each Series of Additional Bonds issued pursuant to this heading shall be equally and ratably secured under the Indenture with the Bonds and all other Series of Additional Bonds, if any, issued pursuant to the provisions under this heading, without preference, priority or distinction of any Bond over any other Bonds except as expressly provided in or permitted by the Indenture.

Notwithstanding anything in the Indenture to the contrary, no Series of Additional Bonds shall be issued unless the Ground Lease, the State Aid Trust Agreement, the Tax Compliance Certificate and the Installment Sale Agreement are in effect and at the time of issuance there is no Event of Default nor any event which upon notice or lapse of time or both would become an Event of Default.

Creation of Funds and Accounts. The Issuer establishes and creates the following special trust Funds and Accounts comprising such Funds under the Series 2011A Indenture: (1) Project Fund with (a) Series 2011A Bonds Account and (b) Series 2021A Additional Bonds Account; (2) Bond Fund with (a) Principal Account, (b) Interest Account and (c) Redemption Account; and (3) Rebate Fund. The Issuer establishes and creates the following special trust Funds and Accounts comprising such Funds under the Series 2011B Indenture: (1) Project Fund with (a) Series 2011B Bonds Account and (b) Series 2021B Additional Bonds Account; (2) Bond Fund with (a) Principal Account, (b) Interest Account and (c) Redemption Account; and (3) Rebate Fund.

All of the Funds and Accounts created under the Indenture shall be held by the Trustee. Additional Accounts, including Accounts within the Project Fund, may be established upon the issuance of a Series of Additional Bonds. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture and all investments made therewith shall be held by the Trustee in trust and applied only in accordance with the provisions of the Indenture, and while held by the Trustee shall constitute part of the Trust Estate and be subject to the lien of the Indenture, subject to the provisions of the Granting Clauses of the Indenture.

The amounts deposited in the Funds and Accounts created under the Indenture shall be subject to a security interest, lien and charge in favor of the Trustee (for the benefit of the Holders of the Bonds) until disbursed as provided in the Indenture, subject to the provisions of the Granting Clauses of the Indenture.

Project Fund. There shall be deposited in the appropriate Account of the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture or otherwise required to be deposited

therein pursuant to the Installment Sale Agreement or the Indenture. The amounts in the Project Fund shall be subject to a security interest, lien and charge in favor of the Trustee, for the benefit of the Bondholders, until disbursed as provided in the Indenture. The Trustee shall apply the amounts on deposit in each Account of the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Buffalo CSD or the Issuer, of Project Costs.

The Trustee is authorized to disburse from each Account of the Project Fund the amount required for the payment of Project Costs and is directed to issue its checks (or make wire transfers if requested by the Buffalo CSD) for each disbursement from each Account of the Project Fund, upon a requisition submitted to the Trustee, signed by an Authorized Representative of the PPDS Provider and approved by an Authorized Representative of the Buffalo CSD.

Pursuant to the Series 2011A Indenture, the completion of the Series 2011A Project or abandonment thereof shall be evidenced by the filing of a certificate of an Authorized Representative of the Buffalo CSD in accordance with the Series 2011A Installment Sale Agreement. Upon the filing of such certificate, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Certificate and as described under the heading "Payments into Rebate Fund; Application of Rebate Fund" below, shall be deposited in a segregated sub-account of the Redemption Account of the Bond Fund and applied (together with any investment earnings derived from the amount so deposited) on the first date upon which the Series 2011A Bonds may be called for general optional redemption, to the payment of only the principal portion of the Redemption Price of the Series 2011A Bonds on such redemption date to the extent of the amount so held in such sub-account (to the nearest \$5,000 integral multiple with any excess to be deposited in the Interest Account of the Bond Fund), provided, however, that the amounts so deposited in such segregated sub-account shall not be invested at a Yield in excess of the Yield on the Series 2011A Bonds as determined in accordance with the Tax Compliance Certificate.

In the event the Buffalo CSD shall be required to or shall elect to cause the Bonds to be redeemed in whole pursuant to the Installment Sale Agreement (other than in connection with a refunding in whole of the Bonds), the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Certificate and as described under the heading "Payments into Rebate Fund; Application of Rebate Fund" below, shall be deposited in the Bond Fund for redemption of Bonds.

All earnings on amounts held in any Account of the Project Fund, excluding earnings required no less frequently than quarterly to be transferred to the Rebate Fund in compliance with the Tax Compliance Certificate and as described under the heading "Payments into Rebate Fund; Application of Rebate Fund" below, shall be maintained within the respective Account of the Project Fund and made available for Project Costs.

Upon the occurrence and during the continuance of an Event of Default, the balance in the Project Fund, after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Certificate and as described under the heading "Payments into Rebate Fund; Application of Rebate Fund" below, shall be deposited in the Bond Fund to be applied toward payment of the Bonds as provided under the heading "Application of Revenues and Other Moneys After Default" below.

Payments into Bond Fund. On or before November 10 of each Fiscal Year (as defined in the State Aid Trust Agreement), commencing November 10, 2011, the Trustee shall deliver a Base Facilities Agreement Payment Certificate (computed as of the immediately preceding last Business Day of October of such Fiscal Year) to the Depository Bank in accordance with the State Aid Trust Agreement. The Trustee shall promptly deposit the following receipts into the Bond Fund:

(a) Proceeds of the Series 2011A Bonds, in the amount specified in the Series 2011A Indenture, shall be deposited in the Interest Account of the Bond Fund pursuant to the Series 2011A Indenture. Funds from the Series 2003 Bonds Indenture received by the Trustee shall be deposited in the Interest Account of the Bond Fund pursuant to the Series 2011B Indenture. Upon the issuance of any Series of Additional Bonds, there shall be deposited in the Interest Account of the Bond Fund such amount, if any, of the proceeds of such Series of Additional Bonds as may be set forth in the related Supplemental Indenture.

(b) Moneys received from the Depository Bank pursuant to the disbursement provisions of the State Aid Trust Agreement shall be deposited into the Bond Fund and applied first, to the payment of interest (and deposited in the Interest Account), second, to the payment of principal (and deposited in the Principal Account), and third, to the payment of sinking fund payments (and deposited in the Redemption Account).

(c) Moneys received from the State Comptroller pursuant to the State Aid intercept provisions of the Indenture in respect of Installment Purchase Payments and available for the payment of interest on the Bonds, which, subject to the priority for the application of such moneys so received set forth below under “State Aid Intercept”, shall be placed in the Interest Account of the Bond Fund and applied, together with amounts available in the Interest Account, to the payment of interest on the Bonds.

(d) Moneys received from the State Comptroller pursuant to the State Aid intercept provisions of the Indenture in respect of Installment Purchase Payments and available for the payment of principal of the Bonds, which, subject to the priority for the application of such moneys so received set forth below under “State Aid Intercept”, shall be placed in the Principal Account of the Bond Fund and applied, together with amounts available in the Principal Account, to the payment of principal of the Bonds.

(e) Moneys received from the State Comptroller pursuant to the State Aid intercept provisions of the Indenture in respect of Installment Purchase Payments and available for the payment of the Redemption Price of Bonds to be redeemed in whole or in part, which, subject to the priority for the application of such moneys so received set forth below under “State Aid Intercept”, shall be placed in the Redemption Account of the Bond Fund and applied, together with amounts available in the Redemption Account, to the payment of the Redemption Price of Bonds to be redeemed in whole or in part.

(f) Excess amounts on deposit in the Redemption Account of the Bond Fund and not applied within twelve (12) months of their deposit to the purchase or redemption of Bonds, which shall be credited to the Interest Account of the Bond Fund.

(g) Moneys transferred by the Trustee from the Redemption Account of the Bond Fund which shall be deposited in either the Interest Account or Principal Account of the Bond Fund, as so directed by an Authorized Representative of the Buffalo CSD.

(h) Pursuant to the Series 2011A Indenture, moneys transferred by the Trustee from the Project Fund to the Redemption Account of the Bond Fund (after making any transfer to the Rebate Fund as directed pursuant to the Tax Compliance Certificate and as described under the heading “Payments into Rebate Fund; Application of Rebate Fund” below) as provided above under the heading “Project Fund”, which amounts shall be held separately by the Trustee in a restricted subaccount, and may be invested, until applied to the redemption of the Bonds in accordance with the Indenture, by the Trustee at the direction of the Buffalo CSD, and otherwise

in accordance with the requirements set forth below under “Investment of Funds and Accounts”, except the certification by the Buffalo CSD required by the Indenture shall include an additional certification by the Buffalo CSD that the contemplated investment is not at a Yield in excess of the Yield on the related Series of Bonds.

(i) All other receipts when and if required by the State Aid Trust Agreement, by the Installment Sale Agreement, by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided under the heading “Application of Revenues and Other Moneys After Default” below) to the Redemption Account of the Bond Fund and applied as provided in the Indenture.

In the event that any Installment Purchase Payment received by the Trustee shall be an amount insufficient to pay the interest, principal and sinking fund payments next coming due on the Bonds, such amount shall be applied first, to the payment of interest, second, to the payment of principal, and third, to the payment of sinking fund payments.

State Aid Intercept. Pursuant to the Buffalo Schools Act, in the event the Buffalo CSD shall fail (for any reason, including the failure of the appropriate legislative body of the Buffalo CSD to appropriate moneys for such purpose) to make a payment under the Installment Sale Agreement in the amount and by the date the same is due, of which failure the Trustee has actual knowledge in the case of a failed Installment Purchase Payment (or other failed payment payable to the Trustee in its capacity as Trustee), or, in the case of any other failed payment of which the Trustee has received written notice from the party to whom such failed payment is owed under the Installment Sale Agreement, the Issuer irrevocably appoints the Trustee to act as its agent for the purpose of delivering a certificate to the State Comptroller (in substantially the form set forth in the appendices attached to the Indenture) by no later than the next Business Day following the Trustee obtaining such actual knowledge or such notice of such failed payment, certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall, in accordance with the Buffalo Schools Act, withhold from the Buffalo CSD such State Aid Revenues as are payable to the Buffalo CSD to the extent of the amount so stated in such certificate of the Trustee as not having been made, and the State Comptroller shall immediately pay over to the Trustee on behalf of the Issuer, the amount of such State Aid Revenues so withheld. All State Aid Revenues so received shall be applied, first, to deposit in the Interest Account of the Bond Fund to the extent of any deficiency therein, *second*, to deposit in the Principal Account of the Bond Fund to the extent of any deficiency therein, *third*, to deposit in the Redemption Account of the Bond Fund to the extent of any deficiency therein, *fourth*, to satisfy any obligation of the Buffalo CSD under certain indemnification provisions of the Installment Sale Agreement, *fifth*, pursuant to only the Series 2011A Indenture, to satisfy any obligation of the Buffalo CSD under the liability insurance provisions of the Series 2011A Installment Sale Agreement and *sixth*, to satisfy any other obligations of the Buffalo CSD under the Installment Sale Agreement.

The appointment by the Issuer of the Trustee as agent as above-described shall be deemed a non-exclusive but irrevocable appointment (coupled with an interest) and the Issuer may appoint any other Series Trustee to similar purpose under the related Series Indenture. The Trustee accepts such agency and agrees so to act on behalf of the Issuer. Any amounts of such State Aid Revenues received by the Trustee from the State Comptroller shall, subject to the priority set forth in the preceding paragraph, be deemed to satisfy the Buffalo CSD’s obligation to make such defaulted payment to the extent of the amount received. Any amounts of such State Aid Revenues received by the Trustee from the State Comptroller that are not in respect of Installment Purchase Payments shall forthwith be forthwith paid to or upon the order of the Issuer.

The Issuer covenants and agrees that it shall enter into no agreement, Indenture or other instrument, including any Series Indenture or Series Facilities Agreement, in connection with the issuance of a Series of Project Bonds under a Series Indenture which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid Revenues under the Buffalo Schools Act than the pledge effected pursuant to the Indenture; provided, however, that nothing contained in the Indenture shall be deemed (y) to limit or deny the ability of the Issuer or any other public entity, in connection with the issuance of another Series of Project Bonds, to pledge State Aid Revenues under the Buffalo Schools Act on a parity with the pledge effected under the Indenture, or (z) to require that any Series of Project Bonds issued under any other Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any payment dates under a Series Facilities Agreement be the same as those under the Installment Sale Agreement.

Application of Bond Fund. The Trustee shall (i) on each Interest Payment Date pay or cause to be paid out of the Interest Account in the Bond Fund the interest due on the Bonds, and (ii) further pay out of the Interest Account of the Bond Fund any amounts required for the payment of accrued interest upon any redemption of Bonds.

The Trustee shall on each principal payment date for the Bonds pay or cause to be paid to the respective Paying Agents therefor out of the Principal Account of the Bond Fund, the principal amount, if any, due on the Bonds (other than as shall be due by mandatory sinking fund redemption), upon the presentation and surrender of the requisite Bonds (such presentation and surrender not being required if Cede & Co. is the Holder of the Bonds).

There shall be paid from the Redemption Account of the Bond Fund to the Paying Agents on each sinking fund payment date in immediately available funds the amounts required for the sinking fund payment due and payable with respect to Bonds which are to be redeemed from sinking fund payments on such date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Such amounts shall be applied by the Paying Agents to the payment of such sinking fund payment when due. The Trustee shall call for redemption, in the manner provided in the Indenture, Bonds for which sinking fund payments are applicable in a principal amount equal to the sinking fund payment then due with respect to such Bonds. Such call for redemption shall be made even though at the time of mailing of the notice of such redemption sufficient moneys therefor shall not have been deposited in the Redemption Account of the Fund.

Amounts in the Redemption Account of the Bond Fund shall be applied, at the written direction of the Buffalo CSD, as promptly as practicable, to the purchase of Bonds of a Series as directed by the Buffalo CSD at prices not exceeding the Redemption Price thereof applicable on the earliest date upon such Series of Bonds are next subject to optional redemption, plus in each case accrued interest to the date of redemption (accrued interest on such Bonds being payable out of the Interest Account of the Bond Fund). Any Bonds purchased in lieu of a mandatory redemption shall be surrendered to the Trustee for cancellation. Any amount in the Redemption Account not so applied to the purchase of Bonds by forty-five (45) days prior to the next date on which the Bonds are so redeemable shall be applied to the redemption of Bonds on such redemption date; provided that if such amount aggregates less than \$5,000, it need not be then applied to such redemption. Any amounts deposited in the Redemption Account and not applied within twelve (12) months of their date of deposit to the purchase or redemption of Bonds (except if held in accordance with the defeasance provisions of the Indenture) shall be transferred to the Interest Account. The Bonds to be purchased or redeemed shall be selected by the Trustee in the manner provided in the Indenture. Amounts in the Redemption Account to be applied to the redemption of Bonds shall be paid to the respective Paying Agents on or before the redemption date and applied by them on such redemption date to the payment of the Redemption Price of the Bonds being redeemed plus interest

on such Bonds accrued to the redemption date (accrued interest on such Bonds being payable from the Interest Account of the Bond Fund). Upon the purchase of any Bonds subject to sinking fund payments, or upon the redemption of any Bonds subject to sinking fund payments, an amount equal to the principal of such Bonds so purchased or redeemed shall be credited against the next ensuing and future sinking fund payments in such order as an Authorized Representative of the Buffalo CSD shall direct, or, in the absence of any such direction, in chronological order of the due dates of such sinking fund payments, until the full principal amount of such Bonds so purchased or redeemed shall have been so credited. The portion of any such sinking fund payment remaining after the deduction of such amounts so credited shall constitute and be deemed to be the amount of such sinking fund payment for the purposes of any calculation thereof under the Indenture.

Moneys in the Redemption Account of the Bond Fund which are not set aside or deposited for the redemption or purchase of Bonds shall be transferred by the Trustee to the Interest Account or the Principal Account of the Bond Fund, as directed by an Authorized Representative of the Buffalo CSD.

In the event of the issuance of a Series of Refunding Bonds pursuant to the provisions under the heading "Additional Bonds" above, the Trustee shall, upon the written direction of the Buffalo CSD, withdraw from the specified Accounts of the Bond Fund those amounts deposited in each such Account so specified held for the payment of the principal, sinking fund payments, Redemption Price and interest on the Series of Bonds or principal portion thereof to be refunded, provided, however, that such withdrawal shall not be made unless (1) immediately thereafter, the Series of Bonds or principal portion thereof being refunded shall be deemed to have been paid pursuant to the defeasance provisions of the Indenture, and (ii) the amount remaining in each Account of the Bond Fund after such withdrawal shall not be less than that amount otherwise then required to be on deposit in each such Account to pay the principal, sinking fund payments, Redemption Price and interest of those Series of Bonds or principal portions thereof not being refunded.

Investment of Funds and Accounts. Amounts in the Bond Fund, the Project Fund and the Rebate Fund, may, if and to the extent then permitted by law, be invested only in Qualified Investments. Any investment authorized by the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the written request of an Authorized Representative of the Buffalo CSD accompanied by a certificate to the effect that the related investment constitutes a Qualified Investment. Any investment under the Indenture shall be made in accordance with the Tax Compliance Certificate, and the Buffalo CSD shall so certify to the Trustee with each such investment direction as referred to in the Indenture. Such investments shall mature in such amounts and at such times as may be necessary to provide funds when needed to make payments from the applicable Fund. Net income or gain received and collected from such investments shall, in the case of the Project Fund or the Bond Fund, be credited and losses charged to such Fund, as applicable, subject, however, in each case as described under the heading "Payments into Rebate Fund; Application of Rebate Fund" below.

Upon timely request of an Authorized Representative of the Buffalo CSD, the Trustee shall notify the Buffalo CSD ten (10) days prior to each Installment Purchase Payment Date under the Installment Sale Agreement of the amount of such net investment income or gain received and collected subsequent to the last such installment purchase payment and the amount then available in the Project Fund and in each Account of the Bond Fund.

Upon the written direction of an Authorized Representative of the Buffalo CSD, the Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective Funds or

Accounts, to make any payments required to be made therefrom, or to facilitate the transfers of moneys or securities between various Funds and Accounts as may be required from time to time pursuant to the provisions of the Indenture.

In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at fair market value as determined by the Trustee on the last Business Day of each October.

The fair market value of Qualified Investments shall be determined as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or as quoted in the Interactive Data Service; and

(iii) as to certificates of deposit and bankers acceptances and other investments, the face amount thereof, plus accrued interest.

If more than one provision of this definition of “fair market value” shall apply at any time to any particular investment, the fair market value thereof at such time shall be determined in accordance with the provision establishing the lowest value for such investment.

Neither the Trustee nor the Issuer shall be liable for any loss arising from, or any depreciation in the value of any obligations in which moneys of the Funds and Accounts shall be invested. The investments authorized by the Indenture shall at all times be subject to the provisions of applicable law, as amended from time to time.

Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the credit of any Fund or Account under any provision of the Indenture (excluding the Rebate Fund) and all investments made therewith shall be held by the Trustee in trust for the benefit of the Bondholders and while held by the Trustee constitute part of the Trust Estate, and be subject to the lien of the Indenture, but subject to the Granting Clauses thereof. Moneys held by the Depository Bank under the State Aid Trust Agreement are not part of the Trust Estate unless and until the same are transferred to the Trustee for deposit in the Bond Fund in accordance with the State Aid Trust Agreement. Moneys held by the Trustee in the Rebate Fund are not part of the Trust Estate nor subject to the lien of the Indenture.

Repayment to the Buffalo CSD from the Funds. After payment in full of the Bonds (in accordance with the defeasance provisions of the Indenture) and the payment of all fees, charges and expenses of the Issuer, the Trustee, the Bond Registrar and the Paying Agents and all other amounts required to be paid under the Indenture and under each of the Security Documents, and the payment of any amounts which the Buffalo CSD is required to rebate to the federal government pursuant to the Indenture and the Tax Compliance Certificate, all amounts remaining in the Project Fund and the Bond Fund shall be paid to the Buffalo CSD upon the expiration or sooner or later termination of the term of the Installment Sale Agreement.

Payments into Rebate Fund; Application of Rebate Fund. The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee or any Bondholder or any other Person.

The Trustee, following the receipt of a certificate of written direction from an Authorized Representative of the Buffalo CSD pursuant to the Tax Compliance Certificate, shall deposit in the Rebate Fund that amount from the Project Fund, to the extent available, as shall be so specified in such certificate of written direction as necessary to satisfy the requirements of the Tax Compliance Certificate. In the case of the Project Fund, the Buffalo CSD shall so direct the Trustee no less frequently than quarterly.

In the event that the amount on deposit in the Rebate Fund exceeds the Rebate Amount as determined in accordance with the Tax Compliance Certificate, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Buffalo CSD, shall withdraw such excess amount and deposit it (i) to any Account of the Project Fund or (ii) to the Interest Account of the Bond Fund, as the Buffalo CSD shall determine.

The Trustee, upon the receipt of written instructions from an Authorized Representative of the Buffalo CSD, shall pay to the United States, out of amounts in the Rebate Fund, (i) not less frequently than once each five (5) years after the date of original issuance of each Series of the Bonds, an amount such that, together with prior amounts paid to the United States, the total paid to the United States is equal to 90% of the Rebate Amount with respect to such Series of Bonds as of the date of such payment and (ii) notwithstanding the defeasance provisions of the Indenture, not later than thirty (30) days after the date on which all Bonds have been paid in full, 100% of the Rebate Amount as of the date of payment.

The Trustee shall have no obligation under the Indenture to transfer any amounts to the Rebate Fund unless the Trustee shall have received specific written instructions from an Authorized Representative of the Buffalo CSD to make such transfer.

Payment of Principal and Interest. The Issuer covenants that it will from the sources contemplated by the Indenture promptly pay or cause to be paid the principal of and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, redemption premium, if any, or interest on the Bonds or the Redemption Price, if any, together with interest accrued thereon to the date of redemption or for any claim based thereon against any such member, officer, director, employee or agent or against any natural person executing the Bonds. Neither the Bonds, the principal thereof, the interest thereon, nor the Redemption Price thereof, if any, together with interest accrued thereon to the date of redemption, shall ever constitute a debt of the State or of the County and neither the State nor the County shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Issuer other than those pledged therefor. The Issuer shall not be required under the Indenture or the Installment Sale Agreement or any other Security Document to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the Installment Purchase Payments pledged to the payment of the Bonds and (iii) any income or gains therefrom.

Performance of Covenants; Authority. The Issuer covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings

pertaining thereto. The Issuer covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the IDA Act, to issue the Bonds authorized by the Indenture and to execute the Indenture, to sell its leasehold interest in the Facilities under the Ground Lease pursuant to the Installment Sale Agreement, to assign the Installment Sale Agreement and to pledge the Installment Purchase Payments pledged in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Issuer according to the import thereof.

Creation of Liens; Indebtedness; Sale of Facilities. Except to the extent contemplated in the last paragraph under the heading “State Aid Intercept” with respect to the issuance of Project Bonds under a Series Indenture other than the Indenture, the Issuer shall not create or suffer to be created, or incur or issue any evidences of indebtedness secured by, any lien or charge upon or pledge of the Trust Estate, except the lien, charge and pledge created by the Indenture, the Ground Lease and the Installment Sale Agreement. The Issuer further covenants and agrees not to sell (except pursuant to the Installment Sale Agreement), convey, transfer, lease, sublease, mortgage or encumber the real property constituting part of the Facilities or any of them or any part of such real property, except for Permitted Encumbrances or as specifically permitted under the Indenture, the Ground Lease and the Installment Sale Agreement, so long as any of the Bonds are Outstanding. The Issuer shall have no pecuniary liability for its covenants set forth in the Indenture, including those described in this paragraph.

Issuer Tax Covenant. The Issuer covenants that it shall not take any action within its control, nor refrain from taking any action reasonably requested by the Buffalo CSD or the Trustee, which would cause the interest on the Bonds to become includable in gross income for federal income tax purposes; provided, however, the breach of this covenant shall not result in any pecuniary liability of the Issuer and the only remedy to which the Issuer shall be subject shall be specific performance.

Events of Default; No Acceleration of Due Date. Each of the following events shall constitute an “Event of Default”:

- (1) Failure to duly and punctually pay the interest on any Bond when the same shall become due and payable;
- (2) Failure to duly and punctually pay the principal or redemption premium, if any, of any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise;
- (3) Failure of the Issuer to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in subparagraphs (1) or (2) above) and (A) continuance of such failure for a period of thirty (30) days after receipt by the Issuer and the Buffalo CSD of written notice specifying the nature of such default from the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Issuer or the Buffalo CSD fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; and
- (4) The occurrence of an “Event of Default” under the Installment Sale Agreement.

In no event shall the principal of any Bond be declared due and payable in advance of its final stated maturity, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

Enforcement of Remedies. Subject to the last paragraph of the immediately preceding heading, upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and, upon the written request of the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the IDA Act, the Buffalo Schools Act, the Bonds, the Installment Sale Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity (including mandamus) or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the IDA Act or the Buffalo Schools Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable, to the extent permitted by law.

In the enforcement of any right or remedy under the Indenture, under any other Security Document, under the IDA Act or under the Buffalo Schools Act, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the Issuer, for principal, interest, Redemption Price, or otherwise, under any of the provisions of the Indenture, of any other Security Document or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture, under any such other Security Document and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the Issuer, but solely as provided in the Indenture and in the Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from the moneys in the Bond Fund and other moneys available therefor to the extent provided in the Indenture) in any manner provided by law, the moneys adjudged or decreed to be payable. The Trustee shall file proof of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Bondholders allowed in any judicial proceedings relative to the Buffalo CSD or the Issuer or their creditors or property.

Regardless of the occurrence of an Event of Default, the Trustee, if requested in writing by the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture or under any other Security Document by any acts which may be unlawful or in violation of the Indenture or of such other Security Document or of any resolution authorizing any Bonds, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders; provided, that such request shall not be otherwise than in accordance with the provisions of law and of the Indenture and shall not be unduly prejudicial to the interests of the Holders of the Bonds not making such request.

Application of Revenues and Other Moneys After Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the

collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied, subject to the provisions of the Indenture relating to compensation of the Trustee, the Bond Registrar and the Paying Agents, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Bonds or principal installments which shall have become due (other than Bonds or principal installments called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest on such Bonds, at the rate or rates expressed thereon, from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds or principal installments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or privilege.

After payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances (including legal fees and expenses) incurred or made by the Trustee, the funds realized following the occurrence of an Event of Default shall be applied, first, as provided in paragraph First and Second under the heading, *second*, to pay any amounts which the Buffalo CSD is required to rebate to the federal government pursuant to the Indenture and the Tax Compliance Certificate, *third*, to satisfy any obligation of the Buffalo CSD regarding indemnification of the Issuer and the Trustee under the Installment Sale Agreement, *fourth*, pursuant to only the Series 2011A Indenture, to satisfy any obligation of the Buffalo CSD regarding the maintenance of liability insurance under the 2011A Installment Sale Agreement, and, *fifth*, to satisfy any other obligations of the Buffalo CSD under the Installment Sale Agreement. Nothing outlined under the heading shall be deemed to modify the application of State Aid Revenues pursuant to the provisions outlined above under the heading “State Aid Intercept”.

Whenever moneys are to be applied pursuant to the above provisions, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such written notice to all Bondholders promptly upon receipt of the deposit with it of any such moneys of such deposit and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Actions by Trustee. All rights of actions under the Indenture, under any other Security Document or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall, subject to the provisions outlined above under the heading “Application of Revenues and Other Moneys After Default”, be for the equal benefit of the Holders of the Outstanding Bonds.

Majority Bondholders Control Proceedings. The Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings under the Indenture; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Individual Bondholder Action Restricted. No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default as provided in the Indenture, and the Holders of over twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity either to exercise the powers granted in the Indenture or in such other Security Document or by the IDA Act or the Buffalo Schools Act or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and, subject to the provisions described under the headings “Application of Revenues and Other Moneys After Default” and “Majority Bondholders Control Proceedings” above, be for the equal benefit of all Holders of the Outstanding Bonds, to the extent permitted by law.

Nothing in the Indenture, in any other Security Document or in the Bonds contained shall affect or impair the right of any Bondholder to payment of the principal or Redemption Price, if applicable, of, and interest on any Bond at and after the maturity thereof, or the obligation of the Issuer to pay the principal or Redemption Price, if applicable, of, and interest on each of the Bonds to the respective Holders thereof at the time, place, from the source and in the manner provided in the Indenture and in said Bonds expressed.

Effect of Discontinuance of Proceedings. In case any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case, the Issuer, the Trustee and the Bondholders shall be restored, respectively, to their former positions and rights under the Indenture, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Remedies Not Exclusive. No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or existing at law or in equity or by statute.

Delay or Omission. No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon any default shall impair any right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the

Indenture to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Notice of Default. The Trustee shall promptly mail to the Issuer, to registered Holders of Bonds and to the Buffalo CSD by registered or certified mail, postage prepaid, return receipt requested, written notice of the occurrence of any Event of Default. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail any notice required under this heading.

Waivers of Default. The Trustee shall waive any default under the Indenture and its consequences only upon the written request of the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses of the Trustee and reasonable legal fees and expenses in connection with such default shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver shall extend to any subsequent or other default, or impair any right consequent thereon.

Indemnity. The Trustee shall be under no obligation to institute any suit, or to take any remedial action under the Indenture or under any other Security Document or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created or in the enforcement of any rights and powers under the Indenture, or under any other Security Document, until it shall be indemnified to its satisfaction against any and all reasonable compensation for services, costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct, unlawful conduct or gross negligence.

Approvals or Consents by Trustee. The Trustee shall grant no approval, request or consent under the Security Documents except upon a Rating Confirmation or at the direction of the Holders of a majority in aggregate principal amount of the Bonds Outstanding.

Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture and the Installment Sale Agreement, and any other amounts required to be rebated to the federal government pursuant to the Tax Compliance Certificate or the Indenture, shall be paid in full or duly provided for, then the pledge of the Installment Purchase Payments under the Indenture and the estate and rights thereby granted, and all covenants, agreements and other obligations of the Issuer to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided below. At the time of such cessation, termination, discharge and satisfaction, the Trustee and the Paying Agents shall pay over or deliver to the Buffalo CSD or on its order all moneys or securities held by them pursuant to the Indenture which are not required (i) for the payment of principal or Redemption Price, if applicable, or interest on Bonds not theretofore surrendered for such payment or redemption, (ii) for the payment of all

such other amounts due or to become due under the Security Documents or (iii) for the payment of any amounts to the federal government under the Tax Compliance Certificate or the Indenture.

Bonds or interest installments for the payment or redemption of which moneys (and/or Defeasance Obligations which shall not be subject to call or redemption or prepayment prior to maturity and the full and timely payment of the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph under this heading, if (i) in case any such Bonds are to be redeemed prior to the maturity thereof, all action necessary to redeem such Bonds shall have been taken and notice of such redemption shall have been duly given or provision satisfactory under the requirements of the Indenture to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Bond shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the Holders of any such Bonds upon surrender thereof of the full amount to which they would be entitled by way of principal or Redemption Price and interest and all other amounts then due under the Security Documents to the date of such maturity or redemption, and provision satisfactory to the Trustee shall have been made for the mailing of a notice to the Holders of such Bonds that such moneys are so available for such payment.

Prior to any defeasance becoming effective as provided in the immediately preceding paragraph, there shall have been delivered to the Issuer and to the Trustee (A) an opinion of Nationally Recognized Bond Counsel addressed to, and acceptable in form and substance to, the Issuer and the Trustee, to the effect that interest on any Bonds being discharged by such defeasance will not become subject to federal income taxation by reason of such defeasance, and that the Bonds being defeased are no longer “Outstanding” under the Indenture, (B) a verification report from an independent certified public accountant or firm of independent certified public accountants or other recognized consultant or verification agent (in each case reasonably acceptable to the Issuer and to the Trustee) to the effect that the moneys and/or Defeasance Obligations are sufficient, without reinvestment, to pay the principal of, interest on, and redemption premium, if any, of the Bonds to be defeased on the maturity or redemption date, as applicable, (C) an escrow deposit agreement (reasonably acceptable to the Issuer and the Trustee), and (D) a certificate of discharge of the Trustee with respect to the Bonds being defeased.

Supplemental Indentures Without Bondholders’ Consent. The Issuer and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of the Bondholders, for any of the following purposes:

- (1) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not materially adverse to the interests of the Bondholders.
- (2) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.
- (3) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(4) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Installment Purchase Payments or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral.

(6) To modify or amend such provisions of the Indenture as shall, in the opinion of Nationally Recognized Bond Counsel, be necessary to assure the federal tax exemption of the interest on the Bonds.

(7) To authorize the issuance of a Series of Additional Bonds and prescribe the terms, forms and details thereof not inconsistent with the Indenture.

(8) To effect any other change in the Indenture which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Bondholders.

(9) To effect the delivery of a Credit Facility and/or a Qualified Swap for a Series of Bonds.

(10) To modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of either thereof under the Trust Indenture Act of 1939 or any similar federal statute in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute.

(11) To permit the appointment of a co-trustee under the Indenture.

(12) To effect any other amendment or supplement (except for which the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds, or affected Series of Bonds, are required as provided in the next heading) provided that the Trustee shall receive, in connection therewith, a Rating Confirmation.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the Indenture, there shall have been filed with the Trustee an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms.

Supplemental Indentures With Consent of Bondholders. Subject to the terms and provisions contained in the Indenture, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, to consent to and approve the entering into by the Issuer and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture: provided, however, that if any such Supplemental Indenture would affect only the Holders of a single Series of Bonds then Outstanding, then only the consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding of such affected Series shall be required. Nothing contained in the Indenture shall permit, or be construed as

permitting, (i) a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, or interest on any Outstanding Bonds, a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Bonds, or a reduction in the principal amount of or the Redemption Price of any Outstanding Bond or the rate of interest thereon, or any extension of the time of payment thereof, or a change in the method of determining the rate of interest on any Bond, without the consent of the Holder of such Bond, (ii) the creation of a lien upon or pledge of Installment Purchase Payments other than the liens or pledge created by the Indenture, except as provided in the Indenture with respect to Additional Bonds, (iii) a preference or priority of any Bond or Bonds over any other Bond or Bonds, (iv) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indenture, or (v) a modification, amendment or deletion with respect to any of the terms set forth in this paragraph, without, in the case of items (ii) through and including (v) of this paragraph, the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds.

If at any time the Issuer shall determine to enter into any Supplemental Indenture for any of the purposes of this heading, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to S&P, Moody's and all Bondholders at least ten (10) days prior to the effective date thereof. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all Bondholders.

Within one year after the date of such notice, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Trustee (i) the written consents of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or, as provided in the first paragraph under this heading if applicable, the Holders of 100% in aggregate principal amount of the Bonds Outstanding) (or, if such Supplemental Indenture shall affect only a single Series of Bonds, the written consents of the Holders of not less than a majority in aggregate principal amount of such affected Series of Bonds Outstanding) and (ii) an opinion of Nationally Recognized Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon execution it will be valid and binding upon the Issuer in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee prior to the execution of such Supplemental Indenture.

If the Holders of not less than the percentage of Bonds required above shall have consented to and approved the execution thereof as provided in the Indenture, no Holder of any Bond shall have any right to object to the execution of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any Supplemental Indenture pursuant to the provisions of this heading, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture, subject in all respects to such modifications and amendments.

Rights of Buffalo CSD. Any Supplemental Indenture which materially and adversely affects any rights, powers and authority of the Buffalo CSD under the Installment Sale Agreement or requires a revision of the Installment Sale Agreement shall not become effective unless and until the Buffalo CSD shall have given its written consent to such Supplemental Indenture signed by an Authorized Representative of the Buffalo CSD.

Amendments of Related Security Documents Not Requiring Consent of Bondholders. Subject to the heading below, the Issuer and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of any of the Related Security Documents for any of the following purposes: (i) to cure any ambiguity, inconsistency, formal defect or omission therein; (ii) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security which may be lawfully granted or conferred; (iii) to subject thereto additional revenues, properties or collateral; (iv) to provide for the issuance of a Series of Additional Bonds; (v) to evidence the succession of a successor Trustee or to evidence the appointment of a separate or co-Trustee or the succession of a successor separate or co-Trustee; (vi) to make any change required in connection with a permitted amendment to a Related Security Document or a permitted Supplemental Indenture; (vii) to make any change if, in connection therewith, the Trustee shall receive a Rating Confirmation (except for which the written consents of one hundred percent (100%) of the Holders of the Outstanding Bonds, or affected Series of Bonds, are required as provided in clause (i) of the heading below); and (viii) to make any other change that, in the judgment of the Trustee (which, in exercising such judgment, may conclusively rely, and shall be protected in relying, in good faith, upon an Opinion of Counsel or an opinion or report of accountants or other experts) does not materially adversely affect the Bondholders. The Trustee shall have no liability to any Bondholder or any other Person for any action taken by it in good faith pursuant to this heading. Before the Issuer or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Bonds Outstanding.

Amendments of Related Security Documents Requiring Consent of the Bondholders. Except as provided in the immediately preceding heading, the Issuer and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Holders of a majority in aggregate principal amount of the Bonds Outstanding given and procured as provided in the Indenture (or, if such amendment, change or modification shall only affect one Series of Bonds, the consent of the Holders of not less than a majority in aggregate principal amount of the affected Series of Bonds Outstanding); provided, however, there shall be no amendment, change or modification to (i) the obligation of the Buffalo CSD to make Installment Purchase Payments under the Installment Sale Agreement (except as provided therein or in connection with the issuance of a Series of Additional Bonds), without the prior written approval of the Holders of 100% in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture (or, if such amendment, change or modification shall affect only one Series of Bonds, the consent of the Holders of 100% in aggregate principal amount of the affected Series of Bonds Outstanding), or (ii) the Tax Compliance Certificate without the delivery of an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on the related Series of Bonds to become includable in gross income for Federal income tax purposes. If at any time the Buffalo CSD shall request the consent of the Trustee to any such proposed amendment, change or modification, the Trustee shall cause notice of such proposed amendment, change or modification to be mailed to the same Persons and in the same manner as is provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for

inspection by all Bondholders. Before the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Nationally Recognized Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exemption from federal income taxation of interest on any Series of Bonds Outstanding.

APPENDIX D

**SUMMARY OF CERTAIN PROVISIONS OF THE
INSTALLMENT SALE AGREEMENTS**

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT SALE AGREEMENTS

The following is a combined summary of certain provisions of the Installment Sale Agreement (Series 2011 Project), dated as of June 1, 2011, as supplemented and amended by the First Amendment to Installment Sale Agreement (2011 Project), dated as of May 1, 2021 (collectively, the “2011A Installment Sale Agreement”), relating to the Series 2021A Bonds and the Amended and Restated Installment Sale Agreement (Series 2003 Project), dated as of July 1, 2011, as supplemented and amended by the First Amendment to Amended and Restated Installment Sale Agreement (2003 Project), dated as of May 1, 2021 (collectively, the “2011B Installment Sale Agreement”), relating to the 2021B Bonds. The provisions summarized below are the same for each such Installment Sale Agreement unless specifically stated otherwise. References to “Installment Sale Agreement”, “Indenture”, “Bonds”, “Additional Bonds”, “Facilities”, “Ground Lease”, “Installment Purchase Payments”, “Tax Compliance Certificate”, “Trustee” or other related defined terms shall mean only such terms which are related to either the Series 2021A Bonds or the Series 2021B Bonds, and not such terms collectively. This summary is qualified in its entirety by reference to each such Installment Sale Agreement.

Sale of the Facilities. The Issuer sells to the Buffalo CSD, and the Buffalo CSD purchases from the Issuer, the Issuer’s leasehold interest in the Facilities pursuant to the Ground Lease in their “as is”, “where is” and “subject to all faults condition” and upon and subject to the terms and conditions set forth in the Installment Sale Agreement. The Buffalo CSD shall at all times during the Agreement Term occupy, use and operate each of the Facilities, or cause each of the Facilities to be occupied, used and operated, as an “educational facility” for “educational activities” in accordance with the provisions of the Buffalo Schools Act and the IDA Act and for the general purposes specified in the recitals to the Installment Sale Agreement. The Buffalo CSD shall not occupy, use or operate any of the Facilities or allow any of the Facilities or any part thereof to be occupied, used or operated for any unlawful purpose or in violation of any certificate of occupancy affecting any of the Facilities or which may constitute a nuisance, public or private.

It is the intention of the Issuer and the Buffalo CSD under the Installment Sale Agreement that the sale by the Issuer thereunder of its leasehold interest in the Facilities under the Ground Lease shall not result in (i) a merger of the leasehold estates and interests of the Buffalo CSD and the Issuer under the Ground Lease, (ii) a termination or any other impairment of the Ground Lease on the basis of merger or any other grounds, or (iii) the granting to the Buffalo CSD of any contractual rights of the Issuer under the Ground Lease; and until the termination of the Ground Lease in accordance with its terms or the expiration of the Installment Sale Agreement, the Ground Lease shall continue in full force and effect to the same extent as if the Issuer had not sold its leasehold interest in the Facilities to the Buffalo CSD pursuant to the Installment Sale Agreement.

The Installment Sale Agreement does not constitute an “Installment purchase contract” as referred to under Section 11 of the Buffalo Schools Act or under Section 109-b of the New York General Municipal Law.

Agreement Term. The Agreement Term of the 2011A Installment Sale Agreement shall commence on the date of issuance of the Series 2011A Bonds and shall expire on midnight (New York City time) on May 1, 2032 (but in no event sooner than the date upon which the Series 2011A Bonds and the Series 2021A Bonds shall cease to be Outstanding and the lien of the Series 2011A Indenture shall have been discharged) or such earlier date as the Series 2011A Bonds and the Series 2021A Bonds shall cease to be Outstanding and all amounts payable by the Buffalo CSD under the 2011A Installment Sale

Agreement have been paid in full. The Agreement Term of the 2011B Installment Sale Agreement shall commence on the date of issuance of the Series 2011B Bonds and shall expire on midnight (New York City time) on May 1, 2024 (but in no event sooner than the date upon which the Series 2011B Bonds and the Series 2021B Bonds shall cease to be Outstanding and the lien of the Series 2011B Indenture shall have been discharged) or such earlier date as the Series 2011B Bonds and the Series 2021B Bonds shall cease to be Outstanding and all amounts payable by the Buffalo CSD under the 2011B Installment Sale Agreement have been paid in full. Upon any termination of the Ground Lease with respect to a Facility, the Installment Sale Agreement shall concurrently terminate at such time with respect to the affected Facility. The Issuer delivers to the Buffalo CSD and the Buffalo CSD accepts sole and exclusive possession of the Facilities, subject to the terms and conditions set forth in the Installment Sale Agreement. The Issuer makes no representations whatsoever in connection with the condition of any of the Facilities, and the Issuer shall not be liable for any defects therein.

Incorporation of Ground Lease Provisions. The Installment Sale Agreement is subject and subordinate to the Ground Lease, and all provisions thereof. In connection with the sale of the Issuer's leasehold interest in the Facilities under the Ground Lease, the Issuer delegates to the Buffalo CSD all Ground Lease Promises (as defined in the Ground Lease) of the Issuer contained in the Ground Lease, and the Buffalo CSD assumes all of the Ground Lease Promises. All terms, covenants and provisions of the Ground Lease applicable to the "Lessee" therein are incorporated into the Installment Sale Agreement by reference, and the Buffalo CSD agrees to comply with the same and be responsible therefor. The delegation and assumption within the Installment Sale Agreement by the Buffalo CSD shall not create a merger of the estates of the Issuer and the Buffalo CSD under the Ground Lease.

The Series 2011A Project. Pursuant to the Ground Lease, the City and the Buffalo CSD have vested the Issuer with a valid leasehold estate in the Facilities, which leasehold estate the Issuer is selling to the Buffalo CSD, subject to the terms and conditions set forth in the 2011A Installment Sale Agreement.

Pursuant to the 2011A Installment Sale Agreement, as promptly as practicable after receipt of the proceeds of sale of the Series 2011A Bonds and out of said proceeds of sale, the Buffalo CSD will proceed as agent for and on behalf of the Issuer to effect the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of those Facilities to be financed in whole or in part from the proceeds of sale of the Series 2011A Bonds, the costs thereof to be paid from the proceeds of sale of the Series 2011A Bonds deposited in the Series 2011A Bonds Account of the Project Fund established under the Series 2011A Indenture. The Buffalo CSD reasonably believes that the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of each Facility pursuant to the related Plans and Specifications will allow for use of such Facility for its intended purposes, The Buffalo CSD agrees that it will use its best efforts to cause such acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of each Facility to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted, and no delay in such completion of any Facility shall be the basis for any diminution in or postponement of the amounts payable under the 2011A Installment Sale Agreement by the Buffalo CSD. In order to effect such work, the Buffalo CSD has entered into the Master Construction Agreement. The Master Construction Agreement and each other agreement, contract, purchase order or other obligation entered into by the Buffalo CSD as agent for the Issuer shall expressly provide that the Issuer shall have no liability thereunder, except to the extent of proceeds from the sale of the Bonds which may be available therefor. The Issuer shall not be liable in any manner for payment or otherwise to any contractor, subcontractor, laborer or supplier of materials in connection with the purchase of any materials to be incorporated into a Facility or Facilities, except to the extent and solely from the proceeds of sale of the Bonds. In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the work with respect to a Facility in full, the Buffalo

CSD shall not be entitled to any reimbursement therefor from the Issuer, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose), nor shall the Buffalo CSD be entitled to any diminution of the Installment Purchase Payments or Additional Payments to be made under the 2011A Installment Sale Agreement.

Pursuant to the 2011A Installment Sale Agreement, as between the Issuer and the Buffalo CSD, the Buffalo CSD, acting specifically as agent for the benefit of the Issuer, shall be responsible for the letting and supervision of contracts for the acquisition, construction, renovation, reconstruction, improvement, equipping and furnishing of each Facility, acceptance of the completed Facility or parts thereof, and all other matters incidental thereto. All contractors, materialmen, vendors, suppliers and other companies, firms or persons furnishing labor, services, equipment, furnishings or materials for or in connection with the work with respect to a Facility shall be designated by the Buffalo CSD, either on its own or as agent for the Issuer, through the Master Construction Agreement, the PPDS Agreement or otherwise.

Pursuant to the 2011A Installment Sale Agreement, as between the Issuer and the Buffalo CSD, the Buffalo CSD shall pay (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance and transfer of a leasehold interest in the Facilities to the Issuer pursuant to the Ground Lease, together with the delivery of any instruments and documents and their filing and recording, if required, (ii) all taxes and charges payable, if any, in connection with such conveyance and transfer, or attributable to periods prior to such conveyance and transfer, and (iii) all expenses or claims incurred in connection with the Series 2011A Project and not funded from the proceeds of sale of the Series 2011A Bonds (or of any Series of Additional Bonds).

Pursuant to the 2011A Installment Sale Agreement, the Buffalo CSD covenants that, at all times as it shall be effecting the work of the Series 2011A Project, it will comply with all laws, acts, rules, regulations, permits, orders and requirements lawfully made, of any national, State, legislative, executive, administrative or judicial body, commission or office exercising any power of regulation or supervision over such work or over the manner of construction or operation thereof and with the conditions and requirements of all policies of liability insurance as specified in the 2011A Installment Sale Agreement. Upon completion of the work with respect to a Facility, the Buffalo CSD will promptly obtain or cause to be obtained all required occupancy and operation permits, authorizations and licenses from appropriate authorities, if any be required, authorizing the occupancy, operation and use of such Facility for the purposes contemplated by the 2011A Installment Sale Agreement and shall furnish copies of same to the Trustee immediately upon receipt thereof.

Pursuant to the 2011A Installment Sale Agreement, upon the completion or abandonment by the Buffalo CSD of the Series 2011A Project or any portion thereof, the Buffalo CSD shall deliver a certificate of an Authorized Representative of the Buffalo CSD to the Issuer and the Trustee to such effect.

The Series 2003 Project. Pursuant to the Ground Lease, the City and the Buffalo CSD have vested the Issuer with a valid leasehold estate in the Facilities, which leasehold estate the Issuer is selling to the Buffalo CSD, subject to the terms and conditions set forth in the 2011B Installment Sale Agreement.

The Buffalo CSD, as agent for and on behalf of the Issuer, effected and completed the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of those Facilities to be financed in whole or in part from the proceeds of sale of the Series 2003 Bonds.

Pursuant to the 2011B Installment Sale Agreement, as between the Issuer and the Buffalo CSD, the Buffalo CSD shall pay (i) all of the costs and expenses in connection with the preparation of any instruments of conveyance and transfer of a leasehold interest in the Facilities to the Issuer pursuant to the Ground Lease, together with the delivery of any instruments and documents and their filing and recording, if required, (ii) all taxes and charges payable, if any, in connection with such conveyance and transfer, or attributable to periods prior to such conveyance and transfer, and (iii) all expenses or claims incurred in connection with the Series 2003 Project and with the Series 2011B Project and not funded from the proceeds of sale of the Series 2011B Bonds (or of any Series of Additional Bonds).

Additional Facilities. The Issuer and the Buffalo CSD recognize that, under the provisions of and subject to the conditions set forth in the Indenture or a related Series Indenture, a Series of Additional Bonds or additional Series of Project Bonds may be issued from time to time pursuant to separate Series Indentures to finance the costs of the acquisition, construction, renovation, reconstruction, improvement, equipping and/or furnishing of Facilities and/or Additional Facilities.

Payment of Installment Purchase Payments. Subject to the provisions described under the heading “Nature of Obligations of the Buffalo CSD” below, the Buffalo CSD agrees to pay or cause to be paid, the Installment Purchase Payments for the Facilities in the amounts and on April 1 of the years as set forth in a schedule to the Installment Sale Agreement (the “Installment Purchase Payment Schedule”). Notwithstanding the Installment Purchase Payment Schedule, in the event the Buffalo CSD shall have failed to appropriate by November 1, commencing November 1, 2012 under the 2011A Installment Sale Agreement and commencing November 1, 2011 under the 2011B Installment Sale Agreement, that amount of State Aid Revenues required to make (less any amount on deposit in the Bond Fund on such November 1 and available on such date), and for the stated purpose of making, the Installment Purchase Payment due on the immediately succeeding April 1 (as set forth in the Installment Purchase Payment Schedule), then, (y) the Buffalo CSD shall promptly deliver written notice of such failure to appropriate to the Issuer and the Trustee, and (z) that Installment Purchase Payment next due on such immediately succeeding April 1 (less any amount on deposit in the Bond Fund on such November 1 and available on such date) shall instead be due on the November 15 immediately following such November 1 as if that November 15 were the originally scheduled Installment Purchase Payment Date. Installment Purchase Payments must be deposited by or on behalf of the Buffalo CSD, as provided in the State Aid Trust Agreement, with the Trustee by no later than each Installment Purchase Payment Date; provided, however, that there shall be credited against any Installment Purchase Payments any amounts available for such purpose and on deposit in the Bond Fund, including any amounts deposited to the Bond Fund under the State Aid intercept provisions of the Indenture (such net amount being the “Net Base Facilities Agreement Payment”).

The Buffalo CSD shall have the option to make from time to time prepayments in part of payments due as aforesaid of Installment Purchase Payments, together with interest accrued and to accrue and premium, if any, to be paid on a Series of Bonds, if, but only if, such prepayment is to be used for the redemption or defeasance of such Series of Bonds. The Trustee shall apply such prepayments in such manner consistent with the provisions of the Indenture as may be specified in writing by an Authorized Representative of the Buffalo CSD at the time of making such prepayment. Upon any such prepayment, the Trustee shall, if necessary, recalculate the Installment Purchase Payment Schedule in accordance with the Indenture and deliver a revised Installment Purchase Payment Schedule to the Buffalo CSD and the Issuer, and such revised Installment Purchase Payment Schedule shall be deemed to replace the then-existing Installment Purchase Payment Schedule attached to the Installment Sale Agreement.

Direction as to Payment of Installment Purchase Payments. Installment Purchase Payments shall be paid to the Trustee for credit to the Bond Fund.

Indemnification of the Issuer and Trustee and Limitation on Liability. The Buffalo CSD shall, to the maximum extent permitted by law, at all times protect, defend and hold the Issuer, the Trustee, the Bond Registrar, the Paying Agents and the Depository Bank and their respective officers, members, directors, employees and agents (collectively, the “Indemnified Parties”) harmless of, from and against any and all claims (whether in tort, contract or otherwise), demands, expenses and liabilities for losses, damage, injury and liability of every kind and nature and however caused, and taxes (of any kind and by whomsoever imposed), other than, with respect to any Indemnified Party, losses arising from the gross negligence or willful misconduct of such Indemnified Party, arising upon or about any of the Facilities or resulting from, arising out of, or in any way connected with (i) (y), pursuant to the 2011A Installment Sale Agreement, the financing of the costs of the Series 2011A Project and the marketing, remarketing, issuance and sale of the Series 2011A Bonds or the Series 2021A Bonds from time to time for such purpose, and (z), pursuant to the 2011B Installment Sale Agreement, the financing of the costs of the Series 2003 Project and the Series 2011B Project and the marketing, remarketing, issuance and sale of the Series 2011B Bonds or the Series 2021B Bonds from time to time such purpose, (ii) the planning, design, acquisition, site preparation, construction, renovation, equipping, furnishing, installation or financing of the Facilities or any part of any thereof or the effecting of any work done in or about any of the Facilities, (iii) any defects (whether latent or patent) in any of the Facilities, (iv) the maintenance, repair, replacement, restoration, rebuilding, upkeep, use, occupancy, ownership, leasing, subletting or operation of any of the Facilities or any portion thereof, or (v) the Installment Sale Agreement, the Indenture or any other Project Document or other document or instrument delivered in connection therewith or the enforcement of any of the terms or provisions thereof or the transactions contemplated thereby. Except as provided above, no Indemnified Party shall be liable for any damage or injury to the person or property of the Buffalo CSD or its directors, officers, employees, agents or servants or persons under the control or supervision of the Buffalo CSD, or any other person who may be about any of the Facilities, due to any act or negligence of any person other than for the gross negligence or willful misconduct of such Indemnified Party.

The Buffalo CSD releases each Indemnified Party from, and agrees, to the maximum extent permitted by law, that no Indemnified Party shall be liable for and agrees to defend, indemnify and hold each Indemnified Party harmless against any expense, loss, damage, injury or liability incurred because of any lawsuit commenced as a result of action taken by such Indemnified Party with respect to any of the matters set forth in the Installment Sale Agreement or at the direction of the Buffalo CSD with respect to any of such matters above referred to; provided, however, that such indemnification by the Buffalo CSD shall not extend to any Indemnified Party whose gross negligence or willful misconduct resulted in such expense, loss, damage, injury or liability. An Indemnified Party shall promptly notify the Buffalo CSD in writing of any claim or action brought against such Indemnified Party in which indemnity may be sought against the Buffalo CSD pursuant to the Installment Sale Agreement; such notice shall be given in sufficient time to allow the Buffalo CSD to defend or participate in such claim or action, but the failure to give such notice in sufficient time shall not constitute a defense under the Installment Sale Agreement nor in any way impair the obligations of the Buffalo CSD under the Installment Sale Agreement, except that if (i) the Indemnified Party shall have had knowledge or notice of such claim or action but shall not have timely notified the Buffalo CSD of any such claim or action, (ii) the Buffalo CSD shall have had no knowledge or notice of such claim or action, and (iii) the Buffalo CSD’s ability to defend or participate in such claim or action is materially impaired by reason of not having received timely notice thereof from the Indemnified Party, then the Buffalo CSD’s obligation to so defend and indemnify such Indemnified Party shall be qualified to the extent (and only to the extent) of such material impairment.

The indemnifications and protections set forth in the Installment Sale Agreement shall be extended, with respect to each Indemnified Party, to its members, directors, officers, employees, agents and servants and persons under its control or supervision.

Anything to the contrary in the Installment Sale Agreement notwithstanding, the indemnification, hold harmless and release covenants of the Buffalo CSD contained in the Installment Sale Agreement shall remain in full force and effect after the termination of the Installment Sale Agreement until the later of (i) the expiration of the period stated in the applicable statute of limitations during which a claim or cause of action may be brought and (ii) payment in full or the satisfaction of such claim or cause of action and of all expenses and charges incurred by the Indemnified Party relating to the enforcement of the provisions therein specified.

Nature of Obligations of the Buffalo CSD. Except as otherwise provided under this heading, the obligation of the Buffalo CSD to pay Installment Purchase Payments and Additional Payments shall be absolute and unconditional, and such Installment Purchase Payments and Additional Payments shall be payable without any rights of set-off, recoupment or counterclaim or deduction and without any right of suspension, deferment, diminution or reduction it might otherwise have against the Issuer, the Trustee, any purchaser of any Bond or any other person, and whether or not the Facilities or any of them are used or occupied by the Buffalo CSD or available for use or occupancy by the Buffalo CSD.

The obligation of the Buffalo CSD to pay Installment Purchase Payments shall be deemed executory only to the extent of State Aid Revenues appropriated and available to the Buffalo CSD for the purpose of the Installment Sale Agreement and the State Aid Trust Agreement, and moneys appropriated by the Buffalo CSD for such purpose, and no liability on account thereof shall be incurred by the Buffalo CSD beyond the amount of such moneys; provided, however, that the failure of the Buffalo CSD for any reason (including a failure by the State or the Buffalo CSD to appropriate State Aid Revenues) to make an Installment Purchase Payment or an Additional Payment shall be deemed a failure to make a payment for purposes of the Installment Sale Agreement and the Buffalo Schools Act, and in such event, the Issuer has appointed the Trustee to act as its agent for purposes of taking action under the State Aid intercept provisions of the Indenture. Further, the obligation of the Buffalo CSD to pay Installment Purchase Payments is not a general obligation of the City or the Buffalo CSD. Neither the full faith and credit nor the taxing power of the City or the Buffalo CSD are pledged to the payment of any Installment Purchase Payment or Additional Payment due under the Installment Sale Agreement. However, the obligations of the Buffalo CSD under the Installment Sale Agreement to pay Additional Payments shall be a general obligation of the Buffalo CSD, executory, however, only to the extent of moneys appropriated therefor by the Buffalo CSD. It is understood that neither the Installment Sale Agreement nor any representation by any public employee or officer creates any legal or moral obligation to appropriate or make moneys available for the purposes of the Installment Sale Agreement.

The obligations of the Buffalo CSD under the Installment Sale Agreement, including its obligation to pay the Installment Purchase Payments and Additional Payments in any Fiscal Year for which the Installment Sale Agreement is in effect, shall constitute a current expense of the Buffalo CSD for such Fiscal Year and shall not constitute an indebtedness of the City or the Buffalo CSD within the meaning of any constitutional or statutory provision or other laws of the State. The only source of moneys available to the Buffalo CSD for the payment of any Installment Purchase Payment coming due under the Installment Sale Agreement shall be moneys comprising State Aid Revenues lawfully appropriated by the State and available therefor from time to time to or for the benefit of the Buffalo CSD, and appropriated for such purpose by the Buffalo CSD.

The Buffalo CSD agrees that its proposed expense budget for each ensuing Fiscal Year commencing with the Fiscal Year ending June 30, 2013 shall include, either as a separate unit of appropriation or as an expenditure within a unit of appropriation, the amount of Installment Purchase Payments and Additional Payments to come due in such next Fiscal Year, provided, however, that any such appropriation (y) of Installment Purchase Payments shall only be payable by the Buffalo CSD to the extent of State Aid Revenues available therefor and appropriated by the Buffalo CSD for such purpose,

and (z) of Additional Payments shall only be payable by the Buffalo CSD to the extent appropriated for such purpose by the Buffalo CSD.

Subject to the limitations contained in the second paragraph under this heading, the Buffalo CSD will not terminate the Installment Sale Agreement (other than such termination as is provided for therein) or be excused from performing its obligations therein for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or frustration of purpose, or any damage to or destruction of any of the Facilities, or the taking by eminent domain of title to or the right of temporary use of all or any part of any of the Facilities, or the failure of the Issuer to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Installment Sale Agreement.

The Buffalo CSD intends to continue the Installment Sale Agreement for its entire term and to pay all Installment Purchase Payments specified in the Installment Purchase Payment Schedule as such Installment Purchase Payments come due under the terms and provisions of the Installment Sale Agreement.

No provision contained above shall be deemed to limit, impair or modify the State Aid Revenues intercept provisions of the Buffalo Schools Act or the application of the implementing provisions of the Indenture.

Directed State Aid Revenues. Pursuant to instructions, the Comptroller of the City and the Superintendent of the Buffalo CSD have directed the State Comptroller's Office to deposit all State Aid Revenues into the State Aid Depository Fund established under the State Aid Trust Agreement, and the Comptroller of the City and the Superintendent of the Buffalo CSD have further instructed the Depository Bank, pursuant to the terms and provisions of the State Aid Trust Agreement, to transfer State Aid Revenues to the Trustee and each other Series Trustee in accordance with the State Aid Trust Agreement for the purpose of, in the case of the Indenture, making deposits in the Bond Fund with respect to amounts due on the Bonds. The Buffalo CSD agrees not to modify the procedures set forth in the State Aid Trust Agreement for the collection, deposit or disbursement of State Aid Revenues, except as and to the extent permitted under the State Aid Trust Agreement.

The Buffalo CSD acknowledges that, pursuant to the State Aid intercept provisions of the Indenture (and the Buffalo Schools Act), in the event it shall fail (for any reason, including the failure of the appropriate legislative body of the Buffalo CSD to appropriate moneys for such purpose) to make a payment under the Installment Sale Agreement in the amount and by the date the same is due, the Issuer has appointed the Trustee to act as its agent under the Indenture for the purpose of delivering a certificate to the State Comptroller certifying as to such failure and setting forth the amount of such deficiency, and the State Comptroller, upon receipt of such certificate, shall be authorized to withhold from the Buffalo CSD such State Aid Revenues as is payable to the Buffalo CSD to the extent of the amount so stated in such certificate of the Trustee as not having been made, and the State Comptroller shall immediately pay over to the Trustee on behalf of the Issuer, the amount of such State Aid Revenues so withheld. Notwithstanding anything to the contrary contained in the Installment Sale Agreement, amounts of such State Aid Revenues received by the Trustee on behalf of the Issuer and applied to the Installment Purchase Payments or Additional Payments shall be deemed to satisfy the Buffalo CSD's obligation to make such defaulted payment to the extent of the amount received.

Operation, Maintenance and Repair. During the Agreement Term, the Buffalo CSD shall be responsible for, and pay all costs of, operating the Facilities, maintaining the same in good and safe condition, and making all necessary repairs and replacements, interior and exterior, structural and non-structural. All replacements, renewals and repairs shall be equal in quality, class and value to the original

work and be made and installed in compliance with the requirements of all governmental bodies. The Issuer shall be under no obligation to replace, service, test, adjust, erect, maintain or effect replacements, renewals or repairs of any of the Facilities, to effect the replacement of any inadequate, obsolete, worn-out or unsuitable parts of any of the Facilities, or to furnish any utilities or services for any of the Facilities and the Buffalo CSD agrees to assume full responsibility therefor.

Utilities, Taxes and Governmental Charges. The Buffalo CSD will pay or cause to be paid all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied upon or in connection with the Facilities during the Agreement Term.

In addition, the Buffalo CSD shall (i) pay, or make provision for payment of, all lawful taxes and assessments, including income, profits, property or excise taxes, if any, or other municipal or governmental charges, levied or assessed by any Federal, state or any municipal government upon the Issuer or the Buffalo CSD with respect to or upon any of the Facilities or any part thereof or upon any payments under the Installment Sale Agreement when the same shall become due; (ii) duly observe and comply with all valid requirements of any governmental authority relative to the Facilities; (iii) not create or suffer to be created any lien or charge upon any of the Facilities or any part of any thereof, except Permitted Encumbrances, or upon the payments in respect thereof under the Installment Sale Agreement; and (iv) pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall come into force, any lien or charge upon any of the Facilities or any part of any thereof, except Permitted Encumbrances, or upon any payments under the Installment Sale Agreement and all lawful claims or demands for labor, materials, supplies or other charges which, if unpaid, might be or become a lien upon any payments under the Installment Sale Agreement.

Additions, Enlargements and Improvements. The Buffalo CSD shall have the right at any time and from time to time during the Agreement Term, at its own cost and expense, to make such additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, any of the Facilities, as the Buffalo CSD shall deem necessary or desirable in connection with the use of such Facilities. All such additions, enlargements, improvements, expansions, repairs, reconstruction and restorations when completed shall be of such character as not to reduce or otherwise adversely affect the value of the related Facility or the rental value thereof. The cost of any such additions, enlargements, improvements, expansions, repairs, reconstruction or restorations shall be promptly paid or discharged so that the affected Facility shall at all times be free of liens for labor and materials supplied thereto other than Permitted Encumbrances. All additions, enlargements, improvements and expansions to, or repairs, reconstruction and restorations of, a Facility shall be and become a part of such Facility, and become subject to the Installment Sale Agreement and the Ground Lease.

Additional Rights of Buffalo CSD. The Issuer agrees that the Buffalo CSD shall have the right, option and privilege of erecting, installing and maintaining at its own cost and expense equipment (not constituting part of the Series 2011A Project as set forth in the 2011A Installment Sale Agreement or part of the Series 2003 Project as set forth in the 2011B Installment Sale Agreement) in or upon any Facility as may in the Buffalo CSD's judgment be necessary for its purposes, it is further understood and agreed that any equipment erected or installed under the provisions described under this heading shall be and remain the personal property of Buffalo CSD and, if not constituting part of the Series 2011A Project as set forth in the 2011A Installment Sale Agreement or the Series 2003 Project as set forth in the 2011B Installment Sale Agreement, shall not become subject to the Ground Lease or the Installment Sale Agreement, and may be removed, altered or otherwise changed, upon or before the termination of the Installment Sale Agreement.

Liability Insurance. Pursuant to the 2011A Installment Sale Agreement only, the Buffalo CSD shall maintain or cause to be maintained with responsible insurers, for the benefit of the Issuer and the

Trustee until completion of the Series 2011A Project in accordance with the provisions of the 2011A Installment Sale Agreement, the following kinds and the following amounts of insurance with respect to the Facilities, with such variations as shall reasonably be required to conform to customary insurance practice:

(i) During any period of construction or reconstruction of any of the Facilities, Builders' Special Form Insurance written on "100% builders' risk completed value, non-reporting form" including coverage therein for "completion and/or premises occupancy" and coverage for property damage insurance, all of which insurance shall include coverage for removal of debris, insuring the buildings, structures, facilities, machinery, equipment, fixtures and other property included within renovations to any of the Facilities against loss or damage by fire, lightning, vandalism, malicious mischief and other casualties, with standard extended coverage endorsement covering perils of windstorm, hail, explosion, aircraft, vehicles and smoke (except as limited in the standard form of extended coverage endorsement at the time in use in the State) at all times in an amount such that the proceeds of such insurance shall be sufficient to prevent the Buffalo CSD, the Issuer or the Trustee from becoming a co-insurer of any loss under the insurance policies; any such insurance may limit coverage to \$20,000,000 for any one Facility;

(ii) During any period of construction or reconstruction of any of the Facilities, commercial public liability insurance with respect to the construction activities at the Facilities in a minimum amount of \$26,000,000 per occurrence and aggregate, which insurance (A) will also provide coverage of the Buffalo CSD's obligations of indemnity under the 2011A Installment Sale Agreement, and (B) may be effected under overall blanket or excess coverage policies, provided, however, that at least \$1,000,000 is effected by a comprehensive liability insurance policy; and

(iii) Workers' compensation insurance and such other forms of insurance which the Buffalo CSD or the Issuer is required by law to provide covering loss resulting from injury, sickness, disability or death of the employees of any contractor or subcontractor performing work with respect to any of the Facilities included within the Series 2011A Project; the Buffalo CSD shall require that all said contractors and subcontractors shall maintain all forms or types of insurance with respect to their employees required by laws.

All insurance required by the 2011A Installment Sale Agreement above shall be procured and maintained in financially sound and generally recognized responsible insurance companies authorized to write such insurance in the State.

The Buffalo CSD shall, at its own cost and expense, make all proofs of loss and take all other steps necessary or reasonably requested by the Issuer or the Trustee to collect from insurers for any loss covered by any insurance required to be obtained under this heading. The Buffalo CSD shall not do any act, or suffer or permit any act to be done, whereby any insurance required under this heading would or might be suspended or impaired.

The Buffalo CSD assumes all risks that the proceeds of any insurance may be inadequate to fully indemnify the Issuer and the Trustee against, or to reimburse the Issuer and the Trustee for, any loss, liability, claim or judgment arising out of any risk, peril or insurable loss under the insurance required by the 2011A Installment Sale Agreement. The Buffalo CSD acknowledges that the Buffalo CSD shall be solely responsible for the payment of any loss, liability, claim or judgment, or any portion thereof, falling within any deductible or self-insured retention or which is in excess of any available insurance coverage.

Damage or Destruction. The Buffalo CSD agrees to notify the Issuer and the Trustee immediately in the case of damage to or destruction of any Facility or any portion thereof in an amount exceeding \$100,000 resulting from fire or other casualty, and shall state the plans of the Buffalo CSD with respect to the repair, reconstruction and restoration of the affected Facility.

Condemnation. If any Facility or portion thereof shall be condemned or taken by eminent domain, the Installment Sale Agreement (with respect to the affected Facility or portion thereof) and the interest of the Buffalo CSD under the Installment Sale Agreement shall terminate when title to such Facility or portion thereof vests in the party condemning or taking the same (hereinafter referred to as the “termination date”), and the Buffalo CSD will promptly give notice thereof to the Issuer and the Trustee, and shall state the plans of the Buffalo CSD with respect to the replacement or restoration of the affected Facility.

Compliance with the IDA Act and the Buffalo Schools Act. The Buffalo CSD covenants and agrees to operate each of the Facilities or cause each of the Facilities to be operated in accordance with (i) the Installment Sale Agreement, and (ii) as a qualified “project” and “educational facility” for “educational activities” in accordance with and as defined under each of the IDA Act and the Buffalo Schools Act.

Compliance with Laws and Regulations. The Buffalo CSD will, at its own cost and expense, promptly comply with, or cause to be complied with, all laws, rules, regulations and other governmental requirements, whether or not the same require structural repairs or alterations, which may be applicable to the Buffalo CSD and any of the Facilities or the use or manner of use of any of the Facilities; provided, however, the Buffalo CSD’s obligation to comply with any such law, rule, regulation or governmental requirement shall be suspended during any contest thereof in good faith by the Buffalo CSD, which contest is being diligently prosecuted. The Buffalo CSD will also observe and comply with the requirements of all policies and arrangements of insurance at any time in force with respect to the Facilities.

Assignment and Sale by Buffalo CSD. The Buffalo CSD will not sell, sublease, sub-sublease or otherwise dispose of or encumber its interest in any of the Facilities except in the case of Permitted Encumbrances or pursuant to the Ground Lease or as provided in the Installment Sale Agreement as described under the headings “Subletting” and “Release of Facilities” below; provided, however, that the Buffalo CSD may sublet part of any Facility (x) for a purpose and use consistent with the Ground Lease, (y) upon delivery to the Trustee of an Opinion of Counsel to the Buffalo CSD to the effect that such sublease shall neither limit nor impair the obligations of the Buffalo CSD under the Installment Sale Agreement, and (z) upon delivery to the Trustee of an opinion of Nationally Recognized Bond Counsel to the effect that such sublet will not cause interest on any of the Bonds to become includable in gross income for federal income tax purposes. The Installment Sale Agreement may be assigned in whole or in part by the Buffalo CSD upon written consent of the Issuer and the Trustee (which consents of the Issuer or the Trustee may be unreasonably withheld) but no assignment shall relieve the Buffalo CSD from primary liability for any of its obligations under the Installment Sale Agreement, and in the event of any such assignment the Buffalo CSD shall continue to remain primarily liable for the payments specified in the Installment Sale Agreement and for performance and observance of the other agreements provided on its part in the Installment Sale Agreement.

Subletting. The Buffalo CSD may use, rent, sublease or sub-sublease space, as applicable, in any Facility, in excess of the space required for its purposes, as determined by an Authorized Representative of the Buffalo CSD. No such use, lease, sublease or sub-sublease shall have any adverse effect upon the Installment Sale Agreement or affect or reduce the Buffalo CSD’s obligations under the Installment Sale Agreement. No sublease or sub-sublease to the Issuer shall become merged in the Buffalo CSD’s fee or

beneficial title or leasehold interest. The Buffalo CSD shall not rent, sublease, sub-sublease or otherwise dispose of all or any portion of any Facility if such rental, sublease, sub-sublease or disposition would cause the interest on any of the Bonds then Outstanding to lose their exemption from Federal income taxation. Any such use, rental, sublet or sub-sublet shall be for a use consistent with the limitations thereon set forth in the Installment Sale Agreement and the Ground Lease.

Covenant not to Affect the Tax Exempt Status of the Bonds. The Buffalo CSD agrees that throughout the Agreement Term, it will comply with the Tax Compliance Certificate and it will take no action, or permit any action to be taken, with respect to any Facility which will impair the exemption of interest on any Outstanding Bonds from Federal income taxes.

Covenants as to State Aid Trust Agreement. The Buffalo CSD agrees not to revoke the instructions furnished to the State Comptroller's office to forward all State Aid Revenues payments to the Depository Bank. The Buffalo CSD also agrees to comply with, and not to terminate, the State Aid Trust Agreement or materially modify the terms and provisions thereof in a manner which would materially adversely affect the owners of any Project Bonds, except as may be permitted under the terms of the State Aid Trust Agreement.

Release of Facilities. So long as there exists no event of default under the Installment Sale Agreement, nor any event which upon the giving of notice or the passage of time or both, would constitute an event of default, the Buffalo CSD may, upon written notice to the Issuer and the Trustee and compliance with the following, effect the release of a Facility, to no longer be used by the Buffalo CSD as a public school, or the costs with respect to which have been financed with the Bonds which are no longer Outstanding, from the Installment Sale Agreement and the leasehold estate of the Ground Lease. Upon receipt of such notice, the Issuer and the Trustee shall, at the sole cost and expense of the Buffalo CSD, execute and deliver any and all instruments necessary or appropriate to so release and remove such Facility from the Facilities subject to the Installment Sale Agreement and the leasehold estate of the Ground Lease; provided, however, that in the event the release is of the last remaining Facility, the Buffalo CSD must further pay Installment Purchase Payments necessary to effect the redemption in whole of the Bonds.

No conveyance or release effected under the provisions described under this heading shall entitle the Buffalo CSD to any abatement or diminution of the Installment Purchase Payments or the Additional Payments required to be made by the Buffalo CSD under the Installment Sale Agreement.

Compliance with Requirements for State Aid Revenues. The Buffalo CSD will comply with all requirements necessary to ensure receipt of State Aid Revenues over the term of the Installment Sale Agreement.

No Impairment of Pledge of State Aid Revenues. The Buffalo CSD covenants and agrees that it shall enter into no agreement, indenture or other instrument, including any Series Facilities Agreement, in connection with a Series of Project Bonds under a Series Indenture, which shall have the effect, directly or indirectly, of providing a greater priority or preference to the intercept of State Aid Revenues under the Buffalo Schools Act than the pledge effected pursuant to the Indenture; provided, however, that nothing contained in the Installment Sale Agreement shall be deemed (y) to limit or deny the ability of the Issuer of a Series of Project Bonds to pledge State Aid Revenues on a parity with the pledge effected by the Issuer under the Indenture, or (z) to require that any Series of Project Bonds issued under a Series Indenture have the same payment dates or amortize principal on a schedule comparable to that of the Bonds Outstanding under the Indenture, or that any lease rental payment dates or installment purchase payment dates, as applicable, under a Series Facilities Agreement be the same as provided for under the Installment Sale Agreement.

Events of Default. An “event of default” or a “default” shall mean any one or more of the following events:

(1) Failure by the Buffalo CSD to pay or cause to be paid when due (other than failure to pay as a result of an Event of Nonappropriation) the Installment Purchase Payments to be paid under the Installment Sale Agreement;

(2) Failure by the Buffalo CSD to pay or to cause to be paid when due any Additional Payment required to be made under the Installment Sale Agreement, which failure shall continue for a period of thirty (30) days after payment thereof was due;

(3) Failure by the Buffalo CSD to observe and perform the covenants set forth in the fourth, fifth and sixth paragraphs under the heading “Nature of Obligations of the Buffalo CSD” above or as described under the headings “Covenant as to State Aid Trust Agreement” or “Compliance with Requirements for State Aid Revenues” above;

(4) Failure of the Buffalo CSD (i) to observe and perform its covenants set forth in “Indemnification of the Issuer and Trustee and Limitation on Liability” above or (ii), with respect to the 2011A Installment Sale Agreement only, to maintain the insurance coverage required as described under the heading “Liability Insurance” above, and continuance of any such failure for a period of thirty (30) days after receipt by the Buffalo CSD of written notice specifying the nature of such default from the Issuer or the Trustee;

(5) Failure by the Buffalo CSD to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subparagraphs (1), (2), (3) and (4) under this heading, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Buffalo CSD by the Issuer, the Trustee or the Holders of more than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, unless by reason of the nature of such failure the same cannot be remedied within such thirty (30) day period and the Buffalo CSD has within such period commenced to take appropriate actions to remedy such failure and is diligently prosecuting such actions;

(6) The Buffalo CSD shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Buffalo CSD seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it for any substantial part of its property; or the Buffalo CSD shall authorize any of the actions set forth above in this subparagraph or

(7) The entering of an order or decree appointing a receiver of the Facilities or any thereof with the consent or acquiescence of the Buffalo CSD or the entering of such order or decree without the acquiescence or consent of the Buffalo CSD if it shall not be vacated, discharged or stayed within ninety (90) days after entry.

Notwithstanding anything contained under this heading to the contrary, a failure by the Buffalo CSD to pay when due any payment required to be made under the provisions of the Installment Sale Agreement or a failure by the Buffalo CSD to observe and perform any covenant, condition or agreement

on its part to be observed or performed under the provisions of the Installment Sale Agreement, resulting from a failure by the Board of Education of the Buffalo CSD to appropriate moneys for such purposes, shall not constitute an event of default under the provisions of the Installment Sale Agreement. However, the failure by the Buffalo CSD to pay when due any payment required to be made by it under the Installment Sale Agreement shall constitute a failure to make a payment under the Installment Sale Agreement for purposes of the Buffalo Schools Act, and in such event the Issuer has appointed the Trustee to act as its agent for purposes of taking action under the State Aid intercept provisions of the Indenture. The Buffalo CSD agrees to provide written notice to the Trustee indicating either (i) the Superintendent of the Buffalo CSD submitted a budget to the Board of Education that fails to include a separate line item representing the full amount of Installment Purchase Payments payable during the applicable Fiscal Period or (ii) the Board of Education adopted a Buffalo CSD budget that fails to include such a separate line item.

Remedies. Whenever any event of default as provided above shall have happened and be continuing, or whenever an Event of Nonappropriation shall have occurred and be continuing, the Issuer (with the prior written consent of the Trustee) or the Trustee, subject in all respects to the provisions under the heading “Nature of Obligations of the Buffalo CSD” above, may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Buffalo CSD under the Installment Sale Agreement. For so long as any of the Bonds are Outstanding or any amounts remain due and payable by the Buffalo CSD under the Installment Sale Agreement, neither the Issuer nor the Trustee shall take any action which shall have the effect of terminating the Installment Sale Agreement or the interest in or rights of possession of the Buffalo CSD in the Facilities, provided, however, that in addition to any other rights or remedies granted by the Installment Sale Agreement as described under this heading to the Issuer, the Issuer may enforce any of the Issuer’s Reserved Rights without the consent of the Trustee or any other person, by an action for damages, injunction or specific performance.

No action taken pursuant to provisions under this heading shall relieve the Buffalo CSD from the Buffalo CSD’s obligations under the Installment Sale Agreement, all of which shall survive any such action.

Cure. Notwithstanding any remedy taken by the Issuer or the Trustee pursuant to the provisions described under the immediately preceding heading, if all arrears of Installment Purchase Payments, and all other Additional Payments, shall have been paid, all other things shall have been performed in respect of which there was an event of default or Event of Nonappropriation and there shall have been paid the reasonable fees and expenses, including expenses of the Trustee (including reasonable attorneys’ fees paid or incurred), then the event of default or Event of Nonappropriation shall be waived without further action by the Trustee or the Issuer.

No Remedy Exclusive. Subject to the provisions of the second sentence under the heading “Remedies” above, no remedy conferred in the Installment Sale Agreement upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given in the Installment Sale Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in the Installment Sale Agreement it shall not be necessary to give any notice, other than such notice as may be expressly required in the Installment Sale Agreement.

Effect on Discontinuance of Proceedings. In case any proceeding taken by the Trustee under the Indenture or the Installment Sale Agreement or under any other Security Document on account of any event of default or Event of Nonappropriation under the Installment Sale Agreement or the Indenture shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then, and in every such case, the Issuer, the Trustee and the Holders of the Bonds shall be restored, respectively, to their former positions and rights thereunder, and all rights, remedies, powers and duties of the Trustee shall continue as in effect prior to the commencement of such proceedings.

Limitations on Termination of Agreement. Neither the Issuer, the Trustee nor the Buffalo CSD shall take or fail to take any action which would cause the Installment Sale Agreement to terminate while any Bonds remain Outstanding or any amounts remain due and payable under the Installment Sale Agreement or prior to the discharge of the lien of the Indenture.

Limitation on Liability of the Issuer, the State and the County. The liability of the Issuer to the Buffalo CSD under the Installment Sale Agreement and to the Trustee and the Holders of the Bonds shall be enforceable only out of, and limited to, the Issuer's interest under the Installment Sale Agreement and under the Ground Lease and the security interest created by the Indenture. There shall be no other recourse against the Issuer, its members, directors, officers, agents, servants and employees and persons under the Issuer's control or supervision, past, present or future, or against any of the property now or hereafter owned by it or them. Any obligation the Issuer may incur for the payment of money in the performance of the Installment Sale Agreement shall not create a debt of the State or of the County, and neither the State nor the County shall be liable on any obligation so incurred. Any such obligation shall be payable solely out of any payments or other proceeds or funds derived from the Installment Sale Agreement. All obligations of the Issuer under the Installment Sale Agreement shall be deemed to be the obligation of the Issuer, and not of any member, director, officer, servant, employee or agent of the Issuer or person under the Issuer's control or supervision, past, present or future, in his individual capacity. No recourse shall be had against any such persons, or against any natural person executing the Bonds, for any claim against the Issuer arising under the Installment Sale Agreement, including, without limitation, any claim for the payment of the principal of, redemption premium, if any, or interest on the Bonds.

No Merger. During the Agreement Term, there shall be no merger of the Installment Sale Agreement and the interest sold thereby with the leasehold or fee interests of the City and/or the Buffalo CSD in the Facilities, as applicable, by reason of the fact that the Buffalo CSD both holds such leasehold or fee interest, as applicable, and is the purchaser of the Issuer's leasehold interest in the Facilities under the Ground Lease pursuant to the Installment Sale Agreement.

**FORM OF BOND COUNSEL OPINION FOR THE
SERIES 2021 BONDS.**

[CLOSING DATE]

Erie County Industrial Development Agency
95 Perry Street –Suite 303
Buffalo, New York 14203

Re: \$_____ Erie County Industrial Development Agency
School Facility Refunding Revenue Bonds
(City School District of the City of Buffalo Project), Series 2021A

and

\$_____ Erie County Industrial Development Agency
School Facility Refunding Revenue Bonds
(City School District of the City of Buffalo Project), Series 2021B

Ladies and Gentlemen:

We have acted as bond counsel to the Erie County Industrial Development Agency (the “Agency”), a public benefit corporation organized and existing under the laws of the State of New York, in connection with the issuance by the Agency of its School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021A in the aggregate principal amount of \$_____ (the “Series 2021A Bonds”) and its School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021B in the aggregate principal amount of \$_____ (the “Series 2021B Bonds”) and together with the Series 2021A Bonds, the “Series 2021 Bonds”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the hereinafter defined Indentures.

The Series 2021A Bonds are issued under and pursuant to (a) the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of the State of New York), as amended, and Chapter 293 of the 1970 Laws of New York, as amended (collectively, the “Act”), (b) Chapter 605 of the 2000 Laws of New York, as amended by Chapter 59 of the 2003 Laws of New York, by Chapter 421 of the 2004 Laws of New York, by Chapter 283 of the Laws of 2006 of New York, by Chapter 403 of the Laws of 2008 of New York, by Chapter 492 of the Laws of 2008 of New York, by Chapter 497 of the Laws of 2008 of New York, and by Chapter 209 of the Laws of 2009 of New York (collectively, the “Buffalo Schools Act”), (c) an Indenture of Trust (Series 2011 Project) dated as of June 1, 2011 (the “2011A Indenture”) by and between the Agency and Manufacturers and Traders Trust Company, as trustee (the “2011A Trustee”), as amended and supplemented by the First Supplemental Indenture of Trust dated as of May 1, 2021 (the “2021A Supplemental Indenture” and together with the 2011A Indenture, the “2021A Indenture”) by and between the Agency and the 2011A Trustee and (d) a resolution of the Agency adopted on September 11, 2002, as amended on October 16, 2002 and on June 11, 2003, as amended and restated

on November 10, 2004, and as amended on June 11, 2007, on January 17, 2008, on October 19, 2009, on May 16, 2011, ON March 26, 2021, on March 25, 2013, on August 24, 2016 and on April 28, 2021, authorizing the Series 2021A Bonds (collectively, the “Agency Resolution”).

The Series 2021B Bonds are issued under and pursuant to (a) the Act, (b) the Buffalo Schools Act, (c) an Amended and Restated Indenture of Trust (Series 2003 Project) dated as of July 1, 2011 (the “2011B Indenture”) by and between the Agency and Manufacturers and Traders Trust Company, as trustee (the “2011B Trustee” and together with the 2011A Trustee, the “Trustee”), as amended and supplemented by a First Supplemental Indenture of Trust dated as of May 1, 2021 (the “2021B Supplemental Indenture of Trust” and together with the 2011B Indenture, the “2021B Indenture”) by and between the Agency and the 2011B Trustee (the 2021A Indenture and the 2021B Indenture being collectively referred to hereinafter as the “Indentures”) and (d) the Agency Resolution.

The Series 2021 Bonds shall be dated, shall mature, shall bear interest and shall be payable as set forth in the Indentures. The Series 2021 Bonds are subject to redemption prior to maturity, all in the manner and upon the terms and conditions set forth in the Indentures.

The Series 2021A Bonds are being issued to refinance the Agency’s School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2011A (the “Series 2011A Bonds”), which Series 2011A Bonds were issued on June 15, 2011 in the aggregate principal amount of \$165,315,000 to finance a project consisting of the acquisition, construction, renovation, reconstruction, improvements, equipping and furnishing of certain facilities of the District (the “Phase V Facilities”).

The Series 2021B Bonds are being issued to refinance the Agency’s School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2011B (the “Series 2011B Bonds”), which Series 2011B Bonds were issued on July 1, 2011 in the aggregate principal amount of \$112,560,000 to refund the Agency’s School Facility Revenue Bonds (City School District of the City of Buffalo Project), Series 2003 (the “Series 2003 Bonds”), which Series 2003 Bonds issued on September 16, 2003 in the aggregate principal amount of \$180,335,000 to finance a project consisting of the acquisition, construction, renovation, reconstruction, improvements, equipping and furnishing of certain facilities of the District (the “Phase I Facilities” and together with the Phase V Facilities, the “Facilities”).

Each of the District, the City, Manufacturers and Traders Trust Company, as depository bank (the “Depository Bank”) and the Trustee, as a Series Trustee, has entered into a certain Amended and Restated State Aid Trust Agreement dated as of December 1, 2004, as amended by a First Amendment to Amended and Restated State Aid Trust Agreement dated as of June 28, 2005 (as so amended, the “State Aid Trust Agreement”), pursuant to and with respect to which each of the Comptroller of the City and the District has instructed the New York State Comptroller to pay all New York State building and operating aid appropriated by the State of New York for the District (the “State Aid”) directly to the State Aid Depository Fund established with and held by the Depository Bank pursuant to the State Aid Trust Agreement.

The City and the District have leased their respective interests in the Phase V Facilities to the Agency pursuant to a certain Ground Lease (Series 2011 Project) dated as of June 1, 2011 (the “2011A Ground Lease”) from the City and the District, as landlords, to the Agency, as tenant. The Agency has sold its leasehold interest under the 2011A Ground Lease in the Phase V Facilities to the District pursuant to a certain Installment Sale Agreement (Series 2011 Project) dated as of June 1, 2011 (the “2011A Installment Sale Agreement”) from the Agency to the District, as amended and supplemented by the First Amendment to Installment Sale Agreement dated as of May 1, 2021 by and between the Agency, as vendor, and the District, as purchaser (the “2021A First Amendment to Installment Sale Agreement” and together with the 2011A Installment Sale Agreement, the “2021A Installment Sale

Agreement”). Pursuant to the 2021A Installment Sale Agreement, the District has agreed to pay scheduled installment purchase payments in amounts equal to the principal of and interest on the Series 2021A Bonds; *provided, however*, that such installment purchase payment obligation of the District is executory only to the extent of State Aid Revenues (as defined in the State Aid Trust Agreement) available for such payment from the State Aid Depository Fund and transferred therefrom to the Trustee by the Depository Bank, and is further subject to appropriation by the District.

The City and the District have leased their respective interests in the Phase I Facilities to the Agency pursuant to a certain Amended and Restated Ground Lease (Series 2003 Project) dated as of July 1, 2011 (the “2011B Amended and Restated Ground Lease” and together with the 2011A Ground Lease, the “Ground Leases”) from the City and the District, as landlords, to the Agency, as tenant. The Agency has sold its leasehold interest under the 2011B Amended and Restated Ground Lease in the Phase I Facilities to the District pursuant to a certain Amended and Restated Installment Sale Agreement (Series 2003 Project) dated as of July 1, 2011 (the “2011B Amended and Restated Installment Sale Agreement”) from the Agency to the District, as amended and supplemented by the First Amendment to Amended and Restated Installment Sale Agreement dated as of May 1, 2021 between the Agency, as vendor, and the District, as purchaser (the “2021B First Amendment to Installment Sale Agreement” and together with the 2011B Installment Sale Agreement, the “2021B Installment Sale Agreement”) (the 2021A Installment Sale Agreement and the 2021B Installment Sale Agreement being collectively referred to hereinafter as the “Installment Sale Agreements”). Pursuant to the 2021B Installment Sale Agreement, the District has agreed to pay scheduled installment purchase payments in amounts equal to the principal of and interest on the Series 2021B Bonds; *provided, however*, that such installment purchase payment obligation of the District is executory only to the extent of State Aid Revenues (as defined in the State Aid Trust Agreement) available for such payment from the State Aid Depository Fund and transferred therefrom to the Trustee by the Depository Bank, and is further subject to appropriation by the District.

Pursuant to the Indentures, the Agency has assigned to the Trustee substantially all of the Agency’s right, title and interest in, to and under the Installment Sale Agreements, including the foregoing installment purchase payments to be made by the District.

It is provided in the Indentures that, upon satisfying certain conditions, the Agency may issue one or more series of additional bonds (the “Additional Bonds”) from time to time on the terms and conditions and for the purposes stated in the Indentures, and the Additional Bonds, if issued, will be equally and ratably secured under the Indentures with the Series 2021 Bonds. The Indentures further provide that the amount of installment purchase payments required to be paid under the Installment Sale Agreements shall be re-calculated so as to provide money for the full and timely payment of the principal of and interest on the Series 2021 Bonds and any such series of Additional Bonds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2021 Bonds in order that, for Federal income tax purposes, interest on the Series 2021 Bonds be excluded from gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Series 2021 Bond proceeds, restrictions on the investment of Series 2021 Bond proceeds prior to expenditure, and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2021 Bonds to become included in gross income for Federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is discovered.

On the date of delivery of the Series 2021 Bonds, the District will execute a Tax Regulatory Agreement dated the date hereof (the “Tax Regulatory Agreement”), containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Regulatory Agreement, the District covenants that it will comply with the provisions and procedures set forth therein and that they will do and perform all acts and things necessary or desirable to assure that interest paid on the Series 2021 Bonds will, for Federal income tax purposes, be excluded from gross income under Section 103 of the Code.

Based upon the foregoing, it is our opinion that:

(i) The Agency is a duly created and validly existing corporate governmental agency constituting a public benefit corporation under the laws of the State.

(ii) The Agency has good right and lawful authority under the Act and the Buffalo Schools Act to acquire, renovate, reconstruct, improve, equip and furnish the Facilities and sell its leasehold interest under the Ground Leases in the Facilities to the District and collect revenues and installment purchase payments therefrom, in accordance with the terms of the Installment Sale Agreements and as provided in the Indentures.

(iii) The Agency has the right and power pursuant to the Act and the Buffalo Schools Act to enter into the Indentures, and the Indentures have been duly authorized, executed and delivered by the Agency, are in full force and effect, and are valid and binding upon the Agency and enforceable against the Agency in accordance with their terms.

(iv) The Agency has the right and power pursuant to the Act and the Buffalo Schools Act to enter into the Installment Sale Agreements, and the Installment Sale Agreements have been duly authorized, executed and delivered by the Agency, are in full force and effect, and constitute valid and binding agreements of the Agency enforceable against the Agency in accordance with their terms.

(v) The Agency has and had the right and power pursuant to the Act and the Buffalo Schools Act to enter into the Ground Leases, and the Ground Leases have previously been duly authorized, executed and delivered by the Agency, remain in full force and effect, and constitute valid and binding agreements of the Agency enforceable against the Agency in accordance with their terms.

(vi) The Series 2021 Bonds have been duly authorized and issued by the Agency in accordance with law and in accordance with the Indentures, and are the valid and binding special limited obligations of the Agency, payable by the Agency solely from the installment purchase payments payable by the District under the Installment Sale Agreements and pledged under the Indentures. The Series 2021 Bonds are enforceable in accordance with their terms and the terms of the Indentures and are entitled to the benefit of the Act and the Indentures. The Indentures create the valid pledges which they purport to create of the Installment Purchase Payments and all Funds and Accounts established by the Indentures, including the investments thereof and the proceeds of such investments, if any, subject only to the provisions of the Indentures permitting the application thereof to the purposes and on the terms and conditions set forth in the Indentures.

(vii) Interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes and is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals; provided, however, that (a) interest on the Series 2021 Bonds may be subject to a branch profits tax when held by certain foreign corporations, and (b) the United States Treasury Department has promulgated regulations which might have the effect of imposing a tax at ordinary income rates with respect to interest on the Series 2021 Bonds held by “S corporations” in certain cases.

(viii) Interest on the Series 2021 Bonds is, under existing statutes, exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

In rendering the opinions in paragraph (vii) above, we have relied upon and assumed (a) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Regulatory Agreement with respect to matters affecting the status of interest paid on the Series 2021 Bonds, and (b) compliance by the District with the procedures and covenants set forth in the Tax Regulatory Agreement and with the tax covenants set forth in the Indentures and the Installment Sale Agreements as to such tax matters.

Except as stated in paragraphs (vii) and (viii) above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Series 2021 Bonds or the ownership or disposition thereof. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2021 Bonds, or the exclusion of interest on the Series 2021 Bonds from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

The foregoing opinions are qualified only to the extent that the enforceability of the Series 2021 Bonds, the Indentures, the Tax Regulatory Agreement, the Installment Sale Agreements, the Ground Leases and the State Aid Trust Agreement may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and are subject to general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

In rendering this opinion, we have relied, as to the Agency's leasehold interest under the Ground Leases in the real property constituting part of the Facilities, on the opinion of the Corporation Counsel to the City, dated the date hereof.

In rendering this opinion, with respect to (a) the due authorization, execution and delivery (or the prior delivery, as the case may be) of the Installment Sale Agreements, the Tax Regulatory Agreement and the State Aid Trust Agreement by the District, and the validity and enforceability of such documents against the District, and (b) the due authorization, execution and delivery (or the prior delivery, as the case may be) of the Ground Leases and the State Aid Trust Agreement by the City, and the validity and enforceability of such documents against the City, we have relied upon the opinion of the Corporation Counsel to the City, dated the date hereof.

In rendering this opinion, with respect to (a) the due authorization, execution and delivery of the Indentures by the Trustee and the enforceability of the Indentures against the Trustee, and (b) the enforceability of the State Aid Trust Agreement against the Depository Bank, we have relied upon the opinion of Bond, Schoeneck & King, PLLC, counsel to the Trustee and the Depository Bank, dated the date hereof.

We express no opinion with respect to (a) title to all or any portion of the property of the District or the City, including title to or sufficiency of the description of the property or collateral set forth in the Ground Leases, the Installment Sale Agreements or the Indentures, (b) the priority of any liens, charges, security interests or encumbrances affecting the property of the District or the City or any part thereof (or the effectiveness of any remedy which is dependent upon the existence of title to such property or the priority of any such lien, charge, security interest or encumbrance), (c) any laws, regulations, judgments, permits or orders with respect to zoning, subdivision matters or with respect to the requirement of filing or

recording of any documents, or (d) the laws of any jurisdiction other than the State and other than the securities and tax laws of the United States of America.

The scope of our engagement has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. We have not been requested to examine and have not examined any documents or information other than specifically hereinabove referred to, and no opinion is expressed as to any other documents or any other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Series 2021 Bonds.

We have rendered this opinion solely for your benefit and this opinion may not be relied upon by, nor copies hereof delivered to, any other person without our prior written approval.

Very truly yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE SERIES 2021 BONDS

SERIES 2021A and SERIES 2021B CONTINUING DISCLOSURE AGREEMENT

This SERIES 2021A and SERIES 2021B CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is entered into as of May 19, 2021, by and between the CITY SCHOOL DISTRICT OF THE CITY OF BUFFALO (the “School District”) and MANUFACTURERS AND TRADERS TRUST COMPANY, as Trustee (the “Trustee”), in connection with the issuance by the Erie County Industrial Development Agency (the “Agency”) of \$_____ aggregate principal amount of Erie County Industrial Development Agency School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021A (the “Series 2021A Bonds”) and its \$_____ aggregate principal amount of Erie County Industrial Development Agency School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021B (the “Series 2021B Bonds” and collectively with the Series 2021A Bonds, the “Series 2021 Bonds”).

The Series 2021A Bonds will be secured by and issued pursuant to an Indenture of Trust (Series 2011 Project) dated as of June 1, 2011 (the “Series 2011A Indenture”) between the Issuer and Manufacturers and Traders Trust Company, as trustee, as supplemented and amended by a First Supplemental Indenture of Trust (Series 2011 Project) as of May 1, 2021 (the “Series 2021A First Supplemental Indenture” together with the Series 2011A Indenture, the “Series 2021A Indenture”) between the Issuer and Manufacturers and Traders Trust Company, as trustee (the “Series 2021A Trustee”). The Series 2021B Bonds will be secured by and issued pursuant an Amended and Restated Indenture of Trust (Series 2003 Project) dated as of July 1, 2011 between the Issuer and Manufacturers and Traders Trust Company as trustee (the “Series 2011B Indenture”), as supplemented and amended by a First Supplemental Indenture of Trust (Series 2003 Project) dated as of May 1, 2021 (the “Series 2021B First Supplemental Indenture” together with the Series 2011B Indenture, the “Series 2021B Indenture”) between the Issuer and Manufacturers and Traders Trust Company as trustee (the “Series 2021B Trustee” and together with the Series 2021A Trustee, the “Trustee”) (the “Series 2021A Indenture,” together with the Series 2021B Indenture, the “Indentures”).

The Series 2021 Bonds will be issued pursuant to the Issuer’s enabling legislation, constituting Title I of Article 18 A of the General Municipal Law of the State of New York (the “State”), as amended (enacted into law as Chapter 1030 of the Laws of 1969 of the State), and Chapter 293 of the Laws of 1970 of the State, as amended (collectively, the “Act”); and Chapter 605 of the Laws of 2000 of the State, as amended by Chapter 59 of the Laws of 2003 of the State, as amended by Chapter 421 of the Laws of 2004 of the State, as amended by Chapter 283 of the Laws of 2006 of the State, as amended by Chapter 403 of the Laws of 2008 of the State, as amended by Chapter 492 of the Laws of 2008 of the State, as amended by Chapter 497 of the Laws of 2008 of the State and as amended by Chapter 209 of the Laws of 2009 of the State (collectively, as the same may further be amended, the “Buffalo Schools Act”); and resolutions of the Issuer adopted on September 11, 2002, as amended on October 16, 2002 and on June 11, 2003, and as amended and restated on November 10, 2004, and as further amended on April 11, 2005, June 11, 2007, July 9, 2007, January 17, 2008, October 19, 2009 and May 16, 2011, March 26, 2012, March 25, 2013, May 20, 2015, August 24, 2016 and April 28, 2021.

The Series 2021A Bonds are being issued under the Series 2021A Indenture for the purpose of (i) refunding all of the Outstanding Erie County Industrial Development Agency School Facility Revenue Bonds (City School District of the City of Buffalo Project) 2011A School Facility Revenue Bonds (the

“Series 2011A Bonds”), of which \$104,525,000 principal amount is currently outstanding and is expected to be refunded; and (ii) financing certain costs of issuance of the Series 2021A Bonds. The Series 2011A Bonds were originally issued pursuant to the Series 2011A Indenture. The Series 2021A Bonds are payable from amounts due from the City School District of the City of Buffalo (the “Buffalo CSD”) pursuant to an Installment Sale Agreement (Series 2011 Project) dated as of June 1, 2011 (the “Series 2011A Installment Sale Agreement”), as amended and supplemented by a First Amendment to Installment Sale Agreement (Series 2011 Project) dated as of May 1, 2021 (the “Series 2021A First Amendment to the Series 2011A Installment Sale Agreement”, together with the Series 2011A Installment Sale Agreement, the “Series 2021A Installment Agreement”), each between the Issuer and the Buffalo CSD.

The Series 2021B Bonds are being issued under the Series 2021B Indenture for the purpose of (i) refunding all of the Outstanding Erie County Industrial Development Agency School Facility Revenue Bonds (City School District of the City of Buffalo Project) 2011B School Facility Revenue Bonds (the “Series 2011B Bonds”), of which \$32,385,000 is currently outstanding and is expected to be refunded; and (ii) financing certain costs of issuance of the Series 2021B Bonds. The Series 2021B Bonds are payable from amounts due from the City School District of the City of Buffalo (the “Buffalo CSD”) pursuant to an Amended and Restated Installment Sale Agreement (Series 2003 Project) dated as of July 1, 2011 (the “Series 2011B Installment Sale Agreement”), as supplemented and amended by a First Amendment to 2011B Installment Sale Agreement (Series 2003 Project) dated as of May 1, 2021 (the “Series 2021B First Amendment to 2011B Installment Sale Agreement,” together with the Series 2011B Installment Sale Agreement, the “Series 2021B Installment Sale Agreement”), each between the Issuer and the Buffalo CSD (the Series 2021A Installment Sale Agreement, together with the Series 2021B Installment Sale Agreement, the “Installment Sale Agreements”).

In order to permit the Underwriters of the Series 2021 Bonds to comply with the provisions of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, in connection with the public offering of the Series 2021 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Bondholders, as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the School District and the Trustee for the benefit of Bondholders and Beneficial Owners (as defined below) of the Series 2021 Bonds and in order to assist the Underwriters in complying with the Rule (as defined below). The School District and the Trustee acknowledge that none of the Agency, the City of Buffalo or Erie County has undertaken responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and that none of the Agency, the City of Buffalo, or Erie County has liability to any person, including any Bondholder or Beneficial Owner, concerning the Rule.

SECTION 2. Definitions. Capitalized terms used but not defined in this Disclosure Agreement shall have the meanings ascribed to them in the Indenture.

“Annual Report” shall mean any annual report and related annual information to be provided by the School District pursuant to Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined below. Any assertion of

beneficial ownership must be filed with full documentary support, as part of the written request described in Section 10 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Superintendent of the School District or his or her designee, or such other person as the School District shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the School District and which has filed with the Trustee a written acceptance of such designation.

“EMMA” shall mean the MSRB’s Electronic Municipal Market Access system.

“Fiscal Year” shall mean the period of twelve months beginning July 1, of each year and ending on June 30 of the same year, or any other twelve month period adopted by the School District as its fiscal year for accounting purposes.

“Listed Events” shall mean any of the events listed in Subsection 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Repository” shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

“Rule” shall mean Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as amended, as such Rule may be amended from time to time.

“State” shall mean the State of New York.

“SEC” shall mean the U.S. Securities and Exchange Commission

“Underwriters” shall mean collectively, Citigroup Global Markets Inc., on its own behalf and as Representative of the other Underwriters set forth on Schedule I attached hereto, as the original underwriters of the Series 2021 Bonds required to comply with the Rule in connection with the offering of the Series 2021 Bonds.

SECTION 3. Obligations to Provide Continuing Disclosure.

(a) On an annual basis, no later than 360 days after the end of each respective Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, the School District shall provide, or shall cause the Dissemination Agent to provide, to the Repository, an Annual Report which is consistent with the requirements of Sections 3 and 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4(b) hereof. If the Fiscal Year changes, the School District shall give notice of such change in the same manner as required for a Listed Event. The School District shall provide sufficient copies of the Annual Reports to facilitate the Dissemination Agent’s carrying out its duties, as set forth under this Disclosure Agreement.

(b) If the Dissemination Agent has not received on or before the last business day of a Fiscal Year, an Annual Report from the School District for the preceding Fiscal Year, and the

Dissemination Agent does not have actual knowledge that the Annual Report has been provided to the Repository, the Dissemination Agent shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the School District.

(c) The Dissemination Agent shall file a report with the School District and (if the Dissemination Agent is not the Trustee) with the Trustee, certifying that the Annual Report has been provided to the Repository pursuant to this Disclosure Agreement, stating the date it was so provided.

SECTION 4. Content of Annual Report. The School District's Annual Report shall contain or include by reference the following core financial information and operating data:

(a) Specified Information.

(i) The audited financial statements of the School District for the most recently ended Fiscal Year prepared in accordance with generally accepted accounting principles consistently applied, as promulgated from time to time by the Financial Accounting Standards Board. If the School District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Disclosure Agreement, the Annual Report shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available;

(ii) Material historical quantitative data, including, but not limited to, information on State Aid to be received by the School District and all statutory intercepts applicable to the School District, not otherwise described in the Final Official Statement dated May __, 2021 ("Final Official Statement"), as well as any other revenues, expenditures, financial operations and indebtedness with respect to the Series 2021 Bonds generally of the type discussed in the sections and subsections of the Final Official Statement entitled "PROGRAM PARTICIPANTS - The Buffalo CSD and Board of Education" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2021 BONDS- State Aid;" and

(iii) A report consolidating the information required from the School District under subsection 4(a)(i) above.

(b) Cross-Reference. All or any portion of the Annual Report may be incorporated in the Annual Report by cross-reference to any other documents which were and are being filed under the Rule with the Repository, through and in accordance with EMMA. The audited or unaudited financial statements of the School District may be provided in the same manner.

(c) Information Categories. The requirements contained in this Disclosure Agreement under Section 4(a)(ii) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 4(a)(ii) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

SECTION 5. Reporting of Listed Events.

(a) The School District shall provide or shall cause the Dissemination Agent to provide in a timely manner (not in excess of ten (10) business days after the occurrence of the following

significant events) to the Repository, written notice of any of the following significant events with respect to the Series 2021 Bonds (“Listed Events”):

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service (“IRS”) of proposed or final determinations of taxability, Notices of Proposed Issuer (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2021 Bonds or events affecting the tax status of the Series 2021 Bonds;
7. Modifications to rights of Bondholders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Series 2021 Bonds, if material;
11. Rating changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar proceeding of the School District or the Agency;¹
14. The consummation of a merger, consolidation, or acquisition involving the School District or the Agency or the sale of all or substantially all of the assets of the School District or the Agency, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

¹ For the purposes of the event identified in clause (a)(13), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

15. Appointment of a successor or additional trustee, or the change of name of a trustee, if material; and

16. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and

17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

18. Failure of the School District to comply with the requirements of Sections 3 and 4 of this Disclosure Agreement.

Note: As used in numbers (16) and (17), the term financial obligation means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final Official Statement has been provided to the MSRB consistent with Securities and Exchange Commission Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule").

(b) Certain of the seven Listed Events subject to a materiality standard may not be applicable. Whenever the School District obtains knowledge of the occurrence of such a Listed Event, the School District shall as soon as possible determine if such event would constitute material information for Bondholders of the Series 2021 Bonds.

(c) The School District shall provide or shall cause the Dissemination Agent to provide in a timely manner to the Repository, written notice of a failure of any officer or other person authorized by the School District to comply with Sections 3, 4 and/or 5 hereof.

(d) Notwithstanding the preceding, neither the School District nor the Dissemination Agent will undertake to provide any of the following:

1. Notice with respect to (i) credit enhancement if (A) the credit enhancement is added after the primary offering of the Series 2021 Bonds, (B) the School District does not apply for or participate in obtaining the enhancement, and (C) the School District does not apply for or participate in obtaining the enhancement and the enhancement is not described in the Final Official Statement or (ii) tax exemption other than pursuant to Section 103 of the Code;

2. The event notice, as described in Section 5(a)(8) above, with regard to a mandatory scheduled redemption not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the Indenture, (ii) the only open issue is which Series 2021 Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Series 2021 Bonds and (iv) public notice of the redemption is given pursuant to 1934 Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases; and

3. Updates or revisions to any forward-looking statements contained in the Final Official Statement, including, but not limited to, those that include the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes,” “structured,” “targets” or analogous expressions.

SECTION 6. Termination of Reporting Obligation. The School District’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2021 Bonds.

SECTION 7. Dissemination Agent. The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School District pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. For so long as the Trustee shall be the Dissemination Agent, the School District shall pay the Dissemination Agent an annual fee of \$500.00 upon the execution of this Disclosure Agreement and on each anniversary thereof.

SECTION 8. Amendments. An amendment to the requirements set forth in this Disclosure Agreement (the “Requirements”) may only take effect if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the School District, or type of business conducted; the Requirements, as amended, would have complied with the requirements of the Rule at the time of sale of the Series 2021 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders and/or Beneficial Owners, as determined by parties unaffiliated with the School District (such as, but without limitation, the School District’s financial advisor or transaction counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the “impact” (as that word is used in the letter from the SEC staff to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) All or any part of the Rule, as interpreted by the staff of the SEC at the date of the Series 2021 Bonds, ceases to be in effect for any reason, and the School District elects that the Requirements shall be deemed terminated or amended (as the case may be) accordingly.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the School District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default; Venue. No Bondholder may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the Requirements (the “Undertaking”) or for any

remedy for breach thereof, unless such Bondholder shall have filed with the School District evidence of ownership and a written notice of and request to cure such breach, and the School District shall have refused to comply within a reasonable time. All Proceedings shall be instituted only as specified herein, in any federal or state court located in the State and for the equal benefit of all holders of the outstanding Series 2021 Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the School District agrees to release the Dissemination Agent and the Trustee from any claim arising out of the discharge of any duties hereunder and to defend, indemnify and save the Trustee and the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Trustee and the Dissemination Agent's negligence or willful misconduct. The obligations of School District under this Section 11 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2021 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the School District:

City School District of the City of Buffalo
City Hall, Room 708
Buffalo, New York 14202
Attention: Chief Financial Officer
Tel: (716) 816-3010
Fax: (716) 851-3650

With a copy to

Hodgson Russ LLP
677 Broadway, Suite 301 Albany, NY 12207
Attention: Christopher C. Canada

To the Trustee:

Manufacturers and Traders Trust Company
Corporate Trust Administration - 7th Floor
One M&T Plaza
Buffalo, New York 14203-2399
Attention: Corporate Trust Department
E-mail address: rwhitley@wilmingtontrust.com
Tel: (716) 842-5602
Fax: (716) 842-4474

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

SECTION 14. Fiduciary Obligation. The Dissemination Agent agrees that it shall be bound by Section 9.3 of the Indenture as if it were a fiduciary under the Indenture.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 16. Governing Law. THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW. TO THE EXTENT THIS DISCLOSURE AGREEMENT ADDRESSES MATIERS OF FEDERAL SECURITIES LAW, THIS DISCLOSURE AGREEMENT SHALL BE GOVERNED BY FEDERAL SECURITIES LAWS AND OFFICIAL INTERPRETATIONS THEREOF.

CITY SCHOOL DISTRICT OF THE CITY OF
BUFFALO

By: _____
Name: Sharon Belton-Cottman
Title: President, Board of Education

MANUFACTURERS AND TRADERS TRUST
COMPANY, as Trustee

By: _____
Authorized Officer

SCHEDULE 1

Citigroup Global Markets Inc.
Loop Capital Markets, LLC

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Erie County Industrial Development Agency

Name of Board Issue: Erie County Industrial Development Agency School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021A (the "Series 2021A Bonds") and Erie County Industrial Development Agency School Facility Refunding Revenue Bonds (City School District of the City of Buffalo Project), Series 2021B

Date of Issuance: May 19, 2021

NOTICE IS HEREBY GIVEN that City School District of the City of Buffalo (the "School District") has not provided an Annual Report with respect to the above-named Series 2021 Bonds as required by the Series 2021 Continuing Disclosure Agreement, dated as of May 19, 2021 between the School District and Manufacturers and Traders Trust Company, as trustee. [The _____ anticipates that an Annual Report will be filed by _____]]

Dated: _____

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APPENDIX G

SUMMARY OF CERTAIN PROVISIONS OF THE STATE AID TRUST AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE STATE AID TRUST AGREEMENT

The following is a summary of certain provisions of the Second Amended and Restated State Aid Trust Agreement dated as of October 1, 2012 (the "State Aid Trust Agreement"). This summary is qualified in its entirety by reference to the document itself.

Definitions. In the State Aid Trust Agreement, unless a different meaning clearly appears from the context:

(1) "Aggregate" means, when used to qualify any other term in the State Aid Trust Agreement, the aggregate, of the relevant term, with respect to all then existing Project Bonds, and then existing Series Facilities Agreements;

(2) "Annual Payment Obligations on 2012 MBBA Refunding Bonds" means the annual payments by the City to MBBA for debt service on the 2012 MBBA Refunding Bonds;

(3) "Amendment Date" means the date as of which the State Aid Trust Agreement was entered into;

(4) "Base Facilities Agreement Payment" means, with respect to any Series Facilities Agreement, the Base Lease Payment, the Base Installment Purchase Payment or other like payment obligations as so defined in such Series Facilities Agreement;

(5) "Buffalo Schools Act" means the act of the Legislature of the State entitled: "AN ACT in relation to the construction of new educational facilities, the financing of such facilities, and the financing of the rehabilitation and reconstruction of existing facilities in the City of Buffalo", constituting Chapter 605 of the Laws of 2000 of the State, as amended by Chapter 59 of the Laws of 2003 of the State and by Chapter 421 of the Laws of 2004 of the State, and as the same may be further amended;

(6) "Chief Fiscal Officer" means the comptroller of the City or such other officer of the City who may be designated chief fiscal officer of the City;

(7) "City" means the City of Buffalo;

(8) "Collection Percentage" means, with respect to each month of a Collection Period, the ratio, expressed as a percentage, of the amount of State Aid Revenues expected to be received during such month of such Collection Period to the total amount of State Aid Revenues expected to be received during such Collection Period;

(9) "Collection Period" means the four month period from and including December 1 of a Fiscal Year through and including March 31 of such Fiscal Year;

(10) "Collecting Officer" means the Superintendent of the Buffalo CSD, the Chief Financial Officer of the Buffalo CSD and any other official empowered to demand, collect and receive State Aid Revenues;

(11) "Debt Service Reserve Fund" means, with respect to a Series of Project Bonds, the Debt Service Reserve Fund established for such Series of Project Bonds under the related Series Indenture;

(12) "Depository Bank" means Manufacturers and Traders Trust Company or any trust company or bank having the powers of a trust company in the State, having reported capital and surplus

of not less than \$100,000,000 and rated not lower than investment grade by any Rating Agency appointed by the Buffalo CSD in the manner set forth in the State Aid Trust Agreement, and any successor trust company or bank having the powers of a trust company in the State which may be substituted in its place pursuant to the provisions of the State Aid Trust Agreement. The Depository Bank shall be the same financial institution as each Series Trustee;

(13) “ECIDA” means the Erie County Industrial Development Agency;

(14) “Facilities Agreement Payment Date” means, with respect to any Series Facilities Agreement, the date the Net Base Installment Purchase Payments or other base payment obligations for principal and interest are due under such Series Facilities Agreement;

(15) “Facilities Payment Obligations” means, with respect to any Facilities Agreement, the Lease Payments, the Installment Purchase Payments or other like payment obligations as so defined in such Series Facilities Agreement;

(16) “Fiscal Year” means the fiscal year of the City and the Buffalo CSD;

(17) “General Fund” means the bank account designated by the Chief Fiscal Officer in written instructions delivered to the Depository Bank on the date of issuance of the first Series of Project Bonds, as the same may be re-designated;

(18) “Investment Securities” means any investments that the City would be permitted to invest in under the provisions of Section 11 of the General Municipal Law of the State, as amended from time to time;

(19) “MBBA” means the State of New York Municipal Bond Bank Agency;

(20) “MBBA 2012 Series Trustee” means Bank of New York Mellon, as Trustee under the MBBA 2012 Bond Resolution, and any successor appointed pursuant to such Resolution;

(21) “MBBA 2012 Bond Resolution” means, collectively, the State Municipal Bond Bank Agency Special Program (City of Buffalo) Revenue Bond Resolution and the 2012 Series A Special Program (City of Buffalo) Revenue Bond Series Resolution each adopted by such Agency on September 13, 2012;

(22) “MBBA Provisions” means, collectively, the provisions of the State Aid Trust Agreement relating to MBBA, the Special Program Agreement, the Annual Payment Obligations on 2012 MBBA Refunding Bonds, the certificate described in the Student Aid Trust Agreement, and the 2012 MBBA Refunding Bonds;

(23) “Net Base Facilities Agreement Payments” means, with respect to any Facilities Agreement, the Net Base Installment Purchase Payments or other net base payment obligations for principal and interest on the related Project Bonds (net of (y) any Scheduled Debt Service Reserve Fund Earnings to the extent that any such Scheduled Debt Service Reserve Fund Earnings shall not first be required when received under the related Series Indenture to satisfy any deficiency in the Debt Service Reserve Fund established for such Project Bonds, and (z) any amounts available in the Bond Fund established under the Series Indenture for such Project Bonds) as so defined in such Series Facilities Agreement;

(24) “Project Bonds” means bonds issued by the ECIDA or some other public entity pursuant to Series Indentures and the Buffalo Schools Act;

(25) “Qualified Debt Service Reserve Fund Investment Agreement” means, with respect to a Series of the Project Bonds, that investment agreement entered into by the Series Trustee with respect to the Debt Service Reserve Fund as such Agreement is so defined in the related Series Facilities Agreement or Series Indenture;

(26) “Ratable Basis” means, ratably based on the ratio of the amount, at issue, owing to a Series Trustee to the Aggregate of such amounts, at issue, owing to all Series Trustees;

(27) “Rating Agency” means any nationally recognized credit rating agency then rating any Series of the Project Bonds;

(28) “Reserve Payment” means, with respect to any Facilities Agreement, the reserve payment obligation in respect of a deficiency in the amount on deposit in the Debt Service Reserve Fund established under a Series Indenture for a Series of Project Bonds;

(29) “Scheduled Debt Service Reserve Fund Earnings” means, with respect to any Base Facilities Agreement Payment, those earnings scheduled to be received under a Series Indenture from a Qualified Debt Service Reserve Fund Investment Agreement, based on the amount on deposit in the related Debt Service Reserve Fund and subject to the Qualified Debt Service Reserve Fund Investment Agreement as of the last Business Day of October immediately preceding the Facilities Agreement Payment Date for such Base Facilities Agreement Payment under the related Series Facilities Agreement, for the period commencing on such Facilities Agreement Payment Date through and including the next following October 23rd (or, if such October 23rd shall not be a Business Day, then on the next preceding Business Day) provided that such earnings are required by the related Series Indenture to be deposited into the Bond Fund under such Series Indenture after receipt by the Series Trustee under such Series Indenture of a Project Fund Sufficiency Certificate (as defined in such Series Indenture);

(30) “Series Facilities Agreement” means the Facilities Lease Agreement (Series 2003 Project), dated as of September 1, 2003, as amended by an Amendatory Installment Sale Agreement (Series 2003 Project), dated as of June 28, 2005, by and between the ECIDA and the Buffalo CSD, the Installment Sale Agreement (Series 2004 Project), dated as of December 1, 2004, between the ECIDA and the Buffalo CSD, and each other facilities lease agreement, facilities installment sale agreement or other facilities agreement, pursuant to which the ECIDA or some other public entity shall lease, sublease or sell its leasehold interest in facilities to the Buffalo CSD, in connection with the issuance of Project Bonds, as the same may be amended or supplemented;

(31) “Series Indenture” means the Indenture of Trust (Series 2003 Project) by and between the ECIDA and Manufacturers and Traders Trust Company, as Trustee, dated as of September 1, 2003, the Indenture of Trust (Series 2004 Project), by and between the ECIDA and Manufacturers and Traders Trust Company, as Trustee, dated as of December 1, 2004, and each other indenture of trust or bond resolution pursuant to which a series of Project Bonds shall be issued by ECIDA or some other public entity to finance all or a portion of the Buffalo Schools Reconstruction Project, as the same may be amended or supplemented;

(32) “Series Trustee” means Manufacturers and Traders Trust Company, as Trustee under the Indenture of Trust (Series 2003 Bonds) and under the Indenture of Trust (Series 2004 Bonds) and each financial institution acting as trustee under another Series Indenture, and its respective successors, if any, appointed pursuant to such Series Indenture;

(33) “Special Program Agreement” means the Special Program Agreement by and between the MBBA and the City dated as of October 1, 2012, as from time to time amended and supplemented;

(34) “State” means the State of New York;

(35) “State Aid Depository Fund” or “Fund” means the fund so entitled which is held by the Depository Bank and is described and provided for in the State Aid Trust Agreement;

(36) “State Aid Revenues” means the total amount of annual aid to education appropriated by the New York State Legislature and paid by the State to the Buffalo CSD or intercepted by the Comptroller of the State of New York and paid to the ECIDA or the related Series Trustee (acting on behalf of the ECIDA) pursuant to Chapter 59 of the Laws of 2003 of the State of New York, as amended, and earnings on the investment thereof while in the custody of the Depository Bank;

(37) “Superintendent” means the Superintendent of the City School District of the City of Buffalo; and

(38) “2012 MBBA Refunding Bonds” means the Special Program (City of Buffalo) Refunding Revenue Bonds, 2012 Series A issued by MBBA.

Establishment of State Aid Depository Fund. In order to facilitate the purposes of the Buffalo Schools Act and the payment of the Aggregate Facilities Payment Obligations and of Annual Payment Obligations on 2012 MBBA Refunding Bonds, the State Aid Trust Agreement established the State Aid Depository Fund to be held by and maintained with the Depository Bank. The Buffalo CSD agrees with the City, the Depository Bank, each Series Trustee and the MBBA 2012 Series Trustee that the Buffalo CSD will duly and punctually pay or cause to be paid the Aggregate Facilities Payment Obligations and the Annual Payment Obligations on 2012 Refunding Bonds from amounts received in the Fund, and that the Buffalo CSD will maintain the Fund with the Depository Bank, and will operate the Fund in the manner set forth in the State Aid Trust Agreement.

Operation of the Fund. Pursuant to written instructions to the New York State Comptroller, the Chief Fiscal Officer and the Collecting Officer have directed the New York State Comptroller’s Office to deposit all State Aid Revenues into the Fund except for any amount of State Aid Revenues withheld from the City or the Buffalo CSD in accordance with the provisions of Chapter 59 of the Laws of 2003 of the State, as the same may be amended.

(a) Notwithstanding the following provisions outlined under this heading, if the Depository Bank receives written instructions from the Chief Fiscal Officer with an accompanying monthly payment schedule from the Chief Fiscal Officer indicating that, pursuant to applicable state law and if applicable any credit enhancement agreement to which the City is a party, State Aid Revenues must be set aside in a special bank account designated in such instructions to be used only for the payment in accordance with such payment schedule of outstanding revenue anticipation notes issued by the City (the “RAN Repayment Requirement”); then, each month, the Depository Bank shall immediately withdraw from the Fund all State Aid Revenues that are received and cause the amounts so withdrawn to be immediately paid, before any further withdrawal or payment under the State Aid Trust Agreement as described under this heading, to such special bank account, until the total amount of such withdrawals is equal to the portion of such RAN Repayment Requirement required, in accordance with such payment schedule, to be withdrawn and paid to such special bank account for such month or any prior month to the extent not yet paid.

(b) Commencing on September 16, 2003 through and including November 30, 2003, the Depository Bank shall immediately upon receipt of any payment of State Aid Revenues pay over to the General Fund all such State Aid Revenues.

(c) The Collecting Officer and the Chief Fiscal Officer shall prepare and deliver a certificate, substantially in the form attached to the State Aid Trust Agreement (the "State Aid Payment Certificate") to the Depository Bank, each Series Trustee and, for so long as any 2012 MBBA Refunding Bonds shall remain outstanding, the MBBA Series 2012 Trustee, on or before (i) November 1, 2012 (with any State Aid Payment Certificate so delivered on or before November 1, 2012 for the Fiscal Year ending June 30, 2013 replacing any State Aid Certificate previously delivered by the Collecting Officer and the Chief Fiscal Officer for such Fiscal Year), and (ii) July 15 of each subsequent Fiscal Year. The State Aid Payment Certificate shall set forth (i) a statement that the Buffalo CSD has appropriated an amount of State Aid Revenues necessary to fund the Buffalo CSD's Aggregate Facilities Payment Obligations and from and after the Amendment Date, the Annual Payment Obligations on 2012 MBBA Refunding Bonds for such Fiscal Year, (ii) the total amount of State Aid Revenues expected to be received during the next Collection Period and the Collection Percentage applicable to each month of such Collection Period, and (iii) a statement, developed with the assistance of the Financial Advisor of the Buffalo CSD or a nationally recognized municipal securities underwriting firm, setting forth the long-term debt rating of each provider of a Qualified Debt Service Reserve Fund Investment Agreement by each of Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. However, in the event that the Buffalo CSD shall not have appropriated such amount of State Aid Revenues in its adopted budget for such Fiscal Year the State Aid Payment Certificate for such Fiscal Year shall set forth a statement to such effect, shall not include any information regarding the collection of State Aid Revenues during the Collection Period and shall be substantially in the form attached to the State Aid Trust Agreement. Thereafter and not later than the end of the third business day immediately preceding March 31 of such Fiscal Year, if circumstances warrant, the Collecting Officer and the Chief Fiscal Officer shall from time to time prepare and deliver to the Depository Bank a revised State Aid Payment Certificate setting forth, as appropriate (i) a statement that the Buffalo CSD has, subsequent to adoption of its budget for such Fiscal Year, appropriated an amount of State Aid Revenues necessary to fund the Aggregate Facilities Payment Obligations of the Buffalo CSD and Annual Payment Obligations on 2012 MBBA Refunding Bonds for such Fiscal Year, or (ii) a revised total amount of State Aid Revenues expected to be received during the Collection Period for such Fiscal Year and, in either case, if applicable, Collection Percentages or revised Collection Percentages applicable to the remainder of such Collection Period.

(d) On or before November 10 of each Fiscal Year, commencing November 10, 2003, each Series Trustee shall prepare and deliver to the Collecting Officer, the Chief Fiscal Officer and the Depository Bank a certificate (the "Base Facilities Agreement Payment Certificate") setting forth the Net Base Facilities Agreement Payment (computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due on the following April 1.

(e) On or before November 10 of each Fiscal Year, commencing November 10, 2003, each Series Trustee shall, in accordance with the provisions of the Series Indenture pursuant to which such Series Trustee has been appointed, prepare and deliver to the Collecting Officer, the Chief Fiscal Officer and the Depository Bank a certificate (the "Reserve Payment Certificate") setting forth the Reserve Payment (as defined in each Series Facilities Agreement and computed as of the immediately preceding last business day of October of such Fiscal Year) portion of the Facilities Payment Obligations due and the amount of the Debt Service Reserve Deficiency as of the date of such certificate.

(f) On or before November 10 of each Fiscal Year, commencing November 10, 2012, the Collecting Officer and the Chief Fiscal Officer shall, in accordance with the provisions of the MBBA

Special Program Agreement, prepare and deliver to the Depository Bank a certificate setting forth the Annual Payment Obligations on 2012 MBBA Refunding Bonds (computed as of the immediately preceding last business day of October of such Fiscal Year) due for such Fiscal Year as of the date of such certificate (the “Annual Payment Obligations on 2012 MBBA Refunding Bonds Certificate”).

(g) During each Collection Period beginning after November 30, 2003 (or beginning after the Amendment Date with respect to the Annual Payments on 2012 MBBA Refunding Bonds), if the Depository Bank has received a State Aid Payment Certificate with respect to such Collection Period that sets forth the statements required by clauses (i) and (ii) of the first sentence under paragraph (c) above, the Depository Bank shall, immediately upon receipt of any payment of State Aid Revenues, withdraw such State Aid Revenues from the Fund and cause the amounts so withdrawn to be immediately paid in the following order of priority:

(i) first, to each Series Trustee for deposit in the Bond Fund established pursuant to the related Series Indenture until the total amount of such withdrawals during each month of such Collection Period shall equal the sum of (A) the product of the Collection Percentage for such month multiplied by the Net Base Facilities Agreement Payment due the immediately following April 1 as set forth in the Base Facilities Agreement Payment Certificate most recently received by the Depository Bank, plus (B) during the months of January, February and March, the excess of the amount that should have been deposited in the Bond Fund in the immediately preceding month of the Collection Period pursuant to the provisions of this paragraph, over the amount in fact so deposited;

(ii) second, thereafter during each month of such Collection Period, to each Series Trustee for deposit in the Debt Service Reserve Fund established pursuant to the related Series Indenture until the total amount of such withdrawals is equal to the Reserve Payment due, if any, as set forth in the Reserve Payment Certificate most recently received by the Depository Bank,

(iii) third, thereafter during the month of March of such Collection Period (and only once the total amount of each such Base Facilities Agreement Payment and any such Reserve Payment has been paid in full to each Series Trustee), to the MBBA 2012 Series Trustee for deposit in the Revenue Fund established pursuant to the MBBA 2012 Bond Resolution until the total amount of such withdrawals during such month shall equal the aggregate Annual Payment Obligations on 2012 MBBA Refunding Bonds due on the immediately following April 1 as set forth in the Annual Payments on 2012 MBBA Refunding Bonds Certificate most recently received by the Depository Bank, and

(iv) fourth, thereafter during each month of such Collection Period, to the General Fund.

In the event that any amount on deposit in the Fund in any month of the Collection Period, at any time, shall be less than the amount required to be paid to a Series Trustee under clauses (i) or (ii) above, the Depository Bank shall make payment to each Series Trustee on a Ratable Basis, in the priority indicated above. For purposes of the preceding sentence, “Ratable Basis” shall be first computed based on amounts payable to each Series Trustee under clause (i) above if there is not enough in the Fund to pay to each Series Trustee what is payable under clause (i) above, and, if the amounts payable under clause (i) have been paid in full, then computed based on the amount payable to each Series Trustee under clause (ii). No amounts shall be paid the MBBA 2012 Series Trustee until all amounts payable to each Series Trustee under clause (i) and (ii) above have been paid in full.

Thereafter from April 1 until the commencement of the next Collection Period, immediately upon receipt of any payment of State Aid Revenues, the Depository Bank shall withdraw such State Aid

Revenues from the Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

If the Depository Bank has not received with respect to a Collection Period for any reason a State Aid Payment Certificate that includes the statements required by clauses (i) and (ii) of the second sentence of paragraph (d) above, the Depository Bank, both during and after such Collection Period until the next Collection Period, shall withdraw any State Aid Revenues from the Fund and cause the amounts so withdrawn to be immediately paid to the General Fund.

Procedure for Collection and Deposit of State Aid Revenues. The procedure set forth in the State Aid Trust Agreement for the operation of the Fund is related to the current procedure of the Buffalo CSD for the collection, deposit and disbursement of State Aid Revenues. Nothing contained in the State Aid Trust Agreement shall prevent the City, the Depository Bank, the Buffalo CSD or the Series Trustees from effecting any change by amendment to the State Aid Trust Agreement modifying the procedures for the collection, deposit and disbursement of State Aid Revenues, without the consent of any other party; provided, however, that the Buffalo CSD agrees with the City, the Depository Bank, each Series Trustee and the MBBA 2012 Series Trustee that (i) prior to making any such change, the Buffalo CSD shall notify each Rating Agency of such change and that prior to any such change there shall be delivered to the Depository Bank a rating confirmation of each Rating Agency that the then current unenhanced rating of the Project Bonds or 2012 MBBA Refunding Bonds will not be withdrawn or reduced as a result of such change and (ii) the Buffalo CSD will not change or alter the procedure for the collection and deposit of State Aid Revenues which in any manner would result in insufficient State Aid Revenues being available to timely pay Facilities Payment Obligations or the 2012 MBBA Refunding Bonds in accordance with the terms of the State Aid Trust Agreement.

Moneys on Deposit with the Depository Bank in the Fund. The Depository Bank shall hold all moneys deposited in the Fund in trust for the benefit of the Buffalo CSD and the City, and shall withdraw such moneys as provided in the State Aid Trust Agreement.

Investment of State Aid Depository Fund. Pending the withdrawals provided for under the heading "Operation of the Fund" above, moneys in the Fund shall be invested in Investment Securities maturing at such times and in such amounts as shall provide available moneys to make such withdrawals and payments from the Fund when required. Such investments shall be made for and on behalf of the Buffalo CSD by the Depository Bank upon written instructions from the Chief Fiscal Officer or his authorized deputy.

Moneys held in Trust. All moneys held by the Depository Bank, as such, at any time pursuant to the terms of the State Aid Trust Agreement shall be and are assigned, transferred and set over unto such Depository Bank in trust for the purposes and under the terms and conditions of the State Aid Trust Agreement.

Regulations Regarding Investment of Fund. Investment Securities purchased as an investment of moneys in the Fund established under the State Aid Agreement shall be deemed at all times to be a part of the Fund, and the interest thereon and any profit arising on the sale thereof shall be credited to the Fund, and any loss resulting on the sale thereof shall be charged to the Fund. In computing the amount in the Fund for any purpose under the State Aid Trust Agreement, such Investment Securities shall be valued at the lower of cost or market price thereof, exclusive of accrued interest, such valuation to be completed by a valuation service selected by the Depository Bank.

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