

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: "MIG-1"
Fitch: "F1+"

(See "SECTION VIII: RATINGS" herein.)

In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming compliance with the tax covenants referred to herein, interest on the Notes is not included in gross income for federal income tax purposes pursuant to section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations by the Code. See "SECTION VII: TAX MATTERS" herein. It is also the opinion of Bond Counsel that interest on the Notes is exempt from personal income taxes imposed by or under authority of the State of New York or any political subdivision thereof (including The City of New York).



\$90,000,000
BUFFALO FISCAL STABILITY AUTHORITY
BOND ANTICIPATION NOTES, SERIES 2005A-1

Dated: Date of Delivery

Due: As Shown Below

The Bond Anticipation Notes, Series 2005A-1 (the "Notes") are being issued by the Buffalo Fiscal Stability Authority (the "Authority"), a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created pursuant to the Buffalo Fiscal Stability Authority Act, as amended (the "Act"), pursuant to an Indenture, dated as of June 1, 2004, as amended and supplemented from time to time (the "Indenture"), including as supplemented by the Sixth Supplemental Indenture, dated as of July 1, 2005 (the "Sixth Supplemental Indenture"), each by and between the Authority and The Bank of New York, New York, New York, as trustee (the "Trustee").

Interest on and principal of the Notes are payable from the proceeds of a Series of Senior Bonds of the Authority issuable under the Indenture, or from the proceeds of renewal notes. As described herein, the Authority may also apply other available moneys to the payment of the Notes. See "SECTION III: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES."

The Notes will be issued only as fully registered notes, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Notes will be made in book-entry form in denominations of \$5,000 principal amount or whole multiples thereof. Purchasers will not be entitled to receive physical delivery of the Notes.

Principal of and interest on the Notes will be payable to DTC by the Trustee. So long as DTC or its nominee remains the registered owner, disbursements of such payments to DTC Participants are the responsibility of DTC, and disbursements of such payments to the purchasers of beneficial interests in the Notes are the responsibility of DTC Participants, as described herein. Interest on the Notes will accrue from their dated date and is payable, with respect to the Notes maturing on May 15, 2006, on their maturity date, and, with respect to the Notes maturing on August 14, 2006, on July 27, 2006 and on their maturity date.

The Notes are not subject to redemption prior to maturity.

\$90,000,000 Bond Anticipation Notes, Series 2005A-1

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIPs</u> †
May 15, 2006	\$50,000,000	4.0%	2.75%	119679AC2
August 14, 2006	\$40,000,000	4.0%	2.85%	119679AD0

† Copyright 2003, American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Notes. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Notes or as indicated above.

THE NOTES ARE NOT A DEBT OF EITHER THE STATE, ERIE COUNTY (THE "COUNTY"), OR THE CITY OF BUFFALO (THE "CITY"), AND NEITHER THE STATE, THE COUNTY NOR THE CITY SHALL BE LIABLE THEREON, NOR SHALL THE NOTES BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE AUTHORITY.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential investors must read the entire Offering Circular, including those portions of the Authority's Offering Circular, dated May 25, 2005, included by reference herein, to obtain information essential to making an informed investment decision.

The Notes are offered, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriter, subject to the approval of legality of the Notes and certain other matters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its Chief Counsel, Darryl McPherson, Esq., and its General Counsel, Harris Beach PLLC, New York, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Nixon Peabody LLP, New York, New York. It is expected that the Notes will be available for delivery in New York, New York, on or about July 28, 2005.

Lehman Brothers

July 25, 2005

The information in this Offering Circular has been provided by the Authority, the City and other sources considered by the Authority to be reliable. All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

The Underwriter has provided the following sentence for inclusion in this Offering Circular. The Underwriter has reviewed the information in this Offering Circular in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representation with respect to the Notes, other than those contained in this Offering Circular, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Notes, by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations. In light of the important factors that may materially affect economic conditions in the City and the amount of Revenues (as defined herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority or the Underwriter 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 Offering Circular, 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 Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AGENCY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SECTION I: INTRODUCTION

This Offering Circular of the Buffalo Fiscal Stability Authority (the "Authority") sets forth information concerning the Authority in connection with the sale of the Authority's \$90,000,000 Bond Anticipation Notes, Series 2005A-1 (the "Notes"). The Authority is a corporate governmental agency and instrumentality of the State of New York (the "State") constituting a public benefit corporation created by the Buffalo Fiscal Stability Authority Act, Chapter 122 of the Laws of 2003, as amended from time to time (the "Act").

The Notes are being issued pursuant to the Act and an Indenture, dated as of June 1, 2004, as amended and supplemented from time to time (the "Indenture"), including as supplemented by the Sixth Supplemental Indenture, dated as of July 1, 2005 (the "Sixth Supplemental Indenture"), each by and between the Authority and The Bank of New York, as trustee (the "Trustee"). The Authority and the City of Buffalo, New York (the "City") have entered into a Financing Agreement, dated as of June 1, 2004 (the "Financing Agreement"), which provides, among other things, for the application of the Note proceeds, which will be used to pay Financeable Costs, including funding certain expenditures of the City. A summary of certain provisions of the Indenture and the Financing Agreement, together with certain defined terms used therein and in this Offering Circular, have been included herein by specific reference as set forth in "SECTION II: INCLUSION BY SPECIFIC REFERENCE."

SECTION II: INCLUSION BY SPECIFIC REFERENCE

Portions of the Authority's Offering Circular, dated May 25, 2005 (the "Bond Offering Circular"), delivered herewith and relating to the Authority's Sales Tax and State Aid Secured Bonds, Series 2005A (the "Series 2005A Bonds"), subject to the information contained elsewhere herein, are included herein by specific reference, namely the information under the captions:

SUMMARY OF TERMS (including only the information under the headings "Issuer"; "Trustee"; "Bankruptcy Prohibition"; "State Aid Revenues"; "Enabling Legislation"; "Agreement of the State"; "Agreement of the County"; "Agreement of the City"; "Other Series of Bonds and Notes"; "Indenture"; "Financing Agreement"; "Collection Account"; "Application of Revenues"; and "Retention Procedures")

SECTION I: INTRODUCTION (excluding the first four paragraphs only)

SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS (including only the information under the headings "General"; "Sales Tax Collection and Distribution"; "State Aid Revenues"; "Additional Bonds"; "Application of Revenues"; "Retention Procedures"; and "Agreements of the State, the County and the City")

SECTION X: FINANCIAL STATEMENTS

APPENDIX A—INFORMATION REGARDING THE CITY OF BUFFALO

APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT

The portions of the Bond Offering Circular included by specific reference are revised as set forth below:

The chart entitled "Monthly City Tax Revenue Distributions" on page 6 of the Bond Offering Circular is updated to include \$4,738,959 as the amount of City Tax Revenues distributed by the State Comptroller and received by the Authority in May 2005; and \$4,844,120 in June 2005.

The chart entitled "Monthly School District Tax Revenue Distributions" on page 7 of the Bond Offering Circular is updated to include \$2,369,217 as the amount of School District Tax Revenues distributed by the State Comptroller and received by the Authority in May 2005; and \$2,421,792 in June 2005.

The bonds described in the Bond Offering Circular were offered thereby and delivered by the Authority on June 2, 2005. Such bonds are not offered by this Offering Circular.

SECTION III: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES

General

The Act and the Indenture authorize the Authority to issue the Notes and to secure the repayment of the Notes with the issuance of the Authority's Senior Bonds or renewal notes. The Notes shall be payable (i) from the proceeds of a Series of Senior Bonds of the Authority issuable under the Indenture, the proceeds of which are pledged to retire the Notes and which pledge shall have a priority over any other pledge of such proceeds created by the Indenture, or (ii) from the proceeds of renewal notes. The Authority has taken all actions necessary to authorize the issuance of such Senior Bonds or renewal notes. Such Senior Bonds or renewal notes must be issued at a time and in an amount sufficient to pay the principal of and interest on the Notes when due, to the extent that the Authority has not otherwise provided for the payment in full of such principal and interest. See "Section III: SOURCES OF PAYMENT AND SECURITY FOR THE NOTES—Certain Other Payments" herein. The Authority has sufficient capacity under the terms of the Act to issue the Series of Senior Bonds in anticipation of which the Notes are being issued, as well as renewal notes. The Authority has covenanted that it will not issue other Series of Bonds if such issuance would preclude the issuance of the Series of Senior Bonds in anticipation of which the Notes are being issued.

The Act authorizes the Authority to secure the repayment of such Senior Bonds with a pledge of the Authority's right, title and interest in the Revenues of the Authority, which are required by the Act to be paid to the Authority. In accordance with the Act and the Indenture, Authority Revenues will be applied *first*, to the Bond Account or Redemption Account to pay or set aside for Debt Service in accordance with the procedures described under "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Retention Procedures" in the Bond Offering Circular and to reserve the amount, if any, necessary to replenish the Debt Service Reserve Account to the extent of any withdrawal therefrom; *second*, to pay debt service on any Subordinate Bonds or Subordinate Notes and to reserve the amount, if any, necessary to replenish any reserve accounts established in connection therewith, and to pay any other amounts pursuant to Supplemental Indentures for the benefit of Subordinate Noteholders, Subordinate Bondholders and parties to Subordinate Agreements; *third*, to the Authority's operating expenses, including deposits to the Redemption Account for optional redemption of the Senior Bonds, if any, and any reserves held by the Authority for payment of operating expenses; and *fourth*, to the City and the School District, as soon as practicable, free and clear of the lien of the Indenture. The Authority's Revenues are derived from (i) City Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law; (ii) School District Tax Revenues, which are paid or payable to the Authority pursuant to Section 1261 of the State Tax Law; (iii) State Aid Revenues, which are paid or payable to the Authority pursuant to the Act; and (iv) all other aid, rents, fees, charges, gifts, payments and other income and receipts paid or payable to the Authority or a trustee for the account of the Authority, to the extent such amounts are pledged to Bondholders. See "Sales Tax Collection and Distribution" and "State Aid Revenues" under "SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS" in the Bond Offering Circular. Pursuant to the Act and the Indenture, the Authority has pledged the Revenues to the Trustee for payment of the Authority's Senior Bonds, Senior Notes, Subordinate Bonds, Subordinate Notes and Authority operating expenses. While the Notes are to be Subordinate Notes, as defined in the Indenture, they will not be secured by a pledge of the Revenues of the Authority. The Notes will be secured only as described in the preceding paragraph.

Certain Other Payments

The Notes may be paid from, but are not secured by, State Aid Revenues. The following chart shows the State Aid Revenues expected to be received by the Authority during fiscal year ending 2006, as well as the anticipated application of such State Aid Revenues. The Revenues of the Authority, including State Aid Revenues, have been pledged to secure the Senior Bonds and any other debt outstanding from time to time under the Indenture and secured by such pledge. Consequently, the anticipated application of State Aid Revenues shown below is subject to the prior application of such Revenues, if necessary, to the payment of debt service with respect to any debt outstanding under the Indenture and secured by a pledge of the Revenues, including the Senior Bonds. The State Aid Revenues are not pledged to the holders of, and do not secure, the Notes.

Expected State Aid Revenues—Fiscal Year Ending 2006

<u>Date Received</u>	<u>Amount Received</u>	<u>Applied to Payment of Principal of and Interest on the BANs</u>	<u>Released to City</u>
December 2005	\$19,165,879	\$ 0	\$19,165,879
March 2006	53,289,585	51,594,444	1,695,141
June 2006	<u>43,017,065</u>	<u>41,671,111</u> †	<u>1,345,954</u>
Total:	\$115,472,529	\$93,265,555	\$22,206,974

†\$1,595,555.56 of interest payable on July 27, 2006 on the Note maturing August 14, 2006 are anticipated to be paid from sales tax revenues received by the Authority during early June 2006 that would otherwise be released to the City and a like amount of State Aid Revenues received later in June 2006 is expected to be used to reimburse the City for the sales tax revenues so applied.

SECTION IV: THE NOTES

General

The Notes will be dated the date of delivery and will bear interest at the rates and will mature on the dates set forth on the cover page of this Offering Circular. All of the Notes will be issued in book-entry only form.

The Notes will be issued in denominations of \$5,000 or whole multiples thereof, and will bear interest calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Notes maturing on May 15, 2006 is payable at maturity. Interest on the Notes maturing on August 14, 2006 is payable on July 27, 2006 and at maturity.

The Notes are subject to defeasance in accordance with the Indenture. See “APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT—THE INDENTURE—Defeasance” in the Bond Offering Circular.

Redemption

The Notes are not subject to redemption prior to maturity.

Use of Proceeds

The proceeds from the sale of the Notes will be used by the Authority to provide financing for City cash flow needs. Certain expenses of the Authority incurred in connection with the issuance and sale of the Notes will be paid from the proceeds of the Notes.

Additional Notes

The Act limits to \$145,000,000 the aggregate principal amount of Cash Flow Borrowings, such as the Notes, that may be outstanding at any one time. Subject to the foregoing limitation, the Authority may from time to time issue Senior Notes, Subordinate Notes or notes secured on a parity with the Notes.

Book-Entry Only System

Beneficial ownership interests in the Notes 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 Notes will not receive certificates representing their interests in the Notes purchased.

DTC will act as securities depository for the Notes. The Notes 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 fully-registered Note certificate will be issued for each principal amount of

Notes bearing interest at a specified interest rate, each in the aggregate principal amount of such quantity of Notes, and will be deposited with DTC.

DTC, the world's largest depository, 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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"). 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.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, 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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Authority or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the 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.

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

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

The information in this section under the heading “SECTION IV: THE NOTES—Book-Entry Only System” concerning DTC and DTC’s book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Other Information

For additional information regarding the Notes and the Indenture including the events of default under the Indenture and the remedies of the Noteholders thereunder, which include acceleration of the Notes under certain circumstances, see “APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT” in the Bond Offering Circular.

SECTION V: THE AUTHORITY

Purpose and Operations

The Authority is a corporate governmental agency and instrumentality of the State constituting a public benefit corporation created by the Act in July 2003 with a broad range of financial control and oversight powers, including the power to issue its bonds and notes for various City purposes, including the restructuring of a portion of the City’s outstanding debt. The Authority shall continue in existence until its oversight, control or other responsibilities and its liabilities, which include the payment of Authority bonds and notes, including the Notes, have been met or discharged, which in no event may be later than June 30, 2037. In addition, the Authority has certain powers under the Act to control, oversee and monitor the City’s finances, including Covered Organizations. During a “control period,” the Authority possesses significantly expanded oversight authority, all as more fully described below under “Authority Financial Control and Oversight Functions.”

The Authority is not authorized by State law to file a petition in bankruptcy. In addition, under the Act, the City and the Covered Organizations are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of the Authority and the State Comptroller, and no such petition may be filed while Authority bonds or notes remain Outstanding.

Directors and Management

The Authority is governed by a board of nine directors, seven of which are to be 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.

Directors and Officers

As of the date of this Offering Circular, the following individuals have been appointed directors and officers:

Brian J. Lipke, Director and Chairperson. Mr. Lipke is Chairman and Chief Executive Officer of Gibraltar Industries.

John J. Faso, Director. Mr. Faso is a partner in Manatt, Phelps and Phillips, LLP, a law and consulting firm, and former minority leader of the New York State Assembly.

Joel A. Giambra, Director. Mr. Giambra is the Erie County Executive.

Anthony M. Masiello, Director. Mr. Masiello is the Mayor of the City of Buffalo.

H. Carl McCall, Director and Treasurer. Mr. McCall is a principal of Convent Capital, a New York City-based financial services advisory firm, and former New York State Comptroller and Senator.

Rev. Richard Stenhouse, Director. Rev. Stenhouse is the Pastor of the Bethel AME Church, Executive Director of Bethel Head Start and a member of the Board of Regents of Canisius College.

Richard Tobe, Director and Secretary. Mr. Tobe is Vice President for programs at the Community Foundation for Greater Buffalo, a community trust dedicated to improving life in Greater Buffalo, and former Commissioner of Environment and Planning under former Erie County Executive Dennis Gorski.

Alair Townsend, Director and Vice Chair. Ms. Townsend is Publisher of *Crain's New York Business* and former New York City Budget Director and Deputy Mayor for Finance and Economic Development.

Robert G. Wilmers, Director. Mr. Wilmers is Chairman of M & T Bank Corporation and its principal subsidiary, M & T Bank.

Senior Officers

The following is a brief description of certain senior officers of the Authority:

Dorothy A. Johnson, M.S., Executive Director since August 2003. Ms. Johnson is a former principal budget examiner for the New York State Division of the Budget.

Darryl McPherson, Esq., Chief Counsel since February 2004. Mr. McPherson is the former Deputy Corporation Counsel for the City of Buffalo Department of Law.

Bertha H. Mitchell, MBA, Chief Financial Officer since October 2003. Ms. Mitchell is a former corporate banker and senior credit officer.

Financing Agreement

In accordance with the provisions of the Act described above, the Authority and the City have entered into the Financing Agreement, dated as of June 1, 2004, providing for, among other things, the issuance of bonds and notes by the Authority to finance various City purposes authorized under the Act. See "APPENDIX B—SUMMARY OF INDENTURE AND FINANCING AGREEMENT" in the Bond Offering Circular.

Authority Financial Control and Oversight Functions

The Act provides that the Authority shall have different financial control and oversight powers depending upon whether the City's financial condition causes it to be in a "control period" (which, under the current Authority-approved financial plan, would end no earlier than the City's fiscal year ending June 30, 2011) or an "advisory period". Under the Act, the Authority began its existence during a City control period, which means that the

Authority commenced operation with its maximum authorized complement of financial control and oversight powers. In the event that the City's finances improve sufficiently in the future to cause the Authority to determine that an advisory period should be in effect, the Authority would operate with a reduced set of financial oversight powers and responsibilities. After an advisory period has been established, a control period could be reimposed on the City upon a determination by the Authority 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 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 Act; (d) the chief fiscal officer's certification at any time, at the request of the Authority 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 Authority, 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 Act; or (e) the City shall have violated any provision of the Act.

During a control period, the Authority is 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) to terminate the control period upon finding that no condition exists which would permit imposition of a control period.

During an advisory period, as defined in the Act, the Authority is empowered, among other things, 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; to audit compliance with the City's financial plans; 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; and to impose a control period upon making one of the statutory findings.

Authority Oversight Actions During the City's 2004–05 Fiscal Year

On June 9, 2004, the Authority approved the 2005–08 Financial Plan of the City, which included, among other items, an important intermunicipal agreement with the County providing for the transfer of City parks employees to the County and for the County's management of the City's parks. On September 8, 2004, the Authority approved the City's request for a budget modification to reflect the establishment by the Authority of a special reserve fund consisting of \$25 million in State Aid spin-up moneys (i.e., a State budget payment modification which will bring extraordinary additional payments to the City) approved in the current State budget in the following amounts: \$15.6 million in City fiscal year 2004–05 (which moneys were received by the Authority on June 26, 2005, and deposited in a special account), \$6.0 million in fiscal year 2005–06 and \$3.4 million in fiscal year 2006–07. These moneys are expected to be available to offset Authority operating expenses and debt service on Authority deficit finance obligations over the term of the 2005–08 Financial Plan. On September 23, 2004, the Authority issued \$84,000,000 of bond anticipation notes (the "2004 BANs") on behalf of the City. The proceeds from the sale of the 2004 BANs were used to provide financing for City cash flow needs. On October 20, 2004, the Authority approved the request of the School District for a budget modification to reflect a fiscal year 2004–05 budget gap of \$29.6 million (up from \$19 million as previously reported) due to larger payments to charter schools and increased teacher retirement payouts, which budget gap is partially offset by \$25 million in increased State aid to the School District. The School District has identified additional actions to close the remaining \$4.6 million projected budget gap. On November 17, 2004, the Authority formally reviewed and continued the hiring freeze it first imposed on the City on December 15, 2003. On January 26, 2005, the Authority imposed a hiring freeze on the Buffalo Municipal Housing Authority, a Covered Organization under the Act. On April 29, 2005, the Mayor's Recommended Budget for fiscal year 2005–06 (the "Recommended Budget") was released, and on May 2, 2005, the four year financial plan of the City for fiscal years 2005–06 through 2008–09 (the "2006–09 Financial Plan") was

released. The Recommended Budget presents a balanced budget which does not contemplate any deficit financing but anticipates the receipt of certain additional revenues from the State. On May 12, 2005, the Common Council approved the Mayor's Recommended Budget with minor changes. The Authority reviewed the Recommended Budget, as revised, and the 2006–09 Financial Plan and approved them both on June 8, 2005. On June 2, 2005, the Authority issued the Series 2005A Bonds to finance certain City capital projects, and on July 7, 2005, the Authority issued its Sales Tax and State Aid Secured Bonds, Series 2005B and its Sales Tax and State Aid Secured Bonds, Series 2005C (Federally Taxable) to refinance certain outstanding City obligations.

As a result of the foregoing fiscal-related actions and previous actions taken by the Authority, a number of affected collective bargaining units representing the City and other Covered Organization employees initiated legal proceedings in federal and state court generally challenging the validity of certain of such Authority actions and seeking reversal of such actions, but not money damages. There can be no assurance as to the ultimate outcome of any of these legal actions. However, as noted in "SECTION VI: NO LITIGATION," below, none of these legal actions relates to or has any adverse effect on the Authority's ability to issue and deliver the Notes or the Series of Senior Bonds in anticipation of which the Notes are issued, or on the validity of the Notes or of such Senior Bonds.

Authority Oversight Actions During the City's 2003–04 Fiscal Year

The Authority came into existence on July 3, 2003, just after the commencement of the City's 2003–04 fiscal year. A chronology of some of the more significant oversight actions taken by the Authority during the City fiscal year beginning July 1, 2003, is as follows: On September 16, 2003, the Authority disapproved the version of the City's four-year Financial Plan for the 2004–07 period initially submitted to the Authority for its review on September 2, 2003, but approved a revised version of the City's four-year Financial Plan on October 21, 2003. The Authority also reviewed updated financial information of the City and the Covered Organizations on a quarterly basis. On December 15, 2003, the Authority adopted a resolution mandating a hiring freeze for all City employment positions, effective immediately. Subsequently, at the request of the Mayor of the City, the Authority approved approximately 306 individual exceptions to the hiring freeze and expects to continue to issue waivers on a selective basis. As noted above, on January 21, 2004, the Authority adopted a resolution determining that the Buffalo City School District, the Buffalo Municipal Housing Authority, the Buffalo Urban Renewal Agency and the Joint Schools Construction Board were to be non-exempted Covered Organizations. On April 21, 2004, the Authority adopted a resolution mandating a wage freeze applicable to all employees of the City and non-exempted Covered Organizations, effective immediately. A new budget and four-year Financial Plan for the City and its Covered Organizations were submitted by the Mayor on May 3, 2004, but such budget and four-year Financial Plan were deemed by the Authority to be incomplete and not in compliance with the Act at the Authority's board meeting on May 19, 2004. The recommendations of the Authority with respect to such budget and four-year Financial Plan were sent by the Authority to the Mayor on May 24, 2004. The Authority recommended that the City eliminate the \$7.4 million in speculative savings in the 2004–05 budget prior to adoption, and identified an aggregate \$42 million in speculative revenues in the final three years of the four-year Financial Plan. The Authority also recommended that the School District establish a reserve fund and policies related to its future use. The Authority also noted a high level of risk in the School District's assumption of additional State aid and sales tax receipts—an aggregate of \$78 million over the final three years of the four-year Financial Plan. A revised version of the budget and Financial Plan, submitted to the Authority on June 2, 2004, was approved by the Authority on June 9, 2004. Throughout the City's 2003–04 fiscal year, the Authority also approved a broad range of City contracts, arbitration awards and collective bargaining agreements, as well as a City cash flow borrowing and two general obligation bond financings. Finally, on June 29, 2004, the Authority issued its Sales Tax and State Aid Secured Bonds, Series 2004A (the "Series 2004A Bonds") on behalf of the City. The proceeds from the sale of the Series 2004A Bonds were used primarily to pay certain operating costs of the City.

SECTION VI: NO LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Notes or questioning or affecting the validity of the Notes or of the Series of Senior Bonds in anticipation of which the Notes are issued or the proceedings and authority under which they are issued or will be issued, respectively; (ii) contesting the creation, organization or existence of the Authority, or the title of the directors or officers of the Authority to their respective offices; (iii) questioning the right of the Authority to perform its obligations under the Indenture or the Financing Agreement and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture; or

(iv) questioning or affecting the levy or collection of the Local Sales Tax in any material respect, or the application of the Local Sales Tax for the purposes contemplated by the Act, or the procedure thereunder.

SECTION VII: TAX MATTERS

General

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority, under existing statutes and court decisions, and assuming compliance with the tax covenants referred to herein, interest on the Notes 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"). Under the Code, interest on the Notes is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is includable in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax that may be imposed with respect to such corporations by the Code. In rendering the foregoing opinions, Bond Counsel has relied upon certain representations, certifications of fact and statements of reasonable expectations made by the Authority, the Director of the Budget and the City in connection with the Notes, and Bond Counsel has assumed compliance by the Authority and City with certain ongoing covenants to comply with applicable requirements of the Code to ensure the exclusion of interest on the Notes from gross income under section 103 of the Code.

Bond Counsel is also of the opinion that, by virtue of the Act, interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under section 103 of the Code. These requirements include, among others, requirements relating to the use, investment and expenditure of bond proceeds and the requirement that certain investment earnings be rebated to the federal government. The Arbitrage and Use of Proceeds Certificate of the Authority, together with the accompanying certification of the City (collectively, the "Arbitrage and Use of Proceeds Certificate"), will contain provisions and procedures relating to compliance with the requirements of the Code. The Authority and the City, in executing the Arbitrage and Use of Proceeds Certificate, will represent that they expect to be able to and will comply with the applicable provisions and procedures set forth therein. Noncompliance with such provisions and procedures could cause interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes, regardless of when such noncompliance occurs.

As noted above, interest on the Notes may be taken into account in determining the tax liability of corporations subject to the federal alternative minimum tax imposed by section 55 of the Code. Interest on the Notes may also 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.

Owners of the Notes 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 United States branches of foreign corporations), financial institutions, property and casualty insurance companies, and individual recipients of Social Security or railroad retirement benefits, 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 and taxpayers who may otherwise be eligible for the earned income credit.

Owners of the Notes subject to any such taxes or who might fall into any such category should consult their own tax advisors as to the computation of any such tax and the applicability of these consequences.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Notes may affect the tax status of interest on the Notes or the tax consequences of the ownership of the Notes. Legislation affecting municipal securities is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Notes will not have an adverse effect on the tax status of the Notes. Legislative or regulatory actions and proposals may also affect the economic value of tax exemption or the market price of the Notes.

Note Premium

In general, if an owner acquires a Note 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 Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “Premium Note”). In general, under section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles. An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note 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 Premium Note may realize a taxable gain upon disposition of the Premium Note 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 Notes should consult their own tax advisors regarding the treatment of note 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 note premium on sale, exchange, or other disposition of Premium Notes.

SECTION VIII: RATINGS

The Notes have been rated “MIG-1” by Moody’s Investors Service, Inc. and “F1+” by Fitch Ratings (each a “Rating Agency,” and, collectively, the “Rating Agencies”). Ratings reflect only the respective views of such Rating Agencies, and an explanation of the significance of such ratings must be obtained from the Rating Agency furnishing such rating. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the Rating Agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the Notes.

SECTION IX: UNDERWRITING

The Notes are being purchased for reoffering by the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Notes from the Authority at an aggregate underwriter’s discount of \$122,500 and to make an initial public offering of the Notes at yields below the yields set forth on the cover page of this Offering Circular. The Underwriter will be obligated to purchase all such Notes if any such Notes are purchased.

The Notes may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

SECTION X: APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Notes are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Authority. Certain legal matters are subject to the approval of the Authority’s Chief Counsel, Darryl McPherson, Esq., and its General Counsel, Harris Beach PLLC, and to the approval of Nixon Peabody LLP, counsel to the Underwriter.

SECTION XI: CONTINUING DISCLOSURE UNDER SEC RULE 15C2-12

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Authority and the Trustee will enter into a written undertaking (the “Continuing Disclosure Agreement”) for the benefit of the holders of the Notes to provide continuing disclosure. The Authority will undertake for the benefit of the holders of the Notes to provide each Nationally Recognized Municipal Securities Information Repository (a “Repository”), and if and when one is established, the New York State information depository (the “State Depository”), on an annual basis on or before 185 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2005, financial information and operating data concerning the Authority of the type included in this Offering Circular referred to herein as “Authority Annual Information” and described in more detail below. The Authority will undertake to provide no later than 185 days after the end of each of its fiscal years, commencing with the fiscal year ending June 30, 2005, the Authority’s

annual financial statements for such year, prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards, to each Repository and to any State Depository, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be provided to each Repository and to the State Depository if and when available. In addition, the Authority will undertake, for the benefit of the holders of the Notes, to provide to each such Repository or to the Municipal Securities Rulemaking Board (“MSRB”), and any State Depository, in a timely manner, the notices described below.

The Authority Annual Information shall consist of financial information and operating data of the type included in the Bond Offering Circular and included herein by reference under the heading “SECTION II: SOURCES OF PAYMENT AND SECURITY FOR THE BONDS,” including information under the subheadings “Sales Tax Collection and Distribution” and “State Aid Revenues” relating to the material taxes and other revenues that constitute a source of payment and security for the Notes, a historical summary of such revenue, if available, together with an explanation of the factors affecting collection levels, for a period of at least the five most recent completed fiscal years then available. The Authority Annual Information may contain such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the Authority.

The notices described above include notices of any of the following events with respect to the Notes, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax status of the Notes; (7) modifications to the rights of Noteholders; (8) bond calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Notes; and (11) rating changes.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the Authority, and no person, including the holder of the Notes, may recover monetary damages thereunder under any circumstances. Any Bondholder, including any beneficial owner, may enforce the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided.

The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Continuing Disclosure Agreement do not anticipate that it often will be necessary to amend the informational undertakings. The Continuing Disclosure Agreement, however, may be amended or modified under certain circumstances set forth therein.

SECTION XII: LEGAL INVESTMENT

Pursuant to the Act the Notes of the Authority are securities in which all public officers and bodies of the State and all public corporations, municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, conservators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or in other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them. Pursuant to the Act, the Notes may be deposited with and may be received by all public officers and bodies of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

SECTION XIII: FINANCIAL ADVISOR

Public Financial Management of Philadelphia, Pennsylvania, has acted as financial advisor to the Authority in connection with the issuance of the Notes. Public Financial Management is not obligated to undertake, and has not undertaken, an independent verification of, nor has assumed responsibility for, the accuracy, completeness or fairness of the information contained in this Offering Circular. Public Financial Management is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SECTION XIV: MISCELLANEOUS

The references herein to the Act, the Indenture and the Financing Agreement are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Indenture and the Financing Agreement for full and complete statements of such provisions. Copies of the Act, the Indenture and the Financing Agreement are available at the offices of the Trustee.

The agreements of the Authority with holders of the Notes are fully set forth in the Indenture. Neither any advertisement of the Notes nor this Offering Circular is to be construed as a contract with purchasers of the Notes.

Any statements in this Offering Circular involving matters of opinion, projections or estimates, whether or not expressly stated, are intended merely as expressions of opinion, projections or estimates and not as representation of fact.

The delivery of this Offering Circular has been duly authorized by the Authority.

BUFFALO FISCAL STABILITY AUTHORITY

By: /s/Dorothy A. Johnson
DOROTHY A. JOHNSON, EXECUTIVE DIRECTOR

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes in definitive form, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., New York, New York, Bond Counsel to the Authority, proposes to render its final approving opinion in substantially the following form:

**BUFFALO FISCAL
STABILITY AUTHORITY**

Ladies and Gentlemen:

We have acted as bond counsel to the Buffalo Fiscal Stability Authority (the "Authority") relating to the issuance of \$90,000,000 Buffalo Fiscal Stability Authority Bond Anticipation Notes, Series 2005A-1 (the "Notes"), as more particularly described below. The Notes are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Indenture between the Authority and The Bank of New York, as Trustee, as supplemented, including the Sixth Supplemental Indenture (the "Indenture"). Terms defined in the Indenture and used herein shall have the meanings assigned in the Indenture, unless the context otherwise requires.

The Notes are issued in anticipation of a series of Senior Bonds authorized and to be issued under the Indenture. The Authority is authorized to issue renewal notes and Senior Bonds (together with all Senior Bonds heretofore and hereafter issued the "Bonds") to retire the Notes only on the terms and conditions set forth in the Indenture and all such Bonds shall be entitled to the equal benefit, protection and security of the provisions, covenants and agreements in the Indenture.

The City of Buffalo, New York (the "City"), has requested the Authority to undertake the financing of Financeable Costs (as defined in the Act), and the Authority and the City have entered into a Financing Agreement dated as of June 1, 2004 (the "Agreement"), provisions of which have been pledged by the Authority to secure the Bonds. We assume the parties will perform their respective covenants in the Indenture and the Agreement in all material respects.

Based on the foregoing and our examination of existing law, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion that:

1. The Authority is a duly organized and validly existing public benefit corporation under the Constitution and laws of the State of New York, and such proceedings show lawful authority for the issuance and sale of the Notes pursuant to the Buffalo Fiscal Stability Authority Act, Title 2 of Article 10-D of the Public Authorities Law, constituting Chapter 43-A of the Consolidated Laws of the State of New York, as supplemented by Chapter 86 of the Laws of 2004 (the "Act"), and the Indenture.

2. The Notes have been duly authorized, executed and delivered by the Authority and are valid and binding obligations of the Authority payable from the proceeds of a series of Bonds (the "Bond Proceeds") which are pledged to retire the Notes (which pledge shall have a priority over any other pledge of such proceeds created by the Indenture) or renewal notes. The Notes may also be paid from, but are not secured by, State Aid Revenues, as defined in the Indenture. The Authority has duly authorized the issuance of renewal notes and such series of Bonds. The Notes and Bonds do not constitute a debt of the State or the City, and neither the State nor the City shall be liable thereon, nor shall the Bonds be payable out of any funds other than those of the Authority.

3. The Indenture (a) has been duly and lawfully authorized, executed and delivered by the Authority, (b) creates the valid pledge of the Bond Proceeds and other collateral that it purports to create and (c) is a valid and binding obligation, enforceable in accordance with its terms, of the Authority and, to the extent specified in the Act, the State.

4. The pledge of the Bond Proceeds and other collateral made by the Authority in the Indenture is valid, binding and perfected without any physical delivery of the collateral or further act, and the lien thereof is valid, binding and perfected against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of such parties' notice thereof.

5. The Agreement has been duly authorized, executed and delivered by the Authority and, assuming due and proper authorization, execution and delivery by the City, constitutes a legal, valid and binding obligation of the Authority and the City (including with respect to the City, its pledge and agreement not to limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with Holders of Outstanding Bonds pursuant to the Act, or in any way impair the rights and remedies of such Holders or the security for such Bonds), enforceable in accordance with its terms.

6. The Authority is not eligible for protection from its creditors pursuant to Title 11 (the "Bankruptcy Code") of the United States Code. Pursuant to the Act, so long as any Bonds are Outstanding, neither the City nor any "covered organization" (as defined in the Act) is eligible to file a petition for protection from its creditors under either the Bankruptcy Code or the laws of the State.

7. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery of the Notes.

8. Except as provided in the following sentence, interest on the Notes is not includable in the gross income of the owners of the Notes for purposes of Federal income taxation under existing law. Interest on the Notes will be includable in the gross income of the owners thereof retroactive to the date of issue of the Notes in the event of a failure by the Authority or the City to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and their respective covenants regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the United States Treasury; and we render no opinion as to the exclusion from gross income of interest on the Notes for Federal income tax purposes on or after the date on which any action is taken under the Indenture or related proceedings upon the approval of counsel other than ourselves. In rendering the foregoing opinions, we have relied upon the representations and covenants made by the Authority and the City and assumed continuing compliance by the Authority and the City with their respective covenants to comply with the provisions of the Tax Code so that interest on the Notes will remain excludable from gross income for Federal income tax purposes.

9. Interest on the Notes is not a specific preference item for purposes of the Federal individual or corporate alternative minimum tax. The Tax Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

10. Under the Act, interest on the Notes is exempt from personal income taxes imposed by the State and its political subdivisions.

The rights of the Holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable and except as specifically stated above, and may also be subject to the exercise of the State's police powers and of judicial discretion in appropriate cases.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

Very truly yours,

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BUFFALO FISCAL STABILITY

AUTHORITY

**\$90,000,000
Bond Anticipation Notes,
Series 2005A-1**

OFFERING CIRCULAR

July 25, 2005
