

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See “Ratings” herein

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, (i) under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2014 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2014A Bond for any period during which the Series 2014A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed or refinanced with the proceeds of the Series 2014A Bond or a “related person,” (ii) interest on the Series 2014A Bonds is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code, and (iii) interest on the Series 2014B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that, under existing statutes, interest on the Series 2014 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York) and the Series 2014 Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers. See “TAX MATTERS” herein.



\$77,770,000

**Niagara Frontier Transportation Authority
(Buffalo Niagara International Airport)**

\$65,340,000

**Airport Revenue Bonds,
Refunding Series 2014A
(Subject to AMT)**

\$12,430,000

**Airport Revenue Bonds,
Refunding Series 2014B
(Not Subject to AMT)**

Dated: Date of Issuance

Due: April 1, as shown on inside cover

The Niagara Frontier Transportation Authority’s \$65,340,000 Airport Revenue Bonds, Refunding Series 2014A (the “Series 2014A Bonds”) and \$12,430,000 Airport Revenue Bonds, Refunding Series 2014B (the “Series 2014B Bonds” and, together with the Series 2014A Bonds, the “Series 2014 Bonds”) are being issued under and pursuant to a resolution adopted by the Authority’s Board of Commissioners on May 12, 1994, as supplemented by a sixth supplemental resolution adopted by the Authority’s Board of Commissioners on June 26, 2014, a certificate of determination executed by a designated financial officer pursuant thereto. U.S. Bank National Association, as successor trustee (the “Trustee”), will serve as registrar and paying agent for the Series 2014 Bonds.

The Series 2014 Bonds are being issued to provide funds, together with other funds of the Authority, to (i) refund all of the Authority’s Outstanding Airport Revenue Bonds, Series 1998, Series 1999A and Series 1999B, and (ii) pay the costs of issuing the Series 2014 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Interest on the Series 2014 Bonds will be payable on each October 1 and April 1, commencing April 1, 2015. The Series 2014 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) under the book entry only system maintained by DTC. So long as Cede & Co. is the registered owner of the Series 2014 Bonds, principal of, premium, if any, and interest on the Series 2014 Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the Series 2014 Bonds, as more fully described herein.

The Series 2014 Bonds will be payable from and will be secured by a lien on Net Airport Revenues derived by the Authority from the operation of the Airport System as described herein. **The Series 2014 Bonds are special and limited obligations of the Authority, shall not be or constitute general obligations of the Authority and shall not be a debt of the State of New York or any political subdivision thereof. The Authority has no taxing power.**

THIS COVER PAGE, INCLUDING THE INSIDE COVER PAGE HERETO, CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT INTENDED TO BE A SUMMARY OF ALL FACTORS RELATING TO AN INVESTMENT IN THE SERIES 2014 BONDS. INVESTORS ARE ADVISED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY BEFORE MAKING AN INVESTMENT DECISION.

The Series 2014 Bonds are offered when, as, and if issued and received by the Underwriters subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain matters with respect to the Official Statement will be passed on by Hawkins Delafield & Wood LLP, New York, New York, Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Authority by David J. State, General Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by their counsel, Harris Beach PLLC, Buffalo, New York. It is expected that the Series 2014 Bonds in definitive form will be available for delivery in New York, New York, on or about September 3, 2014.

BofA Merrill Lynch

RBC Capital Markets

Siebert Brandford Shank & Co., L.L.C.

August 20, 2014

\$77,770,000
Niagara Frontier Transportation Authority
(Buffalo Niagara International Airport)

\$65,340,000
Airport Revenue Bonds
Refunding Series 2014A
(Subject to AMT)

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Maturity</u> <u>(April 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> ‡
2015	\$2,930,000	4.000%	0.310%	653544CR5
2016	1,090,000	5.000	0.780	653544CS3
2017	1,150,000	4.000	1.160	653544CT1
2018	1,205,000	3.000	1.510	653544CU8
2019	1,500,000	4.000	1.870	653544CV6
2020	4,930,000	5.000	2.160	653544CW4
2021	5,180,000	5.000	2.420	653544CX2
2022	5,435,000	4.000	2.740	653544CY0
2023	5,495,000	5.000	2.950	653544CZ7
2024	5,730,000	5.000	3.100	653544DA1
2025	5,960,000	5.000	3.240*	653544DB9
2026	6,060,000	5.000	3.390*	653544DC7
2027	6,360,000	5.000	3.480*	653544DD5
2028	6,680,000	5.000	3.500*	653544DE3
2029	5,635,000	5.000	3.570*	653544DF0

* Priced to par call on April 1, 2024.

\$12,430,000
Airport Revenue Bonds
Refunding Series 2014B
(Not Subject to AMT)

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

<u>Maturity</u> <u>(April 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> ‡
2016	\$2,995,000	4.000%	0.570%	653544DG8
2017	3,115,000	5.000	0.870	653544DH6
2018	3,270,000	4.000	1.180	653544DJ2
2019	3,050,000	5.000	1.520	653544DK9

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
Buffalo, New York

BOARD OF COMMISSIONERS

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Henry M. Sloma	Vice-Chairman
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Charles L. Gurney	Treasurer
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Adam W. Perry	Commissioner
Philip G. Wilcox	Commissioner

SENIOR STAFF MEMBERS

Kimberley A. Minkel	Executive Director
John T. Cox	Chief Financial Officer
William R. Vanecek	Aviation Director

AUTHORITY COUNSEL

David J. State	General Counsel
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BOND AND DISCLOSURE COUNSEL

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New York, New York

AUDITOR

Lumsden & McCormick, LLP
Buffalo, New York

FINANCIAL ADVISOR

Frasca & Associates, LLC
New York, New York

THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING OF THE SERIES 2014 BONDS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SERIES 2014 BONDS, NOR SHALL THERE BE ANY SALE OF THE SERIES 2014 BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SALE OR SOLICITATION, AND NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED OR IS AUTHORIZED BY THE AUTHORITY OR THE UNDERWRITERS TO MAKE SUCH OFFER, SALE OR SOLICITATION.

The information contained in this Official Statement has been obtained from the Authority, and other sources deemed reliable, but no representation or guarantee is made by the Underwriters as to the accuracy or completeness of such information and nothing contained in this Official Statement is, or shall be construed or relied upon as, a promise or representation by the Authority or the Underwriters. This Official Statement is submitted in connection with the sale of the securities described herein and may not be reproduced or used, in whole or in part, for any other purpose. The information and expressions of opinion 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 Authority or imply that the information contained herein is correct as of any time subsequent to the date hereof or the date as of which such information is given, if earlier.

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 guarantee the accuracy or completeness of such information.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT DO NOT REFLECT HISTORICAL FACTS BUT ARE FORECASTS, PROJECTIONS, ESTIMATES OR OTHER “FORWARD-LOOKING STATEMENTS.” THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTEND,” “BELIEVE,” “FORECAST,” “ASSUME” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH FORECASTS, PROJECTIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE NOT INTENDED AS REPRESENTATIONS OF FACT OR GUARANTEES OF RESULTS. ANY SUCH FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS OR PERFORMANCE TO DIFFER MATERIALLY FROM THOSE THAT HAVE BEEN FORECASTED, ESTIMATED OR PROJECTED. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE DELIVERY OF THIS OFFICIAL STATEMENT DOES NOT IMPOSE UPON THE AUTHORITY ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGES IN THE AUTHORITY’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospective purchasers of the Series 2014 Bonds must rely solely on the information contained in this Official Statement in making an investment decision. Information on the Authority’s website, particularly forecasts, projections, estimates or other “forward-looking statements,” marketing information, expressions of opinion, press releases and similar information, is not intended to be used and may not be relied upon by prospective purchasers of the Series 2014 Bonds in making any decision to purchase the Series 2014 Bonds.

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OFFICIAL STATEMENT

relating to

\$77,770,000

**Niagara Frontier Transportation Authority
(Buffalo Niagara International Airport)**

\$65,340,000

**Airport Revenue Bonds,
Refunding Series 2014A
(Subject to AMT)**

\$12,430,000

**Airport Revenue Bonds,
Refunding Series 2014B
(Not Subject to AMT)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to furnish certain information concerning the Niagara Frontier Transportation Authority (the "Authority"), the Buffalo Niagara International Airport (the "Airport"), and the Authority's \$65,340,000 Airport Revenue Bonds, Refunding Series 2014A (the "Series 2014A Bonds") and \$12,430,000 Airport Revenue Bonds, Refunding Series 2014B (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Series 2014 Bonds").

Purpose of Series 2014 Bonds. The proceeds of the Series 2014 Bonds will be used to provide funds, together with other funds of the Authority, to (i) refund all of the Authority's Outstanding Airport Revenue Bonds, Series 1998, Series 1999A and Series 1999B (the "Refunded Bonds"), and (ii) pay the costs of issuing the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of Series 2014 Bonds. The Series 2014 Bonds are being issued pursuant to (i) the Niagara Frontier Transportation Authority Act, constituting Title 11 A of Article 5 of the Public Authorities Law of the State of New York (the "Act"), (ii) a resolution (the "Master Resolution") adopted by the Authority's Board of Commissioners on May 12, 1994, as supplemented by a sixth supplemental resolution adopted by the Authority's Board of Commissioners on June 26, 2014 and a certificate of determination executed by a designated financial officer pursuant thereto (the sixth supplemental resolution and certificate of determination being hereinafter referred to as the "Sixth Supplemental Resolution").

Security for the Series 2014 Bonds. The Bonds (as hereinafter defined), including the Series 2014 Bonds, are payable by the Authority from, and are equally and ratably secured by a lien on, Net Airport Revenues derived by the Authority from the operation of the Airport System. See "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — Sources of Payment." In addition to the Refunded Bonds, the Authority has previously issued its Airport Revenue Bonds, EFC Series 2000 (the "Series 2000 Bonds") in the original principal amount of \$3,824,192 (of which \$1,395,000 is currently Outstanding) pursuant to a fourth supplemental resolution (the "Fourth Supplemental Resolution") adopted by the Board of Commissioners on September 20, 1999 and its Airport Revenue Bonds, Refunding Series 2004A in the original principal amount of \$63,000,000 (of which \$37,625,000 is currently Outstanding) (the "Series 2004A Bonds") and Airport Revenue Bonds, Refunding Series 2004C in the original principal amount of \$10,025,000 (of which \$5,950,000 is currently Outstanding) (the "Series 2004C Bonds") pursuant to a fifth supplemental resolution (the "Fifth Supplemental Resolution") adopted by the Authority's Board of Commissioners on December 22, 2003 (the Series 2004A Bonds and the Series 2004C Bonds are referred to collectively as the "Series 2004 Bonds") (the Master Resolution,

as supplemented and amended, including as supplemented by the Fourth Supplemental Resolution, the Fifth Supplemental Resolution and the Sixth Supplemental Resolution are collectively referred to herein as the “Resolution”).

The Authority also has entered into an interest rate swap agreement with respect to the Series 2004 Bonds pursuant to which scheduled payments are treated as payment of interest on the Series 2004 Bonds. See “SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS — Hedge, Support and Other Financial Agreements.”

The Series 2014 Bonds will be issued on parity with the Series 2000 Bonds and the Series 2004 Bonds. The Series 2014 Bonds, the Series 2000 Bonds, the Series 2004 Bonds and any Additional Bonds issued under the Resolution are collectively referred to herein as the “Bonds.” U.S. Bank National Association, as successor trustee for the Bonds under the Resolution (the “Trustee”), will also serve as registrar and paying agent for the Series 2014 Bonds.

THE BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS SOLELY FROM THE NET AIRPORT REVENUES OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE RESOLUTION AND AVAILABLE FOR SUCH PAYMENT. THE BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE LIABLE THEREON. THE BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWER.

Authority. The Authority is a New York public benefit corporation that owns and operates public transportation and transit systems in the Buffalo, New York area, including the Airport, Niagara Frontier International Airport (“NFIA”), which serves as a reliever airport to the Airport, Niagara Frontier Transit Metro System, Inc., consisting primarily of bus and light rail transit, the Metropolitan Transportation Center, a terminus for intercity bus transportation, and the Niagara Falls International Transportation Center. See “THE AUTHORITY;” “THE AIRPORT” and “OTHER AUTHORITY PROPERTIES.”

Airport System. The Airport System currently consists solely of the Airport. The Airport is predominantly an origination and destination (“O&D”) airport and is classified by the Federal Aviation Administration (the “FAA”) as a medium hub with 2,509,673 enplanements in Fiscal Year 2014. See “THE AIRPORT” and “FINANCIAL INFORMATION.” The Authority has a Use and Lease Agreement (“ULA”) with the following signatory airlines (the “Signatory Airlines”): American/US Airways, Delta, JetBlue, Southwest and United Airlines. See “AGREEMENTS FOR THE USE OF AIRPORT FACILITIES — Airline Lease Agreements” and “THE AIRPORT— Enplanements by Air Carriers.”

Exclusions from Airport System. Certain airport facilities owned and operated by the Authority are not included in the Airport System, including NFIA and certain facilities at the Airport operated, maintained or managed by the property management department of the Authority. Revenues derived from these airport facilities, if any, are not included in Airport Revenues. Expenses or deficits with respect to these airport facilities may be paid from Net Airport Revenues in the Airport Development Fund. See “OTHER AUTHORITY PROPERTIES — Niagara Falls International Airport; Property Management Real Estate Services.” Operations at NFIA are also partially subsidized under the ULAs. See the eleventh paragraph under “AGREEMENTS FOR THE USE OF AIRPORT FACILITIES — Airline Lease Agreements.”

Airport Grandfathered. The Airport is grandfathered from certain FAA revenue diversion requirements and accordingly Net Airport Revenues in the Airport Development Fund may also be applied to off-Airport purposes. See “OTHER AIRPORT MATTERS — Airport Grandfathered.” See also “INVESTMENT CONSIDERATIONS — Factors Unique to the Authority.”

Miscellaneous. This Official Statement contains summaries of the terms of and security for the Bonds and descriptions of the Airport and its operations. Summaries of certain provisions of the Resolution are included as Appendix B. All references to agreements and documents are qualified in their entirety by references to the definitive forms of the agreements or documents. All references to the Bonds, including the Series 2014 Bonds, are further qualified by references to the information with respect to them contained in the Resolution. Any statements or information indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith, and there is no assurance that the facts will materialize as so opined or estimated.

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Resolution. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Definitions.”

PURPOSE OF THE SERIES 2014 BONDS

The Series 2014 Bonds are being issued to refund for debt service savings all of the Refunded Bonds.

REFUNDED BONDS

<u>Series</u>	<u>Original Maturity</u>	<u>Amount to be Refunded</u>	<u>Redemption Price</u>
1998	April 1, 2018	\$ 2,960,000	100%
1998	April 1, 2028	10,525,000	100
1999A	April 1, 2015	3,330,000	100
1999A	April 1, 2019	1,545,000	100
1999A	April 1, 2029	56,650,000	100
1999B	April 1, 2016	3,175,000	100
1999B	April 1, 2017	3,345,000	100
1999B	April 1, 2019	<u>7,255,000</u>	100
		<u>\$88,785,000</u>	

DESCRIPTION OF THE SERIES 2014 BONDS

General

The Series 2014 Bonds will mature on April 1 in each of the years and in the amounts shown on the front inside cover hereof. The Series 2014 Bonds will bear interest payable on April 1, 2015, and semiannually thereafter on October 1 and April 1 in each year, at the rates per annum set forth on the front inside cover hereof.

The Series 2014 Bonds will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as the securities depository (the “Securities Depository”) for the Series 2014 Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or

integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2014 Bonds. See “APPENDIX F — DTC AND ITS BOOK-ENTRY ONLY SYSTEM.”

Optional Redemption

Optional Redemption - Series 2014A Bonds. The Series 2014A Bonds maturing April 1, 2025 and thereafter shall be subject to redemption prior to maturity at the option of the Authority, on April 1, 2024, and thereafter, as a whole or in part at any time and from time to time in such order of maturity as the Authority shall determine and by lot within a maturity, from any available moneys, other than moneys on credit to any Airport Term Bond Principal Account in the Airport Bond Fund, at the redemption price equal to the principal amount thereof, together with the interest accrued thereon to the date fixed for redemption.

Optional Redemption - Series 2014B Bonds. The Series 2014B Bonds are not subject to redemption prior to maturity at the option of the Authority.

Extraordinary Optional Redemption

Extraordinary Optional Redemption. The Series 2014 Bonds are subject to redemption at the option of the Authority, in whole at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption, in the event of the destruction or damage to all, or substantially all, of the Airport, or the condemnation of the Airport.

Notice of Redemption

Notice of redemption of the Series 2014 Bonds shall be mailed not less than thirty (30) days prior to a redemption date, by registered or certified mail, to the registered owner of such Series 2014 Bonds at the address as it appears on the registration books. If at the time of the giving of any notice of optional or extraordinary redemption there shall not be on deposit with the Trustee or the Paying Agent moneys sufficient to redeem all the Series 2014 Bonds called for redemption, the notice of redemption shall state that the redemption of such Series 2014 Bonds is conditional and subject to deposit of moneys with the Trustee or the Paying Agent sufficient to redeem all such Series 2014 Bonds not later than the opening of business on the redemption date, and that such notice shall be of no effect with respect to any of such Series 2014 Bonds for which moneys are not on deposit. If the amount on deposit with the Trustee or the Paying Agent, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Series 2014 Bonds called for redemption on such date, the Paying Agent shall redeem and pay on such date an amount of such Series 2014 Bonds for which such moneys or other available funds are sufficient, selecting the maturities of Series 2014 Bonds to be redeemed and Series 2014 Bonds within a maturity to be redeemed by lot.

The Securities Depository, as registered owner of all the Series 2014 Bonds, shall receive any such notice. The Securities Depository provides notice of such redemption to its Participants and Indirect Participants which, in turn, provide notice to the Beneficial Owners, all as defined and further described herein under the caption “Book Entry Only System.” Any notice given in accordance with the provisions of the Resolution is conclusively presumed to have been duly given, whether or not the Beneficial Owner of such Series 2004 Bond receives such notice or otherwise has actual notice of such call for redemption.

Book Entry Only System

The Depository Trust Company, New York, New York (“DTC”), will act as Securities Depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully registered bonds

registered in the name of Cede & Co. Upon issuance of the Series 2014 Bonds, a single bond, registered in the name of Cede & Co., as the nominee of DTC, will be issued for each bond maturity. See “APPENDIX F — DTC AND ITS BOOK-ENTRY ONLY SYSTEM.”

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Sources of Payment

The Bonds, including the Series 2014 Bonds, are payable by the Authority from, and are equally and ratably secured by a lien on, Net Airport Revenues derived by the Authority from the operation of the Airport System. Such Net Airport Revenues are defined under the Resolution as Airport Revenues less Operation and Maintenance Expenses. The Authority has covenanted in the Resolution to duly and punctually pay, or cause to be paid, but solely from Net Airport Revenues pledged under the Resolution, principal of, premium, if any, and interest on the Bonds.

The term “Airport System” means the Airport and such other airport facilities that may be included in the definition of Airport System by resolution of the Board of Commissioners of the Authority. The term “Airport” means the terminal building, runways and ramps, public parking facilities and public roads, general aviation area, including all fueling facilities and fixed base operations, and related land located at and on the Airport and such other facilities or properties that are included in the definition of Airport by resolution of the Board of Commissioners of the Authority; provided, however, that unless specifically included in the definition of Airport by Board resolution as aforesaid, all properties or facilities operated, maintained or managed by the property management department of the Authority, including but not limited to certain aeronautical and air transportation related properties, at or on the Airport are excluded from the definition of the Airport.

NFIA is not included in the Airport System. Revenues derived from NFIA, if any, are not included in Airport Revenues. See “OTHER AUTHORITY PROPERTIES — Niagara Falls International Airport.” See also “INVESTMENT CONSIDERATIONS — Factors Unique to the Authority.”

Special and Limited Obligations

THE SERIES 2014 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2014 BONDS SOLELY FROM NET AIRPORT REVENUES OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE RESOLUTION AND AVAILABLE FOR SUCH PAYMENT. THE SERIES 2014 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE STATE OF NEW YORK NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON. THE SERIES 2014 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY. THE AUTHORITY HAS NO TAXING POWERS.

Airport Revenues

Subject to certain exclusions, Airport Revenues are generally defined under the Resolution to include the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport System, including the rates, charges, rentals, fees and any other compensation and investment income earned by the Authority. Among other exclusions, Airport Revenues do not include the proceeds of any passenger facility charge (the “PFC”) or analogous charge or fee hereafter received by the Authority. For a complete definition of

Airport Revenues, see “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Definitions” herein. See also, “FINANCIAL MATTERS — Debt Service Coverage.”

Airport Bond Reserve Fund

A separate account in the Airport Bond Reserve Fund has been established under the Resolution for each of the Series 2014A Bonds and the Series 2014B Bonds. Such accounts will be maintained at, and proceeds of the Series 2014A Bonds and the Series 2014B will be deposited in an amount equal to, the Airport Bond Reserve Fund Requirement. Unless otherwise provided in the Supplemental Resolution with respect to a particular Series of Bonds, an account in the Airport Bond Reserve Fund may be disbursed by the Authority solely for the purpose of paying principal of and interest on Bonds of the Series for which such account was established for the payment of which there shall be insufficient money in the Airport Bond Fund. The holders of any other Series of Bonds shall have no right to payment of principal of or interest on Bonds from or lien on amounts on deposit in such account.

“Airport Bond Reserve Fund Requirement” shall mean, with respect to the Series 2014 Bonds, the lesser of (i) the greatest amount of principal and interest payable on the Series 2014 Bonds in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Series 2014 Bonds (calculated by dividing the sum of principal and interest payments on the Series 2014 Bonds by the number of years to the final maturity of such Series 2014 Bonds), or (iii) 10% of the lesser of the principal amount of the Series 2014 Bonds or the issue price (less accrued interest) of the Series 2014 Bonds currently Outstanding; which amount shall be allocated between the Series 2014A Bonds and the Series 2014B Bonds on the basis of Outstanding par amount.

In lieu of the deposit of moneys in the Airport Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Trustee for the benefit of the holders of the Series 2014 Bonds or a letter of credit in an amount equal to the difference between the Airport Bond Reserve Fund Requirement and the amounts then on deposit in the Airport Bond Reserve Fund with respect to the Series 2014 Bonds.

The Authority has fully satisfied the Airport Bond Reserve Fund Requirement with respect to each Series of Bonds with cash and Investment Securities. Upon issuance of the Series 2014 Bonds, the current balances in the accounts established in the Airport Bond Reserve Fund for each Series of Outstanding Bonds will be as follows:

<u>Series</u>	<u>Airport Bond Reserve Fund Requirement</u>
2000 ⁽¹⁾	\$ 234,249
2004A	3,762,500
2004C	595,000
2014A ⁽²⁾	6,513,332
2014B ⁽²⁾	1,239,068

(1) Requirement established by the New York State Environmental Facilities Corporation.
(2) The Airport Bond Reserve Fund Requirement for the Series 2014 Bonds will be satisfied with transfers of securities from the Airport Bond Reserve Account, 1998, Airport Bond Reserve Account, 1999A and Airport Bond Reserve Account, 1999B.

Covenant as to Rates, Rentals, Fees and Charges

The Authority has covenanted and agreed to impose and prescribe such schedules of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income,

receipts and other moneys derived from the rates, rentals, fees, and charges, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Resolution. In addition to the other requirements, at all times and in any and all events such rates, rental, fees and charges shall be imposed, prescribed, adjusted, enforced and collected that will yield Net Airport Revenues (which includes amounts on deposit in the Airport Development Fund which are transferred or credited by the Authority to the Airport Revenue Fund), in an amount at least equal to one hundred twenty five percent (125%) of Debt Service on all Bonds Outstanding under the Master Resolution. For a description of the obligation of the Signatory Airlines to fund coverage under the ULA, see the tenth paragraph under “AGREEMENTS FOR THE USE OF AIRPORT FACILITIES — Airline Lease Agreements.”

Generally “*Debt Service*” includes, with respect to any Series of Bonds, the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Resolution to be deposited during such period or year in the Airport Bond Fund (i) to provide for the payment of interest on the Bonds of such Series, except to the extent that such interest is to be paid from (w) amounts credited to a Construction Interest Account in the Construction Fund, (x) amounts credited to any Airport Interest Account for such Series, or (y) any other amounts available for the payment of interest; (ii) to provide for the payment at maturity of any such Bonds of such Series issued in serial form; and (iii) to provide for the retirement of any such Bonds of such Series issued in term form. For the complete definition of Debt Service, see “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Definitions — *Debt Service*.”

The failure to comply with the rate covenant described above does not constitute an Event of Default under the Resolution if the Authority promptly (i) causes an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements specified above; (ii) considers the recommendations of the Airport Consultant, and (iii) takes such action as the Authority, in its discretion, may deem necessary to comply with the rate covenant.

In the event that the rates, fees and charges imposed by the Authority are insufficient to produce Net Airport Revenues in amounts necessary to pay the principal of and interest and premium on the Bonds as and when the same become due, the Authority shall implement the recommendations of the Airport Consultant provided that in preparing its study and making its recommendations, the Airport Consultant shall not make any recommendations that would require the Authority to violate or otherwise be in contravention of any State or Federal law, regulation or mandate or any other agreement to which the Authority is a party.

Additional Bonds and Completion Bonds

The Authority may, for any Airport Purpose, issue, authenticate and deliver, from time to time, one or more Series of Additional Bonds in such principal amount(s) as the Authority may determine.

The Resolution specifies the following requirements for the Authority to issue Additional Bonds or Refunding Bonds:

(i) a determination by the Chief Financial Officer that no Event of Default (as defined in the Resolution) exists; and

(ii) either (a) the Designated Financial Officer of the Authority shall have certified that, based on the latest available audited financial statements of the Authority, the Net Airport Revenues for that Fiscal Year as derived from the latest available audited financial statements shall have equaled not less than one hundred twenty five percent (125%) of Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (b) an Airport Consultant shall have certified that estimated Net Airport Revenues to be derived in each of the three full Fiscal Years following the Fiscal Year in which (1) the Authority estimates a substantial portion of the project or projects, the Project Costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation or (2) Refunding Bonds or Bonds that are not issued to fund Project Costs are issued, shall equal not less than one hundred twenty five percent (125%) of the Debt Service on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds.

The Authority may issue Refunding Bonds without complying with the provisions described under clause (ii) of the second paragraph above under the circumstances described under “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Additional Obligations of the Authority — Refunding Bonds.”

Without complying with the provisions described under clause (ii) of the second paragraph above, the Authority may at any time and from time to time issue one or more Series of Additional Bonds, for the purpose of completing any project specified and described in such supplemental resolution and for which Bonds have been previously issued, in an amount not to exceed 15% of the principal amount of the initial Series of Bonds issued to finance such project.

See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Additional Obligations of the Authority.”

Application of Revenues

A special fund is created under the Master Resolution and designated the Airport Revenue Fund. The Authority is required to set aside and deposit all Airport Revenues, upon receipt thereof, into the Airport Revenue Fund. The Resolution also requires to be deposited into the Airport Revenue Fund moneys derived from the following additional sources: certain condemnation awards and insurance proceeds; certain revenues derived from special facilities; and certain proceeds of bond defeasance. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Definitions.” The Master Resolution requires that moneys on deposit in the Airport Revenue Fund be applied solely at such times and in accordance with the priorities established by the Master Resolution.

In addition to the Airport Revenue Fund, the Master Resolution creates the following Funds and Accounts: the Construction Fund, the Airport Operation and Maintenance Fund, including the Operation and Maintenance Account and the Operation and Maintenance Reserve Account, the Airport Bond Fund, the Airport Bond Reserve Fund, the Airport Renewal and Replacement Fund, and the Airport Development Fund.

The moneys in the Airport Revenue Fund shall be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, there shall be deposited each month into the Airport Operation and Maintenance Fund and the Accounts therein the amounts required by the Master Resolution to be used for the purposes specified therein.

Second, there shall be deposited each month into the Airport Bond Fund and the Accounts therein the amount required by the Master Resolution to be used for to pay the principal and interest as specified therein.

Third, there shall be applied each month the amount, if any, required to be deposited in the Airport Bond Reserve Fund.

Fourth, there shall be deposited each month the amount necessary to pay principal of, premium, if any, and interest on subordinate bonds, notes, certificates, warrants or other evidences of subordinate indebtedness in the funds and accounts established therefor.

Fifth, there shall be applied each month the amount required, if any, to be deposited in any reserve fund or account established with respect to any subordinate bonds, notes, certificates, warrants or other evidences of subordinate indebtedness.

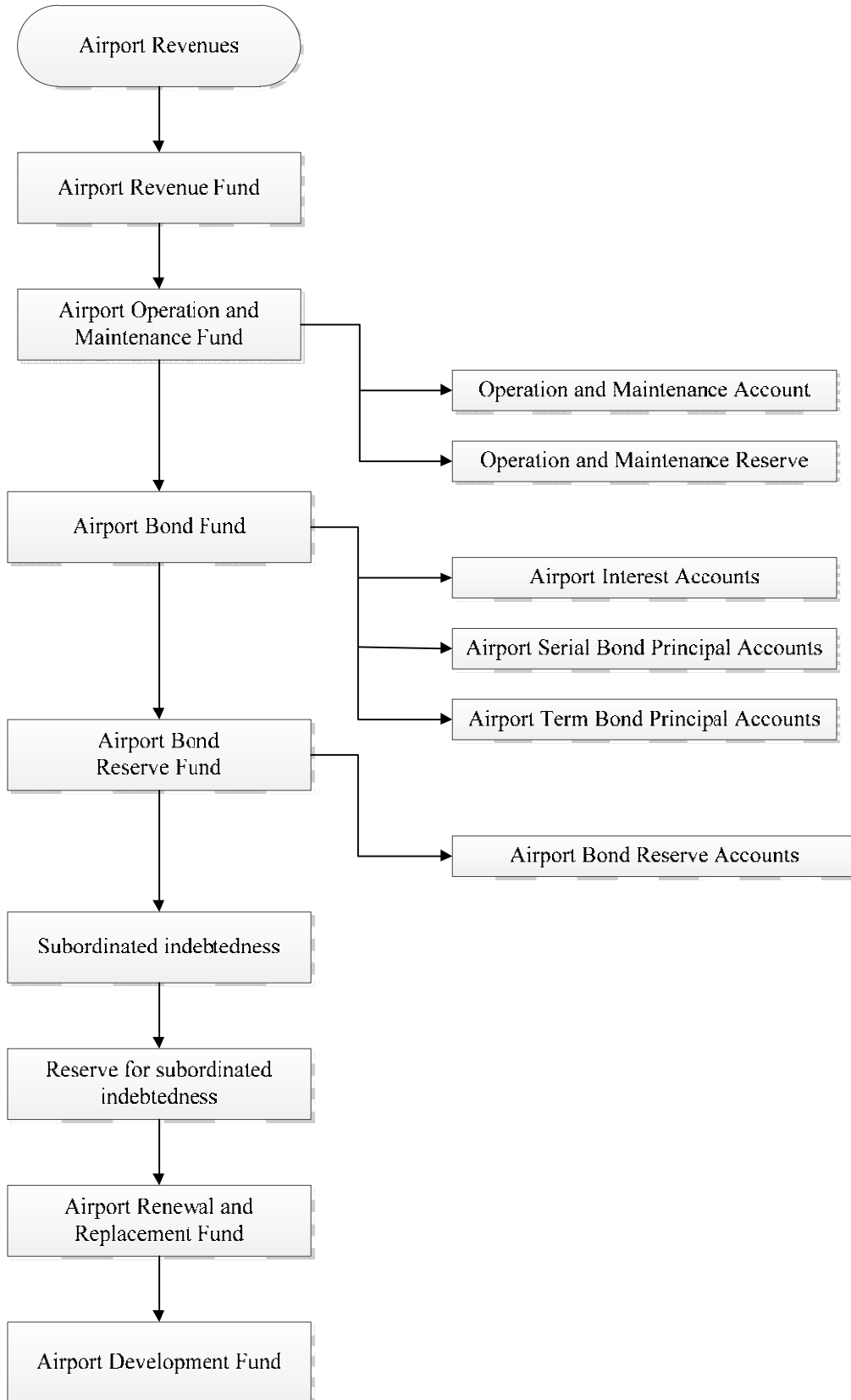
Sixth, there shall be applied each month the amount required, if any, to be deposited in the Airport Renewal and Replacement Fund.

Seventh, after making all deposits and credits required as described in “First” through “Sixth” above, all moneys remaining on deposit in the Airport Revenue Fund shall be deposited each month in the Airport Development Fund. Amounts in the Airport Development Fund shall be applied first to make up any deficiencies in any Fund or Account established under the Resolution and thereafter shall be applied to any corporate purpose of the Authority. The Authority is authorized and applies certain amounts in the Airport Development Fund to non-Airport purposes. See “OTHER AIRPORT MATTERS — Airport Grandfathered.”

Until used and applied as provided in the Resolution, all moneys in the Airport Revenue Fund and Airport Bond Fund and the securities in which such moneys may from time to time be invested are held under the Resolution in trust for the equal and ratable benefit and security of all the Bonds and are subject to the liens and pledges created by the Resolution. Amounts held in accounts established in the Airport Bond Fund or Airport Bond Reserve Fund with respect to a particular Series of Bonds are only available to makes payments with respect to such Series of Bonds and are not subject to the liens and pledges created by the Resolution for the benefit of all Bondholders. All other Funds and Accounts established under the Resolution to which Airport Revenues or Net Airport Revenues are deposited, including the Airport Development Fund, are not subject to the liens and pledges created by the Resolution for the benefit of all Bondholders. All moneys on deposit in the Funds and Accounts shall be invested only in Investment Securities, as defined in the Resolution and the Act.

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FLOW OF FUNDS



Subordinate Lien and Other Obligations

Pursuant to the Resolution, the Authority may issue bonds, notes or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Airport Revenues subject and subordinate, and secured by a lien and pledge on the Net Airport Revenues junior and inferior, to the lien on and pledge of the Net Airport Revenues created under the Resolution for the payment and security of the Bonds.

The Authority may authorize and issue bonds, notes or other evidences of indebtedness, other than Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues, and all income or revenues derived with respect to any Airport Purpose so financed shall constitute Airport Revenues and be paid into the Airport Revenue Fund. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Additional Obligations of the Authority Subordinate Lien and Other Obligations.”

The Authority has entered into a number of bank loans and capital leases in connection with its system, some of which pertain to the Airport. None of these loans or capital leases is secured by a lien on Net Airport Revenues. See “OTHER AIRPORT MATTERS — Bank Loans and Capital Leases.”

Separate Improvements

The Authority may authorize and issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues, or any combination of all or a portion of the foregoing for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Separate Improvements.”

Special Obligation Bonds and Special Facility Agreements; PFC Bonds

The Authority may issue bonds, notes or other evidences of indebtedness for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a special facility payable solely from amounts payable by the user, lessee or sublessee under the special facility agreement entered into with respect to such special facility and shall not be a charge or claim against or payable from or secured by Airport Revenues or any other moneys held under the Master Resolution. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Special Obligation Bonds” and “Special Facility Agreements” therein.

The Authority may issue Bonds that are also secured by PFCs which Bonds, upon compliance with the conditions set forth in the supplemental resolution providing for the issuance thereof, may be secured solely by PFCs. See APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Provisions Applicable to Bonds Secured by PFC Revenues and Net Airport Revenues.”

Hedge, Support and Other Financial Agreements

Subject to applicable State law, the Authority may enter into Hedge Agreements, Support Agreements or other financial agreements payments under which (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Airport Revenues and secured by a lien on and pledge of Net Airport Revenues on a parity with the lien on and pledge of the Net Airport Revenues created for the payment and security of the Bonds; provided such payments shall meet the requirements set forth under Additional Bonds and Completion Bonds; and provided further that Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Definitions” and “Hedge, Support and Other Financial Agreements” therein.

The Authority has entered into an ISDA Master Agreement and related Schedule and Confirmations with respect to the Series 2004A Bonds (the “2004A Swap”) and the Series 2004C Bonds (the “2004C Swap”) with Goldman Sachs Capital Markets, L.P., (the “Swap Provider”) each dated as of October 31, 2003. The 2004A Swap is a floating-to-fixed interest rate swap agreement in a notional amount of the Outstanding Series 2004A Bonds pursuant to which the Authority will pay a specified fixed rate of interest to the Swap Provider in return for receipt from the Swap Provider of a variable rate of interest based upon 71% of the rate for deposits for a period of one month in United States dollars that appears on the Telerate Page 3750 as of 11:00 am London time on the day which is one New York Banking day before the Reset Date (“1-Month USD-LIBOR”). The 2004C Swap is a floating-to-fixed interest rate swap agreement in a notional amount of the Outstanding Series 2004C Bonds pursuant to which the Authority will pay a specified fixed rate of interest to the Swap Provider in return for receipt from the Swap Provider of a variable rate of interest based upon 69% of 1-Month USD-LIBOR. The 2004A Swap and the 2004C Swap are referred to collectively as the “Swap Agreement.”

The obligation of the Authority to pay the scheduled payments under the Swap Agreement constitute Integrated Swap Agreement Payments within the meaning of the Resolution, and is treated as payment of interest on the Series 2004 Bonds. Any other payments under the Swap Agreement, including any payments required to be made by the Authority under the Swap Agreement upon termination thereof and scheduled payments under the Swap Agreement to the extent the Swap Agreement fails to qualify as an Integrated Swap Agreement under the provisions of the Resolution (“Other Swap Payments”), are payable from the Net Airport Revenues subject and subordinate, and secured by a lien and pledge on the Net Airport Revenues junior and inferior, to the lien and pledge on the Net Airport Revenues created for the payment and security of the Bonds and any bonds, notes, certificates, warrants or other evidences of indebtedness referred to in the first paragraph under “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Subordinate Lien and Other Obligations.” For a description of the risks associated with the 2004A Swap and the 2004C Swap, see generally “APPENDIX A — FINANCIAL STATEMENTS OF THE AUTHORITY — Notes to Basic Financial Statements — Note 5(b) — *Derivative Instruments* — Risks.”

The Authority has implemented Master Liability Management Policy Guidelines pertaining to all Authority hedging transactions. The Authority does not anticipate entering into any Hedge Agreements in the foreseeable future.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2014 Bonds and the refunding of the Refunded Bonds:

	<u>Series 2014A</u>	<u>Series 2014B</u>	<u>Total</u>
SOURCES OF FUNDS:			
Par Amount	\$65,340,000	\$12,430,000	\$77,770,000
Premium	8,057,489	1,277,991	9,335,480
Release of Refunded Bonds Debt			
Service Reserve Accounts	6,528,937	1,239,068	7,768,005
Other Authority Funds	<u>3,742,119</u>	<u>460,292</u>	<u>4,202,411</u>
TOTAL SOURCES	<u>83,668,545</u>	<u>15,407,351</u>	<u>99,075,896</u>
USES OF FUNDS:			
Amounts Applied to Refund the Refunded Bonds	76,760,233	14,094,886	90,855,119
Deposit to Airport Bond Reserve Fund	6,513,332	1,239,068	7,752,400
Costs of Issuance ⁽¹⁾	<u>394,980</u>	<u>73,397</u>	<u>468,377</u>
TOTAL USES	<u>83,668,545</u>	<u>15,407,351</u>	<u>99,075,896</u>

⁽¹⁾ Includes Underwriters' discount, legal fees, financial advisor and consultant fees, rating agency fees, printing costs, and other fees and costs.

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DEBT SERVICE REQUIREMENTS

The table below illustrates the debt service requirements for the Outstanding Bonds upon issuance of the Series 2014 Bonds and the refunding of the Refunded Bonds.

Year Ending April 1 (1)	Debt Service Series 2014A Bonds			Debt Service Series 2014B Bonds			Total Debt Service		
	Series 2000 (2)	Series 2004 (3)	Principal	Interest	Total	Principal		Interest	Total
2015	\$ 253,892	\$ 5,370,345	\$ 2,930,000	\$ 1,810,033	\$ 4,740,033	\$ -	\$ 322,891	\$ 322,891	\$ 10,687,161
2016	259,011	5,228,510	1,090,000	3,015,550	4,105,550	2,995,000	558,850	3,553,850	13,146,921
2017	263,210	5,386,697	1,150,000	2,961,050	4,111,050	3,115,000	439,050	3,554,050	13,315,007
2018	261,319	5,233,370	1,205,000	2,915,050	4,120,050	3,270,000	283,300	3,553,300	13,168,039
2019	263,562	5,355,043	1,500,000	2,878,900	4,378,900	3,050,000	152,500	3,202,500	13,200,005
2020	264,764	5,291,163	4,930,000	2,818,900	7,748,900	-	-	-	13,304,827
2021	-	5,373,460	5,180,000	2,572,400	7,752,400	-	-	-	13,125,860
2022	-	5,321,165	5,435,000	2,313,400	7,748,400	-	-	-	13,069,565
2023	-	5,364,087	5,495,000	2,096,000	7,591,000	-	-	-	12,955,087
2024	-	5,373,378	5,730,000	1,821,250	7,551,250	-	-	-	12,924,628
2025	-	-	5,960,000	1,534,750	7,494,750	-	-	-	7,494,750
2026	-	-	6,060,000	1,236,750	7,296,750	-	-	-	7,296,750
2027	-	-	6,360,000	933,750	7,293,750	-	-	-	7,293,750
2028	-	-	6,680,000	615,750	7,295,750	-	-	-	7,295,750
2029	-	-	5,635,000	281,750	5,916,750	-	-	-	5,916,750
Total	\$1,565,758	\$53,297,218	\$65,340,000	\$29,805,283	\$95,145,283	\$12,430,000	\$1,756,591	\$14,186,591	\$164,194,850

NOTE: Totals may not add due to rounding.

- (1) The numbers in this table reflect payments of debt service on bonds during a period from and including April 2 of each calendar year to and including April 1 of the following calendar year.
- (2) The Authority has previously borrowed a portion of the proceeds of the New York State Environmental Facilities Corporation (“EFC”) State Revolving Funds Revenue Bonds, Series 2000B (“Series 2000 EFC Bonds”) and issued the Series 2000 Bonds to the EFC, which were pledged as security for the Series 2000 EFC Bonds. The Series 2000 EFC Bonds were refunded by the EFC’s State Revolving Funds Revenue Bonds, Series 2011A (2010 Master Financing Program)(“Series 2011 EFC Bonds”). Pursuant to policies implemented by the EFC, the Authority did not issue a refunding Bond to the EFC but instead receives a credit on debt service for the Series 2000 Bonds equal to the Authority’s allocable share of savings from the issuance of the Series 2011 EFC Bonds. The debt service in the table for the Series 2000 Bonds is NOT net of the credit to be received from the EFC on the Series 2000 Bonds.
- (3) The Series 2004 Bonds have been issued as Auction Rate Securities. The Authority has entered into the Swap Agreement (as hereinbefore defined) with respect to the Series 2004 Bonds pursuant to which the Authority will pay to the Swap Provider (as hereinbefore defined) a fixed rate of interest of 3.646% based on a notional amount equal to the Outstanding principal amount of the Series 2004A Bonds and 3.55% based on a notional amount equal to the Outstanding principal amount of the Series 2004C Bonds. Interest has been calculated on the Series 2004 Bonds using these fixed rates of interest plus the difference between the floating swap rate and the ARS interest rate of 200% of 1-Month LIBOR. The assumed 1-Month LIBOR rate is 0.155%, as of July 23, 2014. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS— Hedge, Support and Other Financial Agreements.”

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THE AUTHORITY

General

The Authority was created in 1967 as a body corporate and politic constituting a public benefit corporation pursuant to the Act. In 1969 the operations of the Niagara Frontier Port Authority were consolidated with those of the Authority. The governing body of the Authority consists of a Chairman and a Board of 10 voting Commissioners appointed by the Governor of the State of New York with the advice and consent of the New York State Senate. In addition the Governor appoints two non-voting Commissioners representing an Authority labor union and a member of the transit dependent community and/or people with disabilities. The Chairman and each of the members of the Board of Commissioners are appointed for a five-year term.

The Authority owns and operates: (i) the Airport, (ii) NFIA, (iii) Niagara Frontier Transit Metro System, Inc. (“Metro”), a subsidiary of the Authority; (iv) the Metropolitan Transportation Center, a terminus for intercity bus transportation; and (v) the Niagara Falls International Transportation Center. The Authority has transferred title to its Boat Harbor to the State of New York and will operate the Boat Harbor through November 15, 2014. The Authority also owns and, through its Property Management Department, operates or manages several commercial and industrial facilities, including property on the Airport that is not part of the Airport System. See “THE AIRPORT — Introduction — *Aviation Related Facilities*” and “OTHER AUTHORITY PROPERTIES” herein.

The present members of the Authority, their occupations and the dates on which their terms expire are set forth below.

Board of Commissioners

Name and Title	Occupation	Expiration of Term
Howard Zemsky, Chair	Managing Partner, Larkin Development Group	June 30, 2016
Henry M. Sloma, Vice Chair	President and CEO of YBR Strategies, LLC	June 30, 2015
Peter G. Demakos, Secretary	General Manager, Niagara Blower Company (Buffalo, NY)	June 30, 2018
Charles L. Gurney, Treasurer	Partner and Residing President, Gurney, Becker & Bourne, Inc.	June 30, 2017
LaVonne E. Ansari	CEO and Executive Director of Community Health Center of Buffalo, Inc.	June 30, 2016
Anthony J. Baynes	Founder and owner of A.J. Baynes Freight Contractors, Ltd., AJB Truck Lines, Inc., Extra Mile Transportation, LLC, Evolution Development, LLC, Evolution Logistics, LLC and 100 South Elmwood, LLC	June 30, 2018
Vincent G. Crehan **	President/Business Agent, Amalgamated Transit Union Local and Chairman of the Niagara Frontier Transit Metro – Amalgamated Transit Union Local 1342 Pension Fund	June 30, 2016
Margo Dawn Downey **	Secretary of the National Federation of the Blind's Travel	June 30, 2017

(Table Continued on Next Page)

Board of Commissioners

Name and Title	Occupation	Expiration of Term
	and Tourism Division as well as President of the New York Association of Guide Dog Users	
Bonita R. Durand	Chief of Staff to the President and Secretary to the College Council at Buffalo State (State University of New York College at Buffalo)	June 30, 2014*
Wesley L. Hicks Jr.	Roswell Park Cancer Institute - Chairman, Department of Head & Neck/Section of Plastic & Reconstructive Surgery, Professor of Otolaryngology/ Head and Neck Surgery, Director, Head and Neck Surgical Fellowship Program	June 30, 2016
Michael P. Hughes	Vice President & Chief Marketing Officer for Kaleida Health	June 30, 2018
Adam W. Perry	Partner, Hodgson Russ's Business Litigation and Employment Litigation Practice Groups	June 30, 2017
Philip G. Wilcox	Niagara Mohawk Power Corporation employee and the International Brotherhood of Electrical Workers Local 97 Business Representative	June 30, 2014*

* Commissioners with expired terms are held over until a replacement is appointed in accordance with the Act.

** Non-voting members.

The senior staff of the Authority consists of the following persons:

Kimberley A. Minkel - Executive Director. Ms. Minkel was appointed Executive Director of the Authority in December 2010. Ms. Minkel started at the Niagara Frontier Transportation Authority in October 2002, as its Director of Health, Safety, and Environmental Quality. She has over 20 years of experience in the environmental and safety regulations business along with experience in compliance managing. As director of the Authority's HSEQ department, she worked to ensure the safety and protection of its workers, riders, the public and the environment. She oversaw the completion of an award winning \$13.1 million environmental project for the Airport that uses wetland treatment technology for treating spent deicing fluid in storm water runoff. She has also co-authored several papers dealing with innovative approaches for managing storm water runoff at airports. The Airport is the first airport in the United States to use such a process. This project was awarded the Diamond Award in the Environmental Category by the NY branch of the American Council of Engineering Companies and a very prestigious Honor Award by the U.S. national ACEC. Under her leadership the Authority earned a coveted Gold Standard award from the Transportation Security Administration for the Authority's overall high security standards and practices based on a 2013 Baseline Assessment evaluation conducted by the TSA. She is a member of various professional organizations, including Western New York Safety Advisory Committee, the Buffalo Urban Development Corporation's Board of Directors, Niagara Military Affairs Commission, B.U.I.L.D. and Who's Who of Professional Management. She has previously served on the Board of Directors of The Buffalo and Fort Erie Public Bridge Authority, the City of Niagara Falls N.F.B. Development Corporation and is a 2007 graduate of Leadership Buffalo. Ms. Minkel received a Bachelor of Science from Niagara University in 1988 and her MBA in Concentration Management from Canisius College in 1995.

John T. Cox - Chief Financial Officer. Mr. Cox was appointed Chief Financial Officer in April 2014. Prior to joining the Authority, Mr. Cox served as the Deputy Director of Finance / Accounting, for the City of Rochester, New York, as Deputy Comptroller and Comptroller/Director of Finance of the City

of Binghamton, New York and as the Fiscal Officer for the Binghamton-Johnson City Joint Sewage Board, Binghamton Local Development Corporation and Binghamton Urban Renewal Agency. Prior to joining government service Mr. Cox served as a Junior Fixed Income Analyst for Bear, Stearns & Co. Inc. and as an accountant for Mondorf & Fenwick CPAs. Mr. Cox received his Bachelor of Science in Finance from Syracuse University and a Master of Science in Accounting from Binghamton University.

David J. State - General Counsel. Mr. State was appointed General Counsel of the Authority in April 2011. Prior to that Mr. State was an administrative law judge with the New State Office of Temporary Disability and a JAG Officer (Major) for the Trial Counsel, 42nd Infantry Division. He has previous experience as legal counsel to numerous boards and agencies including the Buffalo Common Council, Preservation Board, Elevator Safety Review Board and the Buffalo Municipal Housing Authority. An Iraq veteran, he served from May 2004 to January 2006 when he was mobilized to active duty in support of Operation Iraqi Freedom and served with the Army Judge Advocate General Corps in Iraq. He is a graduate of Buffalo State College and SUNY at Buffalo Law School. He holds faculty positions at the University of Buffalo where he teaches Urban Development Law and Policy and at Erie Community College where he instructs on Business Law I and II. Mr. State is admitted to the New York State Bar and to Federal Practice in the Western District of New York.

William R. Vanecek - Aviation Director. Mr. Vanecek has managed the Authority's airport system since November 1998. Prior to joining the Authority, Mr. Vanecek received his Certified Public Accountant license in New York State and worked for Price Waterhouse. After leaving Price Waterhouse, he worked for AMR Corp. in Dallas, Texas where he served as the Vice President of Finance for Simmons Airlines, American Eagle's largest regional air carrier. Mr. Vanecek received a Bachelor of Science in both Accounting and Finance from the State University of New York at Buffalo and also received an MBA from the University of Texas at Arlington.

Employees and Labor Relations

The Authority employs approximately 1,540 full-time employees, of which 176 work at the Airport. Of the 176 Airport employees, 165 are members of five unions, covering primarily administration, airfield, fuel farm, terminal, facilities staff and firefighters. The following table sets forth information about union contracts:

Union	Number of Employees	Contract Expiration Date
International Longshoremen's Association Local 1949	95	March 31, 2018
International Longshoremen's Association Local 2028	11	
Teamsters Local 264	19	March 31, 2014
Buffalo Niagara Airport Fire Fighters' Association	36	March 31, 2014
Superior Officers' Association	4	

The remaining 11 employees of the Airport are not subject to any collective bargaining agreement. The Authority is currently in negotiations with the unions covered by the three expired agreements. During the negotiation period, the Authority and the covered employees continue to operate under the terms of the expired agreements. Historically, the terms of new agreements have been retroactive to the date of the expired agreements they replace.

In addition to the Airport employees who are represented by the aforementioned unions, certain Authority employees that provide services to the Airport are represented by other unions as well. Some of these employees are also covered by expired collective bargaining agreements. The Authority and its

employees have had positive labor relations over the years and the Authority does not anticipate any significant labor issues in the foreseeable future.

Employee Pension Benefits

Substantially all employees of the Authority at the Airport are members of either the New York State and Local Employees' Retirement System, or the New York State and Local Police and Fire Retirement System (the "Retirement Systems"). The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law. For additional information regarding the State Retirement Systems as it pertains to the Authority, see "APPENDIX A — FINANCIAL STATEMENTS OF THE AUTHORITY — Notes to Basic Financial Statements — Note 9(a)."

The Authority's retirement contributions to the Retirement Systems for Airport employees represent approximately 30% of the Authority's contributions to the Retirement Systems.

Other Post-Employment Benefits

The Authority provides a defined benefit post-employment health care plan for essentially all fulltime employees with a minimum of 10 years of service upon retirement. For additional information regarding the other postemployment benefits ("OPEB") of the Authority, see "APPENDIX A — FINANCIAL STATEMENTS OF THE AUTHORITY — Notes to Basic Financial Statements — Note 10."

The Authority's annual OPEB costs for Airport employees represent approximately 30% of the Authority's total annual OPEB costs contributions.

THE AIRPORT

Introduction

The Airport is located approximately 10 miles east of Buffalo's central business district on approximately 1,100 acres of land in Cheektowaga Township, Erie County, New York. The Buffalo Municipal Airport was originally built by the City of Buffalo on a 318 acre site. The Airport's facilities were expanded in late 1939 and a new terminal was built in 1955 tripling the footage and containing 11 gates. In 1956, the Niagara Frontier Port Authority, a public body created by the New York State legislature, acquired the Airport from the City of Buffalo. It continued to operate the Airport until it was assimilated into the Authority, created by the New York State Legislature in 1967. All subsequent work on the Airport was carried out by the Authority. In 1959, the name of the Airport was changed to the Greater Buffalo International Airport. A new terminal was added in 1971. In September 1996, the Authority Board of Commissioners changed the name of the Airport to the Buffalo Niagara International Airport (BNIA) effective with the opening of the new passenger terminal. In 1997, a new terminal building was constructed to replace the former terminal buildings and was subsequently expanded during 1998/1999, resulting in the current 26-gate terminal facility.

Airfield Facilities. The major airfield facilities at the Airport consist of two air carrier runways (5/23 and 14/32) and associated taxiways that provide access to the airline parking ramps to the south and southwest, the cargo apron to the west and general aviation facilities to the north. The primary runway is Runway 5/23 which is 8,829 feet in length and 150 feet in width. The secondary runway is Runway 14/32 used primarily for crosswind operations and general aviation aircraft. This runway is

7,161 feet in length and 150 feet in width. Runway 5/23 is equipped with precision instrument landing systems (ILS) at either approach end along with high intensity runway edge lights. A non-precision approach system is also available for Runway 14 and a precision instrument landing system for Runway 32.

Passenger Terminal Facilities. The 462,000 square foot 26-gate terminal facility contains two levels: an upper or departure level and a lower or arrivals level. The upper level contains the ticket counters and the passenger boarding facilities for the West Concourse and the East Concourse. The six-gate West Concourse contains a restaurant, an American/US Airways club, two gates that provide accommodations for either domestic or international flights and five gates occupied by American/US Airways. The 18-gate East Concourse contains three restaurants, one coffee shop, a food court, four retail shops, moving walkways and gates occupied by JetBlue, Delta, Southwest and United. The ticket counters are linked to the concourse by a 10-lane security checkpoint station gateway containing TSA security, a pre-security restaurant, a barber shop, and retail areas. The lower level contains Airport operations, baggage handling and baggage claim. Gates are leased on a preferential use basis. The Authority reserves the right to direct an Airline to share a gate under an “efficient use of airport premises” clause of the ULA.

Parking and Roadway System. The terminal is accessed from Genesee Street via separate roadway systems. The 450,000 square foot parking garage houses 844 public parking spaces and 432 rental car spaces. In addition to the parking garage, the Airport has a 1,439 space public surface preferred long term lot, a 2,693 space public surface long term lot and a 2,854 space public surface remote long term economy lot.

General Aviation Facilities. Fixed base operations are provided by a fixed base operator which occupies facilities on the north side of the Airport and provides aircraft fueling services, aircraft maintenance, hangar storage, flight training, ground handling services and equipment and other pilot services. General aviation facilities consist of an administration building and three aircraft hangars with attached offices.

Aviation Related Facilities. The properties discussed in this subsection are not included in the definition of Airport System, and therefore, revenues derived therefrom are not pledged as security for the Bonds. The properties discussed in this section and the revenues associated with such properties, however, may, at the election of the Authority, be eligible to pay principal of, premium, if any, and interest on the Bonds, including the Series 2014 Bonds. See also “OTHER AUTHORITY PROPERTIES” herein.

Aviation related facilities located at the Airport consist of air cargo facilities, a National Weather service building and an airline ground equipment maintenance building.

Air cargo facilities are located along Cayuga Road on the west boundary of the Airport. Contiguous to the building is a one-million square-foot aircraft parking apron owned, operated and maintained by the Authority to accommodate cargo aircraft parking and loading and unloading directly into the warehouse. These facilities were developed by Air Cargo Buffalo LLC which financed, constructed and operates the facility through a ground lease with the Authority. The Authority receives fixed rent and percentage rent which are recorded in the property management department.

The National Weather service occupies an office located south of Runway 5/23 and east of Runway 14/32. The National Weather Service has entered into two ground leases with the Authority for a NEXRAD radar and transmitter and a new office building.

American/US Airways leases approximately one acre of land from the Authority. Located on this site is a 10,000 square foot ground equipment service building and a triturator which is available to other aircraft operators.

Future Airport Improvements

The Authority's Capital Improvement Program (2013-2018)("CIP") totals approximately \$135.0 million. Of this amount, the Authority is projecting that \$128.5 million or 95.2% will be funded with PFCs, State or Federal funds. The six largest projects account for approximately 69% of the total CIP. These include: a new snow removal storage building, terminal baggage claim area expansion, runway 14/32 overlay, terminal roadway improvements, a new taxiway S and a new aircraft rescue and fire fighting facility (ARFF). The Authority does not anticipate issuing Bonds to finance any portion of the Capital Improvement Program.

The Authority is in the final stages of completing a noise compatibility program. Approximately 1,100 households will have received sound mitigation improvements upon completion of the program in September 2015. The Authority's noise compatibility program is funded primarily by the FAA, New York State Department of Transportation and PFCs collected by the Authority. The entire program is estimated to cost \$53.4 million of which \$48.6 million was expended through Fiscal Year 2014.

The Authority updated its Airport Master Plan in 2013. Most of the major airside runway and taxiway projects outlined in the Authority's 2003 Master Plan have been completed. Accordingly, the 2013 update focuses on constructing new taxiways, enhancing terminal area facilities including parking, roadways and Airport support facilities. The Authority is also seeking to develop revenue neutral or revenue positive sustainability opportunities that maximize environmental quality and efficiency. Most of the CIP is derived from projects in Phase I and Phase II of a three-phase capital improvement program described in the updated master plan.

Emergency Preparedness

The Authority has an approved Airport Emergency Plan ("AEP") as required under FAA regulations. The AEP addresses essential emergency-related and deliberate actions planned to ensure the safety of and emergency services of the Airport.

The Authority also has prepared a Business Continuity Plan ("BCP") to assist the organization in managing: (a) minor events - business disruptions impacting a single Authority function/department; (b) moderate events – business disruptions impacting multiple Authority functions/department; and, (c) major events – business disruptions impacting the entire Authority. The plan contains information on emergency contact details, strategies to mitigate impacts, procedures to be implemented and communication processes to be followed in response to business disruptions. The BCP is to be initiated at the outset of a disruptive event and provides for continued operations during the emergency situation and business recovery steps to return the Airport to regular management after the BCP leader deems the recovery to be complete.

The BCP, the AEP and all their components, are reviewed periodically and a tabletop exercise is conducted annually to test the readiness of the plans. Every three years, the BCP is subject to a full test during the execution of AEP testing.

All employees of the Authority are responsible for maintaining the continuous operation of the organization in the event of a disaster. The BCP includes a recommended schedule to ensure that all employees undergo on-going training. While the BCP does not include recovery activities that are part of

the AEP, it is the intent of management that both plans work in tandem with each other during an emergency incident.

The Authority has developed, tested and evaluated a comprehensive set of emergency procedures for a probable disruptive event. These procedures and precautions seek to minimize the operational and financial impact on the Airport and the Authority. However, the Authority cannot predict whether the Airport would need to cease operations in the event of an emergency, or what types of emergencies would cause the Airport to cease operating. The Authority is not able to predict for the length of time the Airport would be closed and whether the Authority's reserves would be adequate to return the Airport to full operation in the event of a cessation of operations due to an emergency.

The Air Service Area

The Buffalo Niagara Falls Metropolitan Statistical Area ("MSA") is the primary air service area for the Airport. The MSA consists of two New York counties: Erie County (the county in which the Airport is located) and Niagara County. Based on location, accessibility, and services available at other commercial service airports within nearby service areas, the total area served by the Airport extends well beyond the primary air service area. The Airport's secondary air service area includes counties adjacent to the MSA, including Orleans County, Genesee County, and Wyoming County as well as Monroe County, which includes the City of Rochester, to the east; and Chautauqua County, Cattaraugus County, and Allegheny County along with parts of northwest Pennsylvania to the south (collectively the "Southern Tier and Other").

In addition, the Airport's proximity to the Canadian border provides it with another secondary air service area that includes Southern Ontario (Canada). The MSA is strategically located in a bi-national urban region known as the "Golden Horseshoe." This region is home to nearly 10 million people and stretches from the Greater Toronto Area, around the western end of Lake Ontario, through the Niagara Peninsula and across the MSA and Western New York, to the Rochester metropolitan area. The Golden Horseshoe is the fourth largest urban region in North America, and with a growth rate of 110,000 people per year, is the second fastest growing major urban region on the continent. While most of the growth is on the Canadian side of this bi-national region, the Airport's proximity to the border allows it to serve a significant portion of Canadian travelers.

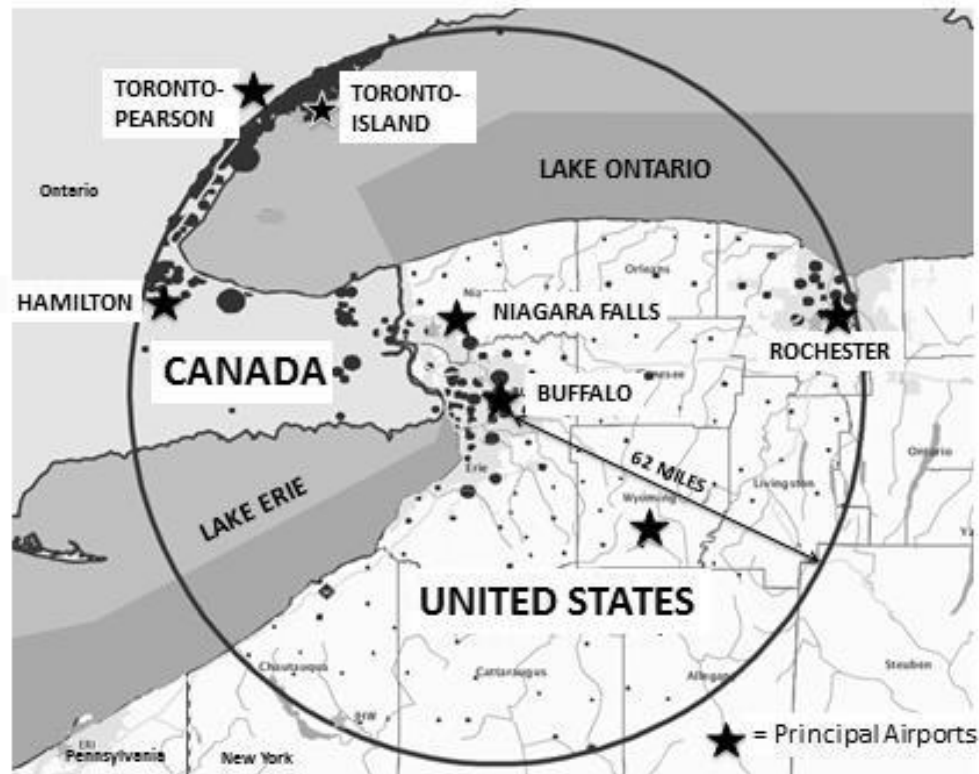
The Airport serves as a gateway to the Niagara region tourist attractions. Niagara Falls is one of the world's premier tourist attractions with over 14 million visitors annually. There are numerous tourist attractions on both sides of the border including the Cave of the Wind and the Maid of the Mist boat tours as well as amusement, theme parks and numerous hotel and night spots. Other nearby tourist attractions include the Erie Canal and the many vineyards and wineries on both sides of the border. Further, Buffalo is home to the NFL Buffalo Bills, the NHL Buffalo Sabres and the Buffalo Bisons, a AAA minor league baseball team.

According to the U.S. Bureau of Economic Analysis, the Buffalo Niagara Region had the 56th largest metro economy in the US with a gross metro product of \$47.05 billion as of 2012. The Buffalo-Niagara Falls MSA Annual Mean Wage as calculated by the US Bureau of Labor Statistics was \$43,010 as of May 2013 compared to \$44,010 for the U.S. It is estimated that roughly 27% of households in the Buffalo Niagara region had income of \$75,000 or higher.

Two of the largest industries in the area are health services and employer related services according to the Buffalo Niagara Enterprise's "Buffalo Niagara 2014 Economic Guide" (the "Economic Guide"). Among the largest private employers in the region are Kaleida Health (10,000), Catholic Health Systems (6,628), Employer Services Corp. (6,363), M&T Bank (5,410), Top Markets LLC (5,058),

Catholic Diocese of Buffalo (3,500), Wegmans Food Markets, Inc. (3,209), Roswell Park Cancer Institute (3,186) and Moog, Inc. (3,174) according to the Economic Guide. Furthermore, western New York is also home to 21 institutions of higher education with roughly 119,000 students.

Air Service Area Map



Other Commercial Airports in the Service Area

In the MSA, there are only two commercial airports, the Airport and NFIA. Within a radius of 100 kilometers (62 miles) there are six commercial airports: Toronto Pearson International Airport (YYZ), Billy Bishop Toronto City Airport (YTZ), John C. Munro Hamilton International Airport (YHM) and Greater Rochester International Airport (ROC), Erie International Airport (ERI) and the Chautauqua County-Jamestown Airport (JHW). None of these airports provide domestic service at a level comparable to the Airport.

Canadian Passenger Traffic

Geographical proximity to the major Canadian population center of the southern Ontario province combined with significant airfare advantages to U.S. destinations have made the Airport a popular option for Canadian travelers. The Authority maintains a website to promote air services and highlight the competitive advantages of the Airport and NFIA to Canadian residents. While the Authority estimates that approximately 40% of passenger traffic at the Airport came from the Canadian market in Fiscal Year 2014, the Authority does not have access to proprietary Airline ticket sales and similar data. Thus, aside from the license plate surveys described below, its information on Canadian passenger traffic at the Airport is largely anecdotal.

The Airport conducts monthly license plate surveys in its various parking facilities and uses this data as a proxy for passenger residence. In Fiscal Year 2014, approximately 54.9% of the license plates surveyed were from New York State, the majority from Erie and Niagara Counties, and 42.2% of the license plates surveyed were from Canada.

The following table summarizes the Authority’s license plate data for Fiscal Years 2010 to 2014.

SUMMARY LICENSE PLATE SURVEY DATA

License Plate	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
New York	54.2%	54.4%	49.7%	52.6%	54.9%
Pennsylvania	2.2%	2.3%	3.0%	2.2%	2.7%
Other ⁽¹⁾	16.1%	14.6%	4.7%	2.1%	0.2%
Canada	27.6%	28.6%	42.5%	43.1%	42.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Authority

⁽¹⁾ Includes license plates not falling into any other specified category. For Fiscal Years 2010 and 2011, this category included those license plates from outside the US and Canadian census areas, students attending a local university but whose cars were registered outside of the region or outside New York State, and users of parking facilities who resided an hour north of Toronto. Starting in Fiscal Year 2012 this latter group is included in the “Canada” category.

Airport Activity

Air service at the Airport is predominantly domestic. As of July 2014, the Airport provided daily nonstop service to 20 destinations with a total of 650 scheduled flights weekly. The Airport is served by six major/national carriers: American/US Airways, Delta, JetBlue, Southwest and United and by 13 regional/commuter airlines operating at the request of or under the flag of a Signatory Airline. During Fiscal Year 2014, the Airport handled a total of 2,509,673 enplaned passengers. The Airport estimates that it serves primarily as a point of O&D for 99% of the enplaned passengers at the Airport, 60% of which begin their trip at the Airport.

In addition, five all-cargo carriers provided regularly scheduled cargo service at the Airport.

The following table lists all the airlines serving the Airport as of July 2014. See “INVESTOR CONSIDERATIONS,” herein.

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AIRLINES SERVING THE AIRPORT
July 2014

<u>Majors/Nationals (6 carriers)</u>	<u>Regionals/Commuters ⁽³⁾ (13 carriers)</u>
American/US Airways ⁽¹⁾⁽²⁾	Air Wisconsin ⁽⁴⁾
Delta ⁽¹⁾	ASA/Express Jet ^(5,6)
JetBlue ⁽¹⁾	Chautauqua Airlines ^(5,6)
Southwest ⁽¹⁾	Commutair ⁽⁵⁾
United ⁽¹⁾	Compass ⁽⁶⁾
	GoJet ⁽⁶⁾
	Mesa ^(4,5)
	Piedmont ⁽⁴⁾
	Pinnacle Airlines ⁽⁶⁾
	PSA ⁽⁴⁾
	Republic Airlines ^(4,5)
	Shuttle America ^(5,6)
	Skywest ⁽⁶⁾
	 <u>All-Cargo Carrier (5 carriers)</u>
	AmeriFlight
	FedEx
	Mountain Air Cargo
	United Parcel Service
	Wiggins

- (1) Signatory airline.
(2) American and US Airways currently operate under separate operating certificates from the FAA.
(3) Operating at the request of or under the flag of Signatory Airlines.
(4) DBA US Airways Express.
(5) DBA United Express.
(6) DBA Delta Connection.
Source: Authority

The following table sets forth the 10 largest markets by enplaned passengers served by the Airport for calendar year 2013.

TOP 10 MARKETS

<u>Rank</u>	<u>Market to/from Airport</u>	<u>CY 2013 O&D Enplaned Passengers</u>
1.	NYC (JFK, LGA, EWR)	321,545
2.	Orlando (MCO)	259,406
3.	Washington (BWI, IAD, DCA)	134,232
4.	Boston (BOS)	115,164
5.	Chicago (ORD, MDW)	115,029
6.	Tampa (TPA)	112,109
7.	Las Vegas (LAS)	108,811
8.	Ft. Lauderdale (FLL)	106,277
9.	Atlanta (ATL)	90,484
10.	Los Angeles (LAX, SNA, ONT, BUR, LGB)	68,370

Source: Authority

Historical Passenger Activity

The FAA classifies the Airport as a “medium hub” (an airport enplaning 0.25 to 1% of the country's annual passenger boardings). According to preliminary 2013 data from the Airports Council International – NA, the Airport ranked as the 52nd busiest airport in the U.S. in terms of enplaned passengers.

The table below sets forth annual changes in enplanements and percentage changes at the Airport for Fiscal Years 1999 to 2014 and for the first quarter of Fiscal Year 2015.

HISTORICAL ENPLANEMENTS

<u>Fiscal Year</u>	<u>Airport Enplanements</u>	<u>% Change</u>
1999	1,667,406	
2000	1,864,249	11.8% ⁽¹⁾
2001	2,166,158	16.2% ⁽¹⁾
2002	2,161,344	-0.2%
2003	2,040,889	-5.6%
2004	2,081,866	2.0%
2005	2,283,836	9.7%
2006	2,454,230	7.5%
2007	2,563,788	4.5%
2008	2,705,048	5.5%
2009	2,724,489	0.7%
2010	2,652,750	-2.6%
2011	2,606,727	-1.7%
2012	2,592,237	-0.6%
2013	2,617,835	1.0%
2014	2,509,673	-4.1%
2015 YTD		
First Quarter FY 2014	666,329	
First Quarter FY 2015	629,475	-5.5% ⁽²⁾
2010-2014 CAGR		-1.4%
2005-2014 CAGR		1.1%

⁽¹⁾ Increase reflects commencement of service by JetBlue and Southwest.

⁽²⁾ Decrease reflects consolidation of Southwest and AirTran service.

Source: Authority

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Enplanements by Air Carriers

The following table presents total enplanements for each air carrier serving the Airport for the last five Fiscal Years. For Fiscal Year 2014, Southwest accounted for approximately 34.0% of enplanements. Over each of the past five years, Southwest has enplaned approximately one third of passengers at the Airport.

HISTORICAL ENPLANEMENTS BY AIRLINE

Airline Group	FY 2010 Enplanements	% Share	FY 2011 Enplanements	% Share	FY 2012 Enplanements	% Share	FY 2013 Enplanements	% Share	FY 2014 Enplanements	% Share
American/US Airways ⁽¹⁾	499,478	18.8%	500,485	19.2%	463,031	17.9%	412,493	15.8%	402,357	16.0%
United/Continental ⁽²⁾	384,394	14.5%	367,982	14.1%	333,645	12.9%	336,102	12.8%	316,377	12.6%
Delta/Northwest ⁽³⁾	440,753	16.6%	433,252	16.6%	439,223	16.9%	516,211	19.7%	509,880	20.3%
Southwest/AirTran ⁽⁴⁾	871,835	32.9%	880,560	33.8%	890,807	34.4%	871,583	33.3%	853,344	34.0%
JetBlue	452,290	17.0%	420,110	16.1%	461,449	17.8%	477,499	18.2%	423,829	16.9%
Charter/Other	4,000	0.2%	4,338	0.2%	4,082	0.2%	3,947	0.2%	3,886	0.2%
Total	2,652,750	100%	2,606,727	100%	2,592,237	100%	2,617,835	100%	2,509,673	100%

Source: Authority

⁽¹⁾ In 2013 American Airlines and US Airways Group, Inc. merged.

⁽²⁾ In 2010, United Airlines and Continental Airlines merged.

⁽³⁾ In 2009, Delta and Northwest Airlines merged.

⁽⁴⁾ In 2011, Southwest acquired AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc.

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Cargo Activity

The following table presents historical data on air cargo and mail activity at the Airport for Fiscal Years 2010 through 2014. In Fiscal Year 2012, cargo weight increased by 20.6% reflecting increased inbound cargo from UPS. The cargo airlines sublet space from Air Cargo Buffalo LLC for their operations. Cargo airlines pay to the Airport only landing fees which constitute their portion of Airport Revenues.

SUMMARY OF CARGO FREIGHT WEIGHT (pounds)

	FY 2010	FY 2011	FY2012	FY 2013	FY 2014
FedEx	28,467,894	29,296,336	28,652,253	26,134,277	26,689,388
UPS	39,372,706	43,498,737	59,149,525	60,078,347	57,829,902
Total	67,840,600	72,795,073	87,801,778	86,212,624	84,519,290
% change	-4.4%	7.3%	20.6%	-1.8%	-2.0%

Source: Authority

AGREEMENTS FOR THE USE OF AIRPORT FACILITIES

The Authority has entered into, and receives payments under, different agreements with various airlines and other parties, including: operating and lease agreements relating to landing fees and the leasing of space in terminal buildings, other building and miscellaneous leases for cargo and hangar facilities; and, concession agreements relating to the sale of goods and services at the Airport. The following is a summary of the more significant agreements relating to the Airport.

Airline Lease Agreements

The terms of an amended ULA have been agreed to by the Signatory Airlines. The ULA, as amended, is effective retroactive to April 1, 2014 for a five-year term ending March 31, 2019. To date, Delta, JetBlue, Southwest and United have executed the amended ULA and it is anticipated that the remaining Signatory Airlines will execute the amendment within the next few months. Signatory Airlines that have not executed the amended ULA are treated as holding over under the terms of the previously existing ULA and are subject to termination upon 30 days' notice, in which case following such termination they would be required to pay the Airport's non-signatory tariff. Signatory Airlines that have not executed the amended ULA are currently being charged the new rates of the amended ULA.

The ULA covers the use and rate-setting mechanisms for the airfield, ramp and terminal facilities at the Airport.

Under the ULA, each Signatory Airline leases exclusive use space that typically consists of hold rooms, ticket counters, operations and office space and ramp areas. The Signatory Airlines receive the non-exclusive right to use joint-use space that typically includes baggage makeup and baggage system equipment and other areas used by multiple Signatory Airlines. Common use space includes hallways, stairwells and rest rooms used by the airlines and other building tenants.

Pursuant to the ULA, landing fees are calculated on a cost compensatory rate setting methodology. Terminal rents are calculated on a modified compensatory methodology. Each Airline is required to pay landing fees on a monthly basis equal to the landed weight of each aircraft multiplied by the landing fee rate. The landing fee rate is equal to the airfield requirement divided by the total landed weight for all planes landing at the Airport. The airfield requirement represents the total direct and indirect non-grant funded operating and capital expenditures of the Landing Area (as defined in the ULA) including maintenance, security and administrative operating expenses, debt service, and reliever airport

allocations excluding a fixed proportion assigned to the general aviation operations in excess of revenues of the Landing Area. Each year, the difference between budgeted versus actual expenditures, as well as budgeted versus actual landed weights, are calculated as a prior year adjustment which becomes a component of the airfield requirement.

A portion of the airfield requirement is assigned to the ramp area. This cost, divided by total ramp linear footage, is calculated as the cost per linear foot. Each Airline is charged a ramp fee for the linear footage of the ramp assigned to its leased gate(s).

The terminal requirement represents non-grant funded direct and indirect operating and capital expenditures of the terminal building including maintenance, security and administrative expenses, and related debt service requirements (net of PFCs authorized for debt repayments) and revenue offsets including utility reimbursements. The terminal requirement is divided by the total square footage of the terminal building to arrive at a terminal rental rate. Each year, the difference between the budgeted versus the actual expenditures is calculated as a prior year adjustment which becomes a component of the current year terminal requirement. Each Airline is required to pay terminal rentals on a monthly basis for its usage of exclusive, joint use and common space.

In addition to landing fees, ramp fees and terminal rentals, the Signatory Airlines are required to pay other fees and charges, including baggage system maintenance fees and, pursuant to its tariff, remain overnight parking charges (if unleased gates and parking areas are utilized).

The ULA provides for the ability to adjust airline rent fees and charges for the Current Fiscal Year if the Authority forecasts show an underpayment or overpayment of 10% or more of the amount required to be generated by the Authority. Airline rates and charges are subject to a mid-year adjustment if needed.

The ULA does not require Signatory Airline approval of capital projects or the issuance of debt.

The ULA contains an “extraordinary coverage provision” which provides that, if in any given Fiscal Year the Authority fails to meet the coverage test prescribed in the Master Resolution, the Signatory Airlines operating at the Airport during the subsequent contract year shall be obligated to make up the deficiency through the rate base, with that portion of the rate base agreed to be income to the Authority and expense to the Signatory Airlines in the prior Fiscal Year in which the coverage deficiency occurred. As such, the deficiency amount that is factored into the following Contract Year’s (as defined in the ULA) rate base may not be included in revenue for determining whether coverage was met in the Current Fiscal Year (as defined in the ULA). For a description of the coverage test prescribed in the Master Resolution, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Covenant as to Rates, Rentals, Fees and Charges.”

The ULA, as amended, provides for a mechanism to include a portion of the deficit amount attributable to NFIA in the Airport’s landing fee. The amount included in the Airport’s landing fee is the lesser of 50% of the combined operating and capital deficits incurred at NFIA for the Fiscal Year, or, the maximum capped Fiscal Year contribution amount listed below (the “NFIA Support Amount”):

FY 2015	\$1,690,859
FY 2016	750,000
FY 2017	750,000
FY 2018	500,000
FY 2019	500,000

See “OTHER AUTHORITY PROPERTIES — Niagara Falls International Airport.”

Parking Agreement

The Authority has entered into an agreement with SP Plus Corporation (formerly Standard Parking Corporation) (“Standard”) for the management of the parking facilities at the Airport and NFIA. The agreement with Standard expires on November 30, 2017. The agreement requires Standard to remit to the Authority, on a daily basis, the gross revenues from the parking facilities it operates. As compensation for Standard’s performance under the agreement, the Authority pays Standard a tiered percentage of annual Adjusted Gross Parking Receipts and reimburses Standard for certain expenses incurred in the management and operation of the parking facilities. The management fee is 2.55% of Adjusted Gross Parking Receipts up to \$11 million; 2.15% of Adjusted Gross Parking Receipts over \$11 million; and 1.65% of Adjusted Gross Parking Receipts over \$13 million.

The Authority sets rates for parking in the Airport’s garage and parking lots. As of July 1, 2014, long-term parking rates in the surface parking lots range from \$9 to \$12 per day or \$45 to \$72 per week, not including taxes. Parking rates in the covered garage range from \$23 to \$26 per day depending on location within the garage or whether reserved parking was requested.

Rental Car Concession Agreement

As of July 1, 2014 there were six rental car companies authorized by the Authority to provide rental car services at the Airport. All of the major national brands are represented at the Airport (Alamo, Avis, Budget, Enterprise, Hertz and National). Each of the rental car companies has entered into a nonexclusive car rental concession agreement with the Authority that expires on November 30, 2017 including lease renewal terms. The car rental facilities occupy office and counter space within the first and second floor of the airport garage adjacent to the terminal in addition to designated parking spaces for each company. Pursuant to the Rental Car Concession Agreement, the rental car companies pay the Authority the greater of 10% of their gross revenues or a specific minimum annual guaranty for each company.

Terminal Concession Agreement

The Airport has a master concession agreement with Delaware North Companies Travel Hospitality Services for all of the Airport’s food & beverage, news & gift and retail concessions. The current agreement expires on November 30, 2027. As of July 1, 2014 there were 11 food and beverage outlets, two news and gift stores and two retail stores operating throughout the terminal facility. The leases provide for rental payments equal to the greater of a \$1.3 million minimum annual guarantee payment calculated for the current year or a percentage of gross income.

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FINANCIAL MATTERS

Financial Results

The Authority prepared the following table through extraction from its audited financial statements for the Fiscal Years 2010 through 2014 and from the Airport's Fiscal Year 2015 budget. See also " — Management Discussion of Airport Fiscal Year 2013 and Fiscal Year 2014 Financial Results and Fiscal Year 2015 Budget."

FINANCIAL SUMMARY

(Fiscal Year Ended March 31) (\$000)	2010	2011	2012	2013	2014	Budget 2015
OPERATING REVENUES						
Airline Contractual Revenues						
Terminal Revenue	\$8,192	\$8,255	\$8,217	\$9,053	\$8,431	\$8,521
Landing Fee Revenue	13,063	13,534	14,443	14,397	15,445	15,612
Baggage Maintenance Rebillings	2,135	2,272	2,425	2,488	1,964	1,706
Fuel Farm Services	851	965	912	895	928	936
Total Airline Contractual Revenue	24,241	25,026	25,997	26,833	26,768	26,775
OTHER REVENUES						
Parking	16,805	18,074	18,037	18,121	17,577	17,079
Car Rental	6,232	6,427	6,711	7,229	6,195	6,131
Food & Meals	1,376	1,453	1,499	1,524	1,531	1,617
Retail	661	625	608	616	654	685
Other Revenues	4,590	4,396	4,675	5,065	6,133	6,183
Total Other Revenues	29,664	30,975	31,530	32,555	32,090	31,695
Total Operating Revenues	\$53,905	\$56,001	\$57,527	\$59,388	\$58,858	\$58,470
OPERATING EXPENSES						
Personnel Services	\$10,191	\$10,905	\$11,532	\$11,651	\$11,970	\$12,350
Maintenance & Repairs	8,046	8,009	7,993	8,347	9,083	8,195
Utilities	2,284	2,295	1,986	2,192	2,756	2,586
Insurance & Injuries	448	365	464	503	494	488
Safety & Security	5,184	5,276	5,395	5,982	6,239	6,500
General Business/Other	5,942	6,021	6,362	6,304	6,631	6,832
Administration Cost Reallocation	2,866	2,852	2,899	2,943	3,115	3,437
TOTAL OPERATING EXPENSES	\$34,961	\$35,723	\$36,631	\$37,922	\$40,288	\$40,388
OPERATING INCOME BEFORE DEPRECIATION	\$18,944	\$20,278	\$20,896	\$21,466	\$18,570	\$18,082
Depreciation Expense	20,698	21,289	21,505	20,510	20,026	20,026
Operating Income/(Loss)	\$(1,754)	\$(1,011)	\$(609)	\$956	\$(1,456)	\$(1,944)
Capital Contributions	7,701	8,987	6,993	8,355	8,010	7,800
Derivatives Investment Gain/Loss	(4,013)	(908)	(2,697)	285	2,289	(41)
Interest expense, net	(8,615)	(8,313)	(8,152)	(7,615)	(7,133)	(6,828)
Passenger Facility Charges	11,297	10,747	10,872	10,876	10,176	10,278
Airport Noise Abatement	(8,366)	(4,913)	(4,932)	(5,089)	(7,291)	(5,300)
Other expense	(1,599)	(4,196)	(7,812)	(5,470)	(3,593)	(6,500)
Income (Loss) before operating transfers	\$(5,349)	\$393	\$(6,337)	\$2,298	\$1,002	\$(2,535)
NFIA related transfers to/(from) ADF	(1,845)	(3,692)	(2,652)	(3,528)	2,370 ⁽¹⁾	(722)
Net Income/(loss)	\$(7,194)	\$(3,299)	\$(8,989)	\$(1,230)	\$3,372	\$(3,257)

⁽¹⁾ Reflects four years of delayed § 99-h4(a)(ii)(4) payments in the amount of \$4,000,000 received in Fiscal Year 2014.

Source: Authority

Revenue Diversity

The following table sets forth the top 10 operating revenue providers at the Airport for Fiscal Years 2013 and 2014.

TOP 10 OPERATING REVENUE PROVIDERS Fiscal Year Ended March 31, 2013 and 2014

	FY 2013		FY 2014	
	Revenues	% of total	Revenues	% of total
Southwest Airlines	\$7,650,953	12.9%	\$7,586,369	12.9%
Delta Air Lines	5,189,695	8.7	5,419,297	9.2
JetBlue Airways Corp.	4,254,436	7.2	4,197,000	7.1
United Airlines	3,590,852	6.0	3,277,917	5.6
US Airways	3,103,571	5.2	3,210,385	5.5
Delaware North Companies Travel Hospitality Services	2,234,618	3.8	2,289,753	3.9
Avis Rent-A-Car System	1,829,591	3.1	1,728,843	2.9
Hertz Corporation	1,716,093	2.9	1,877,453	3.2
Enterprise Rent-A-Car	1,058,520	1.8	1,054,235	1.8
Alamo Rent-A-Car	1,055,200	1.8	923,293	1.6

Source: Authority

Debt Service Coverage

The following table shows historical debt service coverage for Fiscal Years 2010 through 2014 and as budgeted for Fiscal Year 2015 calculated in accordance with the Resolution. The Resolution provides that amounts on deposit in the Airport Development Fund transferred or credited by the Authority to the Airport Revenue Fund may be treated as Airport Revenues for the purpose of making such calculation. The Authority elected not to make any such transfer or credit in prior Fiscal Years. The Authority may elect to make such transfers or credits in future Fiscal Years. See “APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Definitions — *Airport Revenues; Debt Service*” and “OTHER AIRPORT MATTERS — Airport Development Fund.” See also “APPENDIX C — SUMMARY OF THE USE AND LEASE AGREEMENTS — Coverage.”

DEBT SERVICE COVERAGE

(Fiscal Year Ended March 31) (\$000)	2010	2011	2012	2013	2014	Budget 2015
Airport Revenues						
Operating Revenues ⁽¹⁾	\$53,905	\$56,001	\$57,527	\$59,388	\$58,857	\$58,469
Interest Income	467	330	140	104	115	200
Airport Revenues ⁽²⁾	54,372	56,331	57,667	59,492	58,972	58,669
Operating Expenses	34,961	35,723	36,631	37,922	40,287	40,389
Net Airport Revenues	19,411	20,608	21,036	21,570	18,685	18,280
Net Debt Service						
Debt Service	15,560	14,484	14,646	14,474	14,626	14,740
Less: PFCs	3,475	2,692	2,692	2,692	2,526	2,526
Net Debt Service	12,085	11,792	11,954	11,782	12,100	12,214
Debt Service Coverage Ratio (X)	1.61	1.75	1.76	1.83	1.54	1.50

⁽¹⁾ Corresponding numbers in this table and the FINANCIAL SUMMARY table under “— Financial Results” above may not match due to rounding.

⁽²⁾ As defined in the Resolution.

Source: Authority

Airline Cost Per Enplaned Passenger

The following table sets forth historical airline costs (landing fees, ramp fees, terminal rent and baggage maintenance fees) of operating at the Airport for the past five Fiscal Years and as budgeted for Fiscal Year 2015.

AIRLINE DERIVED REVENUE PER ENPLANED PASSENGER

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Budget FY 2015
Landing Fees	\$11,401,986	\$12,588,492	\$12,925,288	\$13,161,195	\$12,641,921	\$14,719,785
Terminal Revenues:						
Ramp Fees	1,724,593	1,669,202	1,679,588	1,698,072	1,330,365	1,368,261
Terminal Rent	6,981,841	6,327,013	6,300,658	6,280,796	7,112,858	7,041,122
Sub-total	\$20,108,420	\$20,584,706	\$20,905,534	\$21,140,062	\$21,085,144	\$23,129,167
Baggage Maintenance Rebillings	2,134,944	2,271,705	2,424,799	2,487,966	1,963,947	1,706,165
Total	\$22,243,364	\$22,856,411	\$23,330,333	\$23,628,028	\$23,049,091	\$24,835,332
Enplaned Passengers	2,652,750	2,608,179	2,592,237	2,617,835	2,509,673	2,420,907
Airline Derived Revenue per Enplaned Passenger	\$8.39	\$8.76	\$9.00	\$9.03	\$9.18	\$10.26

⁽¹⁾ Landing fees and terminal rent reflect actual billings and prior year adjustment for respective fiscal years.

Source: Authority

Management Discussion of Airport Fiscal Year 2013 and Fiscal Year 2014 Financial Results and Fiscal Year 2015 Budget

Operating Revenues

Airline Contractual Revenues

Airline revenues represent fees received from Signatory Airlines which are contractually obligated by the ULA or general aviation commissions collected by the Fixed Based Operator. Components include:

Terminal Revenues. Terminal revenues represent rental fees for areas which the Signatory Airlines lease exclusively (mostly holdrooms, ticket counters, operations areas, baggage claim offices, etc.) or lease jointly with other airlines (mostly baggage maintenance and the ticket lobby areas) or lease in common use areas shared with non-airline tenants (mostly restrooms, hallways, and elevators). This category also includes ramp fees for gates leased by the Signatory Airlines. Terminal revenues decreased \$622,000 or 6.9% during Fiscal Year 2014 compared to Fiscal Year 2013. Ramp Fee revenue decreased \$368,000 or 21.6% primarily from terminal gate returns from the previous ULA. Additionally, the Signatory Airlines returned approximately 20,000 square feet of terminal space compared to the previous ULA. However, the Authority mitigated this impact by negotiating the inclusion of ticket lobby space, which had previously been excluded from the ULA. The remaining decrease totaling \$254,000 is principally attributable to the inflation of Fiscal Year 2013 revenues, which included an adjustment for revenues collected but not recognized from prior years. In Fiscal Year 2015, revenues are anticipated to

increase \$90,000, or 1.1%, primarily due to the first full year inclusion of the ticket lobby space coupled with higher terminal ramp rates.

Landing Fees. Landing fees are imposed as a fixed annual tariff per 1,000 pounds of gross certified landing weight for all aircraft. Landing fees increased \$1,048,000 or 7.3% during Fiscal Year 2014 mostly due to the cost recovery of higher snow removal charges during the harsh winter of 2013/14 compared to the previous year. Fiscal Year 2015 revenues are estimated to increase \$167,000 or 1.1% mostly due to recovery of higher operating costs.

Baggage Maintenance Rebillings. Baggage maintenance rebillings represent a 100% recovery of services and parts paid to a third party vendor to provide preventive and non-preventive maintenance to the baggage handling system which processes approximately 1,800 to 2,200 bags per hour. During Fiscal Year 2014, rebillings decreased \$524,000 or 21.1% compared to Fiscal Year 2013 due to the award of a new service contract with lower fees. Fiscal Year 2015 revenues are projected to decrease \$258,000 or 13.2% representing a full year of cost recovery associated with this contract, which commenced in August 2013.

Fuel Farm Services. Fuel Farm Services represent 100% recovery of costs to operate the fuel farm which provides fuel to signatory and general aviation aircraft. The cost is recovered by collecting a surcharge on a per gallon rate, which has averaged about \$0.035 per gallon in recent years. Fiscal Year 2014 and Fiscal Year 2015 budgeted revenues are basically flat compared to Fiscal Year 2013.

Other Operating Revenues. Other operating revenues represent fees or commissions received from parking and concession operations as well as fees from airlines for use of non-leased gates and aircraft parking areas. Components include:

Parking Revenues. Parking Revenues represent weekly/daily/hourly fees for patron and employee parking within the short term and long term parking lots. Fiscal Year 2014 revenues declined \$544,000 or 3.0% compared to Fiscal Year 2013 primarily as a result of a 4.1% decrease in enplanements. There were 750 flight cancellations during January through March 2014 due to harsh winter conditions. Fiscal Year 2015 budgeted revenues are projected to decline reflecting a projected decrease in airline activities as a result of recent airline consolidations. Parking rates have remained unchanged since May 2008. Parking revenues represented approximately 29.9% of Airport operating revenues in Fiscal Year 2014 and 30.5% in Fiscal Year 2013. Fiscal Year 2015 revenues are anticipated to decrease \$498,000 or 2.8% mostly due to lower enplanements from reduced airline schedules.

Car Rental Commissions. Car Rental commissions are received from six national car rental companies operating on Airport property. Commissions received are the greater of 10% of gross revenues or a contractual minimum annual guaranteed payment. The current five-year concession contract commencing December 2012 provided lower minimum annual guaranteed payments than the previous contract which resulted in a decline of \$1,034,000 revenues during Fiscal Year 2014 compared to Fiscal Year 2013. Fiscal Year 2015 revenues are projected to decrease \$64,000 or 1.0% over Fiscal Year 2014 primarily due to lower forecasted deplanements, partially offset by higher minimum annual guaranteed payments.

Food & Meals / Retail Commissions. Food & Meals / Retail commissions are based on percentage of gross revenues of concessions operated by Delaware North Companies Travel Hospitality Services. The contractual minimum annual guaranteed payment is less than percentage commissions currently received. Results for Fiscal Year 2014 and Fiscal Year 2013 were flat, but are projected to increase during Fiscal Year 2015 due to higher prices for goods to be sold.

Other Revenues. Other Revenues include non-contractual airline fees for non-leased gates and parking areas, rental income from auto rental companies for office and designated parking spaces in the garage for vehicle operations, rental income from governmental agencies, advertising commissions, reimbursement of tenant utility charges, etc. Other revenues increased \$1,068,000 or 21.1% mostly resulting from: 1) higher auto rental space rentals of \$406,000, or 50.4%, negotiated under the new concession contract; and, 2) increased rentals from Airlines for non-leased gates and parking areas totaling \$547,000, or 67.6%, due primarily to space givebacks from the previous ULA. Fiscal Year 2015 revenues are anticipated to increase \$50,000 or 0.8%, mostly due to cost index rate increases.

Operating Expenses

Personnel Services. Personnel Services include wages and fringe benefit costs including medical insurance, New York State Retirement contributions, workers compensation, payroll taxes, etc. Fiscal Year 2014 expenditures increased \$319,000, or 2.7%, compared to Fiscal Year 2013 primarily due to contractual wage increases and higher medical and retirement fees. Fiscal Year 2015 expenditures are projected to increase \$380,000, or 3.2%, mostly because of contractual/step wage increases combined with higher fringe benefit costs including medical insurance, retirement fees, and workers compensation increases.

Maintenance & Repairs. Maintenance & Repairs primarily includes building/vehicle/premises repairs and maintenance, baggage handling fees paid to a third party vendor, and environmental expenditures. Fiscal Year 2014 expenditures increased \$736,000, or 8.8%, mostly as a result of higher snow removal fees paid to third party companies which totaled \$673,000, which were 147.9% higher than in the prior Fiscal Year. Also contributing to the increase in this category were higher vehicle repairs and fuel usage of \$313,000. These were partially offset by lower baggage maintenance fees from a recently executed agreement totaling \$524,000. Fiscal Year 2015 costs are forecasted to decrease \$888,000 (-9.8%) primarily due to a \$464,000 reduction in outside snow removal costs combined with a \$258,000 reduction in baggage maintenance services resulting from a full year's impact of the new service contract, which commenced August 2013.

Utilities. Utilities increased \$564,000, or 25.7%, over the prior year primarily due to the unprecedented spike in electricity commodity costs during the harsh winter of 2013/2014. Commodity rates have returned to normal during the first quarter of Fiscal Year of 2015 and for the current Fiscal Year, charges are estimated to decrease \$170,000, or 6.2%.

Insurance & Injuries. Insurance & Injuries represents policy premiums paid and self-insured claim losses. Activity was flat during Fiscal Year 2014 and Fiscal Year 2013.

Safety and Security. Safety and Security category consists primarily of allocations of the TAPD (Transit Authority Police Department) and third party services for traffic control and security gate access. Fiscal Year 2014 expenditures increased \$256,000, or 4.3%, mostly due to contractual wage increases and higher fringe benefit costs for the TAPD of \$193,000, combined with the full year impact of a third party security services contract which commenced in July 2012 and totaled \$69,000. Fiscal Year 2015 charges are projected to increase \$261,000, or 4.1%, mostly due to higher TAPD allocations including contractual/step wage increases and higher fringe benefit charges.

General Business/Other. General Business/Other primarily includes reimbursement of direct costs to Standard for expenses incurred in operating/managing parking lots including wages, fringe benefits, repairs and maintenance as well as a Management Fee which is based on a tiered percentage of gross revenues. This category also includes tax assessments, reserves for doubtful accounts, outside consulting services, marketing costs, travel and training, general office, temporary help, and direct labor

charges from non-aviation departments. Compared to Fiscal Year 2013, expenditures increased \$327,000, or 5.2%, due to higher parking operating costs attributable to contractual wage increases (\$108,000), higher Standard Management Fees (\$49,000), higher outside consulting services (\$76,000) related to an aviation strategic assessment study, and higher reserves for doubtful accounts resulting from a \$43,000 bad debt recovery during Fiscal Year 2013. Fiscal Year 2015 expenditures are forecasted to increase \$201,000, or 3.0%, mostly due to higher parking operation costs from contractual wage increases combined with more aggressive marketing program expenditures.

Administrative Cost Reallocation. Administrative Cost Reallocation represents allocations from the headquarters office of the Authority for services provided to the Airport including accounting, payroll, procurement, grants management, legal, human resources, risk management, cash and debt management, accounts receivable, and engineering services. Allocations increased \$172,000, or 5.8%, during Fiscal Year 2014 compared to the previous year mostly due to wage and fringe benefit increases and the addition of new staff positions including a Chief Information Officer and other support staff. Fiscal Year 2015 allocations are estimated to increase by \$322,000, or 10.3%, primarily as a result of the full year impact of newly added positions coupled with wage/fringe benefit increases.

Internal Controls

In developing and evaluating the Authority's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute, assurance regarding: (1) the safety of assets against loss from theft, unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority believes its internal control structure safeguards assets and provides reasonable assurance for the proper recording of financial transactions.

Insurance

The Authority is required under sound business practices to have insurance in force and has obtained property and casualty policies, including airport liability, to protect its operations. The Authority has war risk and hijacking insurance coverage on its airport liability insurance policy and terrorism coverage on its property insurance policy. In addition, all airlines and tenants at the Airport are required to obtain various forms and amounts of insurance, depending on their operations, naming the Authority as additional insured. Further, the Authority has obtained insurance to provide builder's risk, general and liability insurance to protect all contractors and their subcontractors working on the Airport.

OTHER AIRPORT MATTERS

Passenger Facility Charges

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S.C. § 40117, as amended from time to time (the "PFC Act") and Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act (the "PFC Regulations"), a public agency such as the Authority may impose a PFC of up to \$4.50 per enplaned passenger at the commercial service airport it controls, subject to certain limitations. The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers. PFCs are collected on behalf of airports by air carriers, certain foreign air carriers and their agents ("Collecting Carriers").

The Collecting Carriers are authorized to withhold, as a collection fee (i) 11 cents per enplaning passenger from whom a PFC is collected, and (ii) any investment income earned on the amount collected prior to the due date of the remittance. The PFC Act was amended in 1996 to provide that PFC Revenues that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the fee and that the Collecting Carrier holds neither legal nor equitable interest in the PFC Revenues, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with the carriers' other sources of revenue.

On December 12, 2003, the Vision 100 — Century of Aviation Reauthorization Act ("Vision 100") was enacted. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate passenger facility charge revenue in a separate account for the benefit of the eligible agencies entitled to such revenue.

PFC applications are approved by the FAA to fund specific projects in specific total amounts and the Authority may impose the designated PFC only until it collects the authorized total amount. Interest earnings on the collections are treated as collections for purposes of the authorized total.

On May 29, 1992, the FAA approved the Authority's application to collect a \$3.00 PFC at the Airport and on January 14, 2011, the FAA approved the Authority's application to collect a \$4.50 PFC at the Airport to fund various projects at the Airport or NFIA.

The Authority has received authorizations from 10 separate FAA approval applications to impose and use an aggregate of \$164.1 million in PFC charges. The expiration date for the Authority's authorization to impose PFCs is April 1, 2015. The Authority intends to submit an application to the FAA in October 2014 to collect PFCs for new projects and expects that there will be no interruption of PFC collections at the Airport.

PFCs are dependent upon the number of enplaned passengers at the Airport and, under certain circumstances, could be subject to termination by the FAA for, among other things, failure by the Authority to comply with the PFC Act, the PFC Regulations, or the Airport Noise and Capacity Act of 1990, as amended.

PFC revenues are not included in Net Airport Revenue and are not pledged as security for the Bonds, including the Series 2014 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Airport Revenues." PFCs collected at the Airport are segregated into an account separate and apart from the Airport Revenues. The Authority uses PFCs to fund approved PFC projects on a pay-as-you-go basis as well as to pay debt service on Bonds previously issued to finance approved PFC projects. The amount of debt service paid with PFCs is treated as a deduction from Debt Service, as defined in the Resolution, in the calculations described in "FINANCIAL MATTERS — Historical Financial Results — Debt Service Coverage."

Federal and State Grants

The Airport and Airway Improvement Act of 1982 created the Federal Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by Federal aviation user taxes. Grants are available to airport operators in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon enplaned passengers and discretionary funds are available at the discretion of the FAA based upon a

national priority system. Actual entitlement funds will vary with the actual number of passenger enplanements, with total appropriations for the AIP and with any revision of the existing statutory formula for calculating such funds. In addition, pursuant to the PFC Act, an airport's annual Federal entitlement grants are reduced by 50 percent following the imposition of PFCs at the \$1.00, \$2.00 or \$3.00 level and reduced by 75 percent following the imposition of PFCs at the \$4.00 or \$4.50 level. In addition, Federal entitlement grants may be reduced as described under “OTHER AIRPORT MATTERS — Airport Grandfathered.” State support for the Airport consists solely of matching grants for the AIP program.

**Summary of Airport Grant Awards
Federal Fiscal Years 2009 through 2013**

	FAA	FAA Discretionary Funds		New York State Share	Local Share	Total AIP Program
	Non-Discretionary Entitlement Funds	Noise Program	Other			
FYY 2009	\$ 556,174	\$ 5,692,000	\$ 0	\$ 804,196	\$ 804,196	\$ 7,856,566
FYY 2010	1,901,030	4,616,639	59,981	901,027	901,026	8,379,703
FFY 2011	2,432,800	5,221,553	0	1,058,160	1,058,160	9,770,673
FFY 2012	516,217	5,759,666	0	805,994	805,994	7,887,871
FFY 2013	\$1,051,326	\$ 5,105,945	\$ 0	\$ 813,463	\$ 813,464	\$ 7,784,198

Source: Authority

Airport Grandfathered

Under applicable Federal law all revenues generated by a public airport must generally be expended for airport purposes. An exception to this requirement is revenue generated at an airport that qualifies for treatment by the FAA as a “grandfathered” airport. The Airport qualifies for treatment by the FAA as a “grandfathered” airport and may accordingly use Airport Revenue on deposit in the Airport Development Fund for off-Airport expenditures. An airport is deemed “grandfathered” when provisions establishing certain financial arrangements between the airport and sponsor exist that were in effect prior to the enactment of the Airport and Airway Improvement Act of 1982 on September 3, 1982. A grandfathered airport is permitted to pay the sponsor for costs that are for purposes other than an airport's capital and operating costs (“Off-Airport Transfers”). However, under the authority of 49 U.S.C. § 47115(f), the FAA considers as a factor militating against the approval of an application for AIP discretionary funds the fact that a grandfathered airport has exercised its rights to use airport revenue for non-airport purposes when, in the airport’s fiscal year preceding the date of application for discretionary funds, the FAA finds that the amount of airport revenues used for non-airport purposes exceeds the amount used for such purposes in the airport’s first fiscal year ending after August 23, 1994, adjusted for changes in the Consumer Price Index (CPI)(the “Safe Harbor Amount”). In making this determination, the FAA will evaluate the grandfathered payments for the fiscal year preceding the date of the application.

The only Net Airport Revenues available for Off-Airport Transfers are Net Airport Revenues transferred to and on deposit in the Airport Development Fund in accordance with the Resolution. The maximum amount of Net Airport Revenue on deposit in the Airport Development Fund that the Authority may apply to Off-Airport Transfers without potentially adversely impacting the Authority’s AIP discretionary funding as described in the preceding paragraph is referred to as the “Safe Harbor Amount”. The Safe Harbor Amount for Fiscal Year 2014 is \$4,222,350. Generally, Off-Airport Transfers are made from the Airport Development Fund to support the Authority’s other operations. Transfers from the Airport Development Fund are also made to support NFIA. These transfers do not constitute Off-Airport Transfers.

The Authority has made Off-Airport Transfers in some but not all prior Fiscal Years. Except for Fiscal Years 2011 and 2012, any Off-Airport Transfer was an amount below the Safe Harbor Amount. In two Fiscal Years, 2011 and 2012, the Authority's Off-Airport Transfers exceeded the Safe Harbor Amount by a total of \$3,633,821. The Authority has requested that the FAA review Off-Airport Transfers made by the Authority in those years. The Authority will review and resubmit its FAA filings for those Fiscal Years requested by the FAA. The FAA could, as the result of such review, require the Authority to reimburse discretionary grants it received in Fiscal Years 2011 and 2012 in an amount equal to Off-Airport Transfers in excess of the Safe Harbor Amount for such Fiscal Years. Alternatively, the FAA could take other actions to recover such excess amount. The Authority anticipates that the amount payable to or recoverable by the FAA as the result of such review, if any, will not exceed \$3,633,821. The Authority is actively working with FAA staff to identify and resolve any issues regarding Off-Airport Transfers and the Authority's filings with the FAA, and believes that any issues can be resolved in a manner that does not materially adversely impact the financial operations of the Authority. The source of reimbursement to the FAA in the event of an adverse determination by the FAA could be amounts on deposit in the Airport Development Fund.

Bank Loans and Capital Leases

The Authority has entered into a number of bank loans and capital leases in connection with its system, some of which pertain to the Airport. The Authority has used bank loans from Manufacturers and Traders Trust Company ("M&T") to finance glycol runoff and treatment facilities, baggage handling and concourse renovation projects at the Airport and a new terminal at NFIA. The Authority has also entered into an energy efficiency operating lease with Citimortgage Asset Management, Inc. for certain equipment in the Airport terminal. None of the loans or capital leases related to the Airport are secured by a lien on Net Airport Revenues on a parity with the Bonds. The Authority's obligations under the M&T loans are secured by a security interest in all personal property and fixtures of the Authority other than the Airport, Airport Revenues, as well as all exclusions listed in such definition, and proceeds of Bonds, except that the M&T loan to finance the new terminal at NFIA (the "M&T Terminal Loan") is also secured by surplus amounts on deposit in the Airport Development Fund (the "ADF Surplus") consisting of amounts on deposit in the Airport Development Fund less: (a) twenty-five percent of Debt Service on all Bonds Outstanding; (b) any amounts required to make up any deficiencies in any Fund or Account established under the Resolution; (c) any amounts required to pay Other Swap Payments or any obligations on parity with the Other Swap Payments; (d) the Safe Harbor Amount; and, (e) the NFIA Support Amount. The Authority's obligations under the energy efficiency operating lease for certain equipment in the Airport terminal are secured by a subordinate lien on Net Airport Revenues on deposit in the Airport Development Fund. For a description of the Authority's currently Outstanding subordinate indebtedness for the Airport, see generally "APPENDIX A — FINANCIAL STATEMENTS OF THE AUTHORITY — Notes to Basic Financial Statements — Note 5(a)(5), (7) and (10)."

Airport Development Fund

The Airport Development Fund is a primary source of Airport liquidity. Monthly deposits of Airport Revenues are made to the Airport Development Fund after all required monthly deposits to the Funds and Accounts established under the Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Application of Revenues" and "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION — Application of Airport Revenues; Special Funds." To the extent not required to be applied to make up any deficiencies in any Fund or Account established under the Resolution, amounts in the Airport Development Fund are applied annually to support off-Airport Authority operations, NFIA deficits, pay debt service on subordinate indebtedness issued to finance improvements at the Airport and

NFIA, to fund capital improvements and for other purposes. See “OTHER AUTHORITY PROPERTIES — Niagara Falls International Airport — *NFIA Operating Deficits.*”

AIRPORT DEVELOPMENT FUND

Set forth in the table below are the ending balances in the Airport Development Fund for Fiscal Years 2010 through 2014.

Fiscal Year	2010	2011	2012	2013	2014
Ending Balance	\$11,814,000	\$9,488,000	\$13,530,000	\$13,786,000	\$17,564,000

Source: Authority

OTHER AUTHORITY PROPERTIES

The properties discussed in this section entitled “OTHER AUTHORITY PROPERTIES” are **not** included in the definition of Airport System and therefore revenues derived therefrom are not pledged as security for the Bonds. However, the revenues associated with such properties may, at the election of the Authority, be applied to pay principal of, premium, if any, and interest on the Bonds, but the Authority is under no obligation to do so.

Niagara Falls International Airport

The NFIA serves as a reliever airport to the Airport. NFIA is currently served by two low-cost scheduled carriers, Allegiant Air and Spirit Airlines, that provide service to five airports in Florida and South Carolina with 12 flights per week as of July 2014.

NFIA is a joint use military base, being home station for units of both the United States Air Force Reserve and the New York State Air National Guard. NFIA occupies approximately 1,067 acres of land in Niagara County, New York, approximately 10 miles east of Buffalo’s central business district.

The Authority and the United States of America (“U.S. Government”) are parties to an Airport Joint Use Agreement (“AJUA”). The term of the AJUA expires June 30, 2017. The AJUA provides for the joint use of runways, taxiways, lighting systems, navigational aids, markings and appurtenances open to the public. The Authority owns approximately two-thirds of the main runway and the U.S. Government owns approximately one-third. The AJUA further provides that the U.S. Government provide for aircraft fire fighting and rescue and snow removal as well as a sharing of costs on U.S. Government projects at NFIA.

HISTORICAL NFIA ENPLANEMENTS

The table below sets forth annual changes in enplanements and percentage changes at NFIA for Fiscal Years 2010 to 2014.

	FY 2010 Enplanements	% Share	FY 2011 Enplanements	% Share	FY 2012 Enplanements	% Share	FY 2013 Enplanements	% Share	FY 2014 Enplanements	% Share
Direct Air ⁽¹⁾	24,328	100.0%	41,919	87.8%	76,424	73.4%	-	-	-	-
Vision Airlines	-	-	2,600	5.4%	1,151	1.1%	-	-	-	-
Spirit Airlines	-	-	3,220	6.7%	26,609	25.5%	29,612	37.1%	50,108	49.2%
Allegiant Air	-	-	-	-	-	-	50,108	62.9%	51,837	50.8%
Total	24,328	100.0%	47,739	100.0%	104,184	100.0%	79,720	100.0%	101,945	100.0%

⁽¹⁾ Declared bankruptcy in 2012.

Airfield Facilities. The airfield facilities consist of three air carrier runways. The primary runway is Runway 10/28 which is 10,825 feet in length and the secondary crosswind runway, 6/24, is

5,850 feet in length. The third runway 10/28 is 3,973 feet in length and is used primarily for small general aviation operations.

Passenger Terminal Facilities. The new 69,430 square foot four-gate terminal facility contains two levels and was dedicated on September 2, 2009.

Parking Facilities. NFIA parking facilities consist of 665 spaces and an additional 1,150 remote parking spaces mostly used during peak periods for overflow parking.

NFIA Capital Improvement Program. The Authority’s Capital Improvement Program (2013 through 2018) for NFIA (the “NFIA CIP”) totals approximately \$37.1 million. Of this amount, the Authority is projecting that approximately \$34.4 million or 93% will be funded with FAA and State grants. The Authority plans to apply to impose and use a \$4.50 PFC at NFIA within the upcoming year, and it projects that PFC’s will fund program expenditures totaling approximately \$2.7 million. The primary projects to be funded include an apron expansion totaling \$18.8 million, terminal construction reimbursement totaling \$7.9 million, and a snow equipment storage building totaling \$5.8 million.

NFIA Operating Deficits. The Authority’s five-year forecast for NFIA includes an annual 4% enplanement growth rate. Although management will seek new business opportunities including cargo and air service development, the five-year operation forecast does not include any revenue impact from new business development. NFIA is projected to operate at a deficit over the forecast period. Such deficits, arising from NFIA operations, debt service requirements and capital requirements not included in the NFIA CIP are expected to be funded as follows:

	NFIA Deficit Funding Sources (\$000)				
	Total Deficit	NFIA Entitlement Funds	§99-h.4 (2) (a)(ii)(4) Amounts	Max \$ Funded by ULA	Funded by Airport Development Fund
FY2014 (actual) (1)	\$5,185	\$1,391	\$2,247 (3)	\$1,547	\$0
FY2015 (1)	4,827	1,031	1,383 (3)	1,691	722
FY2016	3,758	1,161	1,000	750	847
FY2017	4,869 (4)	—	1,000	750	3,119
FY2018	3,379	963	—	500	1,916
FY2019	3,309	1,161	—	500	1,648

(1) Includes \$2,092,000 and \$1,431,000 debt service during Fiscal Year 2014 and Fiscal Year 2015, respectively. All debt service on the M&T Terminal Loan will be fully paid during FY2015. See “OTHER AIRPORT MATTERS — Bank Loans and Capital Leases.”

(2) State Finance Law § 99-h.4(a)(ii)(4) provides that monies which are appropriated and received each year by the State, in an amount equal to the lesser of one million dollars or seven percent of the total of the net drop from electronic gaming devices the State receives in relation to the operation of a gaming facility in the City of Niagara Falls (the “§ 99-h.4(a)(ii)(4) Amounts”), will be transferred to the Authority in connection with the construction of the NFIA terminal. The law sunsets on December 31, 2016.

(3) Reflects the annual \$1,000,000 payment pursuant to § 99-h.4(a)(ii)(4) plus an allocation of a portion of a delayed payment of § 99-h.4(a)(ii)(4) Amounts received in Fiscal Year 2014.

(4) Includes \$1,257,000 of projected capital investment in parking operations revenue control equipment/construction upgrades.

See “INVESTMENT CONSIDERATIONS — Factors Unique to the Authority — *NFIA an Alternative to Airport; Subsidization of NFIA by Airport.*”

Metro Bus and Rail

Metro is the Authority's largest business center and operates a combined bus and light rail rapid transit system. Metro's 1,100 employees operate and maintain 303 buses, 74 paratransit/MetroLink vehicles, 6 replica trolleys and 27 rail cars. Metro carries roughly 73,000 bus passengers and 15,600 rail passengers each weekday over a 1,575 square mile service area. On an annualized basis, system ridership totaled 26.4 million passengers.

Metropolitan Transportation Centers

Transportation Centers in Buffalo and Niagara Falls provide the inter-city and intra-city bus services that serve over 1.5 million customers annually. Approximately 700 buses arrive and depart from the Metropolitan Transportation Center in Buffalo daily, while 55 provide service at the Niagara Falls International Transportation Center.

Property Management Real Estate Services

The primary mission of the property management department of the Authority is to maximize the revenue to the Authority on its non-public transportation assets, and provide an impetus to enhance the regional economic development potential. The property management department of the Authority manages various properties, including 901 Fuhrmann Boulevard (Port Terminal buildings), off-Airport properties (247 Cayuga Road, 485 Cayuga Road, et al) and railroad right-of-ways as well as Airport cargo facilities.

The Authority previously owned 400 acres of property on the Buffalo outer harbor, including a Boat Harbor (the "Boat Harbor"). The Authority recently transferred the Boat Harbor and Gallagher Beach to the Erie Canal Harbor Development Corporation and the New York State Office of Parks, Recreation and Historic Preservation. New York State will establish a new State Park incorporating these properties. The Authority sold the land for \$2. Under the terms of the pact with the State, the Authority will continue to operate the Boat Harbor through the 2014 season, turning it over to State Parks on November 15. The Authority will keep all revenues generated by the Boat Harbor this season and be responsible for all operating costs through November 15, 2014.

INVESTMENT CONSIDERATIONS

The purchase of the Series 2014 Bonds involves certain investment risks and considerations. Prospective purchasers should read this Official Statement in its entirety. In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement and should specifically consider certain risks associated with the ability of the Authority to repay the Series 2014 Bonds. Following is a discussion of some, but not necessarily all, of the possible considerations and risks that should be carefully evaluated by purchasers of the Series 2014 Bonds. As the financial strength of the airlines serving the Airport are key determinants of airline traffic, there is no assurance that the Airport, despite a demonstrated level of service and operations, will maintain such levels of operations in the future.

Factors Affecting the Airline Industry and the Airport in General

The Bonds, including the Series 2014 Bonds, are payable solely from Net Airport Revenues. The Authority's ability to collect Net Airport Revenues depends primarily on the financial condition of the Airport and the level of aviation activity and enplaned passenger traffic at the Airport and is affected by

the dynamics of the airline industry, which also impact the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the ULAs.

Historically, the financial performance of the airline industry generally has correlated with the strength of the national economy. Certain factors that may materially affect the Airport and the Signatory Airlines include, but are not limited to, national and international economic and political conditions, aviation security concerns and costs, the financial health of the airline industry and of individual airlines, airline service and routes, airline competition and airfares, airline consolidation and alliances, availability and price of aviation and other fuel, capacity of the national air traffic control system, competition from other airports, changes in demand for air travel, reliability of air service, business travel substitutes, including teleconferencing, videoconferencing and web-casting, the capacity, availability and convenience of service at the Airport, national and international disasters and hostilities, ongoing conflicts in the Middle East, acts of war, terrorist activity or the threat of terrorist activity, various health and medical concerns, growth of population and the economic health of the region and the nation, including, in particular the growth or decline in the population and economy of the MSA, fixed costs and capital requirements, the cost and availability of financing, the cost and availability of employees, labor relations within the airline industry, Federal regulatory actions, environmental risks and regulations, noise abatement concerns and regulation, bankruptcy and insolvency laws, and various other local, regional, national and international economic, political and other factors. Many of these factors are outside the Authority's control. Changes in demand, decreases in aviation activity and their potential effects on enplaned passenger traffic at the Airport may result in reduced Net Airport Revenues.

According to U.S. Bureau of Transportation Statistics ("BTS") data, air travel demand began to rebound in late 2009 as the nation emerged from the most recent economic recession. BTS reported that U.S. airlines and foreign airlines serving the U.S. carried 826.0 million system-wide (domestic and international) scheduled service passengers in 2013, 1.3% more than in 2012 and the highest total since 2007. The projected trend of accelerating real GDP growth, at least through 2017 according to a recent Congressional Budget Office forecast, suggests the upward trend in nationwide air travel should continue. However, should the economy stall, or again trend downward, aviation demand nationwide would likely be negatively impacted.

In addition to revenues from airlines, the Authority derives a substantial portion of its revenues from concessionaires including parking operations, food and beverage concessions, retail concessions and rental cars. Declines in passenger traffic may adversely affect the commercial operation of concessionaires. While the Authority's agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire to make the required payments and cessation of such concessionaires operations.

Airline Scheduled Seat Capacity

The airlines continue to restrain growth in seat capacity, while improving profitability, by keeping in place reductions they implemented beginning in 2008 in response to record fuel prices. The largest quarterly decline occurred in the first quarter of 2009, as domestic seat capacity fell by 10.3% versus the first quarter of 2008. Domestic capacity reached a post-recessionary low in the first quarter of 2013. However, for the four quarters ended March 31, 2014 domestic capacity increased by 0.8% compared to the previous four quarters.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and by the

inconveniences associated with security screening procedures both lead to the avoidance of travel or the switching from air to surface travel modes for short-haul trips. Historically, air travel demand has recovered from the temporary declines that have followed terrorist attacks, hijackings, aircraft crashes, and international hostilities. With enactment of the Aviation and Transportation Security Act ("ATSA") in November 2001, the Transportation Security Administration ("TSA") was created and established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. The Federal government controls aviation industry security requirements, which can significantly impact the economics of the industry. Security requirements due to unexpected events could increase costs directly and indirectly to the industry and could have an adverse effect on passenger demand.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are alternatives and for price-sensitive "discretionary" travel, particularly leisure travel. Airfares are influenced by labor, fuel, and other airline operating costs and debt burden; passenger demand; capacity and yield management; market presence; and competitive factors. A large part of the typical airfare is now accounted for by taxes, fees, and other charges assessed by governmental and airport agencies. Such charges can account for 20 percent or more of the cost of short-haul and low-fare tickets. Industry analysts have expressed concern about the sustainability of the current "revenue model" of most of the major airlines, which involves uneconomically low discount fares made available to many leisure travelers and high "walk-up" fares that must be paid by many business travelers. Simplification and rationalization of this model are seen as key to the industry regaining profitability. In many air travel markets nationwide, including the Airport, price competition is provided by new entrant and other airlines with lower cost structures. While the nature and extent of such "low-fare" competition varies from airport to airport, most large origin-destination passenger markets have attracted low-fare airline service and passenger traffic has increased as a result. Continued increases in passenger traffic at the Airport will depend to some extent on the continued availability of competitive airfares and service.

Airline Consolidation

In recent years, airlines have experienced increased costs and industry competition, both domestically and internationally. As a result, airlines have merged and acquired competitors in an attempt to combine operations in order to increase cost synergies and become more competitive. In 2009, Delta completed its merger with Northwest Airlines. That same year, Republic Airways Holdings, a regional airline, bought Frontier Airlines and Midwest Airlines, but earlier in 2014 sold Frontier Airlines to Indigo Partners LLC, a private equity firm. In 2010, United Airlines and Continental Airlines merged. In 2011, Southwest acquired AirTran Holdings, Inc., the former parent company of AirTran Airways, Inc. In December 2013, American Airlines and US Airways Group, Inc. merged. Further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merged airlines. The Authority cannot predict what impact, if any, such consolidations will have on airline traffic at the Airport.

Availability and Price of Aviation Fuel

The price of fuel has been a significant cost factor for the airline industry and significantly affects airline earnings. Fuel prices are particularly sensitive to worldwide political instability, economic uncertainties and increased demand from developing economies; production disruption and regulations.

Fuel prices reached record highs in 2008, and, according to Airlines for America (formerly known as the Air Transport Association of America), fuel has overtaken labor as the industry's top cost. Some of the airlines that sought bankruptcy protection have cited high fuel prices as a contributing factor in their bankruptcy filings. While some airlines have sought to hedge fuel prices through the purchase of oil futures contracts, increases in fuel prices have had a significant impact on airline industry profitability, and future fuel price increases or sustained higher prices could continue to adversely affect the financial condition of airlines and the level of service they provide. Airlines have also used increased fuel prices as a justification for increases in airfare, checked baggage fees and other extra surcharges, all of which may have a negative effect on the demand for air travel. High fuel prices also have an adverse impact on air cargo volumes. While increases in fuel prices have not affected the ability of airlines to serve the Airport, future fluctuations will affect air service, airfares and passenger numbers. Currently, fluctuating fuel prices continue to impact the ability of carriers to be profitable. If jet fuel prices approach or surpass their mid-2008 peak (July 2008 average price was \$3.82 per gallon), aviation demand nationwide may be negatively impacted due to potential route reductions or higher ticket prices the airlines might impose in efforts to remain profitable. According to the U.S. DOT's Bureau of Transportation Statistics, the average price of jet fuel in May 2014 was \$2.78 per gallon (preliminary), a 4.1% decrease over the May 2013 average price. North American airlines' profits are projected to be \$8.6 billion in 2014 compared to profits of \$5.8 billion and \$2.3 billion in 2013 and 2012, respectively. Fluctuation of industry profitability is partially due to fluctuating oil prices offset by adjustments in capacity.

Bankruptcy of Signatory Airlines Operating at the Airport

Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future. If a bankruptcy case is filed with respect to a Signatory Airline operating at the Airport, a bankruptcy court could determine that the ULA to which such Signatory Airline is a party is an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code. In that event, a trustee in bankruptcy or the Signatory Airline as debtor-in-possession might reject the ULA to which such airline is a party, in which case the rights of that Signatory Airline to the facilities it leased (including gates and boarding areas) would terminate and the Authority could lease them to other airlines. The rejection of a ULA in connection with the bankruptcy of a Signatory Airline operating at the Airport may result in the loss of Airport Revenues to the Authority and a resulting increase in the costs per enplaned passenger for the other airlines at the Airport. In addition, the Authority may be required to repay landing fees, terminal rentals and other amounts paid by the airline up to 90 days prior to the date of the bankruptcy filing. The Authority's ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline's bankruptcy, and on the need for such facilities by other airlines.

Also, under the United States Bankruptcy Code, any rejection of a ULA could result in a claim for damages for lease rejection by the Authority, which damages are limited under the United States Bankruptcy Code, and which claim would rank as that of a general unsecured creditor of the airline, in addition to pre-bankruptcy amounts owed.

For a discussion of PFC Act provisions as they pertain to PFCs in an airline bankruptcy, see "OTHER AIRPORT MATTERS — Passenger Facility Charges." No assurance can be given as to how these provisions would be applied by a bankruptcy court in an airline bankruptcy. While the PFC Act provides that PFCs are trust funds both before and after an air carrier files for bankruptcy protection, there can be no assurance that the air carrier has collected, retained, segregated or properly accounted for its PFCs, or that the Airport would be able to collect from the air carrier the PFCs that were collected prior to the bankruptcy filing.

Impact of Federal Sequestration

Federal funding received by the Airport, and aviation operations in general, could be adversely affected by implementation of the sequestration provisions of the Budget Control Act, which was signed into law by President Obama on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act - has been triggered. On January 2, 2013, President Obama signed into law H.R. 8, the American Taxpayer Relief Act of 2012, which delayed the initiation of the sequestration process from January 2, 2013 to March 1, 2013. On March 26, 2013, the President signed the Consolidated and Further Continuing Appropriations Act of 2013, providing funds for operation of the Federal government through September 30, 2013, and offsetting some of the sequestration-mandated reductions for fiscal year 2013. The spending reductions for fiscal year 2013 are approximately \$85.4 billion, with similar cuts for fiscal years 2014 through 2021.

Sequestration could adversely affect FAA operations and the availability of certain Federal grant funds typically received annually by The Airport. Specific to the aviation industry are budget reductions for the FAA and DHS. On April 22, 2013, the FAA implemented furloughs of its employees, including air traffic controllers, which immediately resulted in reports of flight delays and flight cancellations nationwide. Additionally, DHS has eliminated overtime for its CBP and implemented a hiring freeze for TSA. However, on May 1, 2013, the Reducing Flight Delays Act of 2013 was enacted, which ended the air traffic control furloughs by allowing the FAA to transfer funds into its operating budget. The bill does not, however, end the sequestration cuts.

Federal agencies are not expected to face any budget cuts from sequestration this year. The Office of Management and Budget informed Congress in a February 2014 report that the enacted fiscal 2014 discretionary appropriations are within the spending limits under the Budget Control Act. However, there is no guarantee that those spending limits will not be breached in future years. The full future impact of sequestration on the aviation industry and the Airport, generally, resulting from potential layoffs or furloughs of Federal employees responsible for Federal airport security screening, air traffic control and CBP, is unknown at this time.

Considerations Regarding Passenger Facility Charges

The Authority uses PFCs to finance PFC eligible projects on a pay-as-you-go basis as well as to pay debt service on Bonds previously issued to finance PFC eligible projects. For a discussion of the Authority's PFC program see "OTHER AIRPORT MATTERS — Passenger Facility Charges."

No assurance can be given that the Authority's authority to collect PFC Revenues will be increased or extended. Further, no assurance can be given that PFC Revenues will actually be received in the amounts or at the times contemplated by the Authority. The amount and timing of receipt of actual PFC Revenues are expected to vary depending on actual levels of qualified passenger enplanements at the Airport.

In addition, the FAA may terminate the Authority's ability to impose PFC Revenues, subject to informal and formal procedural safeguards, if (a) PFC Revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder, or (b) the Authority otherwise violates the PFC Act or regulations. The Authority's authority to impose PFCs may also be terminated if the Authority violates certain AIP grant assurances and certain provisions of the Airport Noise and Capacity Act ("ANCA") and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Authority's authority to impose PFCs would not be

summarily terminated. No assurance can be given that the Authority's authority to impose passenger facility charges will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or by the FAA so as to reduce PFC Revenues available to the Authority or that the Authority will not seek to decrease the amount of the PFCs to be collected.

In the event the FAA or Congress reduced or terminated the Authority's ability to collect PFC Revenues, or PFCs were otherwise less than anticipated, the Authority would need to find other funding sources to pay the cost of projects or debt service it expects to pay with PFC Revenues. In addition, in such a circumstance the Authority might need to find other sources of funding, including issuing additional parity securities, to finance the projects currently being paid for, or projected to be paid for, with PFC Revenues.

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Future increases in passenger traffic will depend largely on the ability of the nation to sustain growth in economic output and income. With the globalization of many business sectors and the increased importance of international trade, growth of the U.S. economy has become more closely tied to economic, political, and social conditions worldwide. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns, and hostilities are now increasingly important influences on passenger traffic at U.S. airports. Sustained future increases in both domestic and international passenger traffic will depend on stable and peaceful international relationships and global economic growth.

Regulatory Environment

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Under the FAA's noise reduction regulations, the air transportation industry was required to modify substantial numbers of its existing aircraft. Airport noise remains a significant Federal and local issue at certain airports, which may require substantial capital investments by the industry and airport operators, including the Airport, from time to time to meet applicable standards.

Factors Unique to the Authority

Airport an O&D Facility. The Airport is an O&D airport and accordingly enplanements and other activity are largely tied to the local and regional economy. Given the O&D nature of the Airport's passenger base (approximately 99% of enplanements, according to Authority estimates), the Authority expects that any reduction in service by a particular Signatory Airline would be absorbed by one or more of the other Signatory Airlines or a non-signatory airline operating at the Airport. No assurance can be given that reductions in service would in fact be absorbed by other Signatory Airlines or non-signatory airlines operating at the Airport.

NFIA an Alternative to Airport; Subsidization of NFIA by Airport. NFIA is not included in the Airport System and accordingly revenues derived at NFIA are not included in Airport Revenues. Charter and other carriers may elect to use NFIA instead of the Airport. The Authority has pledged the ADF Surplus to finance the construction of the new terminal at NFIA. The Authority could elect to use amounts in the Airport Development Fund to construct or secure financing to construct additional capital improvements at NFIA. In addition, NFIA is not self-supporting and operations at NFIA are partially subsidized under the ULAs subject to a cap. See the eleventh paragraph under "AGREEMENTS FOR THE USE OF AIRPORT FACILITIES — Airline Lease Agreements." The Authority is expected to

continue to subsidize operations at NFIA not paid under the ULAs or from other sources from amounts on deposit in the Airport Development Fund.

Federal Law Prohibiting Revenue Diversion - Airport Grandfathered. The Airport, and therefore the Airport Revenues, are grandfathered under the federal law prohibiting revenue diversion. See “OTHER AIRPORT MATTERS — Airport Grandfathered.” Accordingly, the Authority may apply Net Airport Revenues on deposit in the Airport Development Fund for Off-Airport Transfers thereby reducing the amounts available in the Airport Development Fund for coverage or to make up any deficiencies in funds and accounts held under the Resolution. The Airport has, in two prior Fiscal Years, exceeded the Safe Harbor Amount, the amount of Off-Airport Transfers from the Airport Development Fund that can be made without potentially adversely impacting the Authority’s AIP discretionary grants. No assurance can be given that the Authority will not exceed the Safe Harbor Amount in the future in making Off-Airport Transfers from the Airport Development Fund.

Certain Revenues Not Pledged. The definition of Airport excludes any properties or facilities operated, maintained or managed by the property management department of the Authority, including but not limited to certain aeronautical and air transportation related properties, at or on the Airport. The definition of Airport Revenues accordingly excludes all income and revenue, if any, collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of Airport. In addition, the Authority could also elect to subsidize operations at these properties or facilities from amounts on deposit in the Airport Development Fund.

Additional Airline Information

Certain of the Signatory Airlines (or its respective parent corporation) file reports and other information (collectively, the "SEC Reports") with the SEC. Certain information, including financial information, as of particular dates concerning each of the Signatory Airlines (or its respective parent corporation) is included in the SEC Reports. The SEC Reports can be read and copied at the SEC's Public Reference Rooms, which can be located by calling the SEC at 1-800-SEC-0330. In addition, electronically filed SEC Reports can be obtained from the SEC's website. Each Signatory Airline and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Information on obtaining such reports is available on the Bureau of Transportation Statistics website maintained by the Department of Transportation. Non-U.S. airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. The information under this caption is for informational purposes only, is not intended to incorporate any such information by reference into this Official Statement and will not be subject to update by the Authority. See “CONTINUING DISCLOSURE” herein.

AGREEMENT OF THE STATE OF NEW YORK

Section 1299-k of the Act provides that the State agrees with the registered owners of the Series 2014 Bonds that it will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with the registered owners of the Series 2014 Bonds, or in any way impair the rights and remedies of such registered owners until the Series 2014 Bonds, together with the interest thereon, and all costs and expenses for which the Authority is liable in connection with any action or proceeding by or on behalf of such registered owners, are fully met and discharged.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014A 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2014A Bond for any period during which the Series 2014A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed or refinanced with the proceeds of the Series 2014A Bond or a “related person,” and (ii) interest on the Series 2014A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2014B 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 2014B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2014 Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014 Bonds from gross income under Section 103 of the Code.

In the further opinion of Bond Counsel, under existing statutes, interest on the Series 2014 Bonds is also exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York), and the Series 2014 Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2014 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. 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 2014 Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2014 Bonds in order that interest on the Series 2014 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 2014 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 2014 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 Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2014 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 2014 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2014 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 2014 Bonds.

Prospective owners of the Series 2014 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 excluded from gross income for Federal income tax purposes. Interest on the Series 2014 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.

Bond Premium

In general, if an owner acquires a Series 2014 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 2014 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 2014 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, based on the owner’s yield 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 that 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 Premium Bond may realize a taxable gain upon disposition of the 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 apply to interest paid on tax-exempt obligations, including the Series 2014 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. 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 payor 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 "payor" 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 2014 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 2014 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 owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

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 2014 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2014 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2014 Bonds. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date. The enactment of such proposal could impact the tax treatment of interest on the Series 2014 Bonds for state law purposes.

Prospective purchasers of the Series 2014 Bonds should consult their own tax advisors regarding the foregoing matters.

LITIGATION

There are various lawsuits in which the Authority is involved. The Authority's management, including its General Counsel, estimates that the potential claims against the Authority not covered by insurance or self-insurance in the form of reserve funds with respect to such litigation would not materially affect the Authority's financial condition or its obligations with respect to the Series 2014 Bonds, other Outstanding Bonds or other Outstanding obligations.

To the knowledge of the Authority, no litigation, inquiry, or investigation, at law or in equity, is pending or threatened against the Authority wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the transactions contemplated by this Official Statement, the Contract of Purchase, the Resolution or the validity of the Series 2014 Bonds.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, and sale of the Series 2014 Bonds by the Authority are subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. The opinions of Bond Counsel will be substantially in the forms attached hereto as Appendix D. Certain matters with respect to the Official Statement will be passed on by Hawkins Delafield & Wood LLP, New York, New York, Disclosure Counsel to the Authority. Legal matters pertaining to the Authority will be passed upon by David J. State, General Counsel to the Authority, Buffalo, New York. Certain legal matters will be passed upon for the Underwriters by their counsel, Harris Beach PLLC, Buffalo, New York.

LEGALITY FOR INVESTMENT

Under the provisions of Section 1299 of the Act (and with any special or additional filing or registration), the Series 2014 Bonds are securities in which all public officers and bodies of the State and all of its municipalities and political 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, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or who 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 such section, the Series 2014 Bonds are also securities which may be deposited with and shall be received by all public officers and bodies of the State and all of its municipalities and political subdivisions for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

UNDERWRITING

The Series 2014 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters (the "Underwriters"), at a price of \$86,910,722.85 (representing the principal amount of the Series 2014 Bonds, plus original issue premium of \$9,335,479.65, less an underwriting discount of \$194,756.80), pursuant to a Purchase Contract by and between the Underwriters and the Authority that provides that the Underwriters will purchase all of the Series 2014 Bonds if any are purchased, subject to certain conditions set forth in the Purchase Contract.

The Series 2014 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell Series 2014 Bonds to the public.

The following paragraphs have been provided by and are being included in this Official Statement at the request of the Underwriters. The Authority does not assume any responsibility for the accuracy or completeness of such statements or information and makes not representations with respect thereto:

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 services.

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 Authority, 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, which may include credit default swaps) and financial instruments (including bank loans) 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 Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Siebert Brandford Shank & Co., L.L.C., one of the Underwriters of the Series 2014 Bonds, has entered into a separate agreement with Credit Suisse Securities USA LLC for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Series 2014 Bonds, Siebert Brandford Shank & Co., L.L.C. will share a portion of its underwriting compensation with respect to the Series 2014 Bonds, with Credit Suisse Securities USA LLC.

INDEPENDENT AUDITORS

The financial statements of the Authority, included in Appendix A, for the year ended March 31, 2014, have been audited by Lumsden & McCormick, LLP, independent auditors, as stated in their report appearing therein.

The financial statements of the Authority audited by Lumsden & McCormick, LLP include financial statements of the Authority as of March 31, 2013. The opinion of Lumsden & McCormick, LLP included in Appendix A contains the following statement: “The financial statements of the Authority as of March 31, 2013, were audited by other auditors whose report dated June 27, 2013, expressed an unmodified opinion on those statements.”

The accounting and financial reporting policies of the Authority, including the financial statements of the Authority as of and for the years ended March 31, 2013 and March 31, 2014, conform to accounting principles generally accepted in the United States of America for local government units as set forth by the Government Accounting Standards Board.

FINANCIAL ADVISOR

The Authority has engaged Frasca & Associates, LLC, New York, NY, as its Financial Advisor (the “Financial Advisor”) in connection with the authorization, issuance and sale of the Bonds. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RATINGS

Moody’s Investors Service, Inc. and Fitch Ratings, have assigned their municipal bond ratings of “Baa1” (stable outlook) and “BBB+” (stable outlook), respectively, to the Series 2014 Bonds. A rating

reflects only the views of the rating agency and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2014 Bonds.

CONTINUING DISCLOSURE

To enable the Underwriters to comply with the provisions of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the Authority will execute a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E. Any failure by the Authority to perform in accordance with the Continuing Disclosure Certificate shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure. Bondholders' rights to enforce the provisions of the Continuing Disclosure Certificate are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Continuing Disclosure Certificate. A failure by the Authority to comply with the Continuing Disclosure Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2014 bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2014 Bonds and their market price.

Except as described in the following paragraph, the Authority represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written certificate or agreement specified in paragraph (b)(5)(i) of the Rule.

The Authority has previously entered into continuing disclosure agreements with respect to the Refunded Bonds and Series 2004 Bonds (collectively, the "Prior Bonds") pursuant to which the Authority agreed, among other things, to file notices of certain events in a timely manner, including, but not limited to, rating changes relating to the Prior Bonds. All Prior Bonds were insured by a municipal bond insurer and accordingly the ratings on the Prior Bonds reflected the respective ratings of such insurers. Each of such municipal bond insurers has experienced ratings downgrades over the course of the past five years. During the past five years, the Authority did not timely file material event notices in connection with all rating changes relating to the Prior Bonds on the Electronic Municipal Market Access (EMMA) system maintained by the Municipal Securities Rulemaking Board. However, as of August 7, 2014, the Authority has filed written notices of all such rating changes and is currently in compliance with its existing continuing disclosure agreements. The Authority has amended its existing continuing disclosure policies and procedures to ensure that its material event notices or event notices will be filed in compliance with the requirements of its continuing disclosure undertakings. The Authority has engaged Frasca & Associates, LLC, New York, NY to assist it in complying with its continuing disclosure undertakings.

ADDITIONAL INFORMATION

The information contained in this Official Statement is subject to change without notice and no implication should be derived therefrom or from the sale of the Series 2014 Bonds that there has been no change in the affairs of the Authority from the date hereof. Additional information may be obtained from the undersigned at 181 Ellicott Street, Buffalo, New York 14203, telephone (716) 855-7300.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinions, whether or not expressly so stated, are intended as such, and not as representations of fact. This Official Statement is not to be construed as an agreement or contract between the Authority and the purchasers or holders of any Series 2014 Bonds.

**NIAGARA FRONTIER TRANSPORTATION
AUTHORITY**

By: /s/ Kimberly A. Minkel
Executive Director

APPENDIX A
FINANCIAL STATEMENTS OF THE AUTHORITY

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NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Financial Statements

March 31, 2014 and 2013

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

March 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited the accompanying balance sheet of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the Authority as of March 31, 2013, were audited by other auditors whose report dated June 27, 2013, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) on pages i through xx (preceding the financial statements) and the Schedule of Funding Progress for Other Postemployment Benefits and Pension Plans on page 36 be presented to supplement the basic 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 basic 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.

Additional Information

The additional information on pages 37 through 40 is the responsibility of management and was 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 information 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 June 26, 2014, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 Authority's internal control over financial reporting and compliance.



June 26, 2014

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

March 31, 2014 and 2013

**MANAGEMENT'S RESPONSIBILITY FOR AND CERTIFICATION
OF THE FINANCIAL STATEMENTS**

The management of the Niagara Frontier Transportation Authority (the Authority) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America including the reasonableness of estimates and judgments inherent in the preparation of the financial statements.

It is management's responsibility to ensure the Authority maintains accounting and reporting systems, supported by a system of internal accounting control, designed to provide reasonable assurance as to the integrity of the underlying financial records and the protection of assets. These systems include written policies and procedures, selection and training of qualified personnel, organizational segregation of duties and a program of internal reviews and appropriate follow-up.

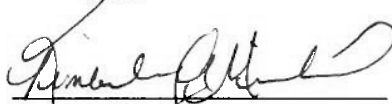
Management believes the Authority's systems are adequate to provide reasonable assurances that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing financial statements.

The Board of Commissioners is responsible for ensuring the independence and qualifications of Audit and Governance Committee members. The Audit and Governance Committee of the Board of Commissioners, which consists of five non-management commissioners, oversees the Authority's financial reporting and internal control system and meets regularly with management, the independent auditors and internal auditors to review auditing and financial reporting matters. The Audit and Governance Committee is solely responsible for the selection and retention of the Authority's independent auditors. The independent auditors and internal auditors have full and free access to the Audit and Governance Committee and meet with it to discuss their audit work, the Authority's internal controls, and financial reporting matters.

Lumsden & McCormick, LLP is responsible for conducting an independent examination of the Authority's financial statements in accordance with auditing standards generally accepted in the United States of America, and expressing an opinion as to whether the financial statements fairly present, in all material respects, the Authority's financial position, operating results, and cash flows.

Management certifies that, based on our knowledge, the information provided therein is accurate, correct and does not contain any untrue statement of material fact; does not omit any material fact, which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which such statements are made; and fairly presents in all material respects the financial condition and results of operations of the Authority as of, and for, the periods presented in the financial statements.


NIAGARA FRONTIER TRANSPORTATION AUTHORITY



Kimberley A. Minkel
Executive Director



John T. Cox
Chief Financial Officer



Patrick J. Dalton
Director of Internal Audit

June 26, 2014

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

March 31, 2014 and 2013

**MANAGEMENT'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING**

The management of the Niagara Frontier Transportation Authority (the Authority) is responsible for establishing and maintaining adequate internal controls and procedures over financial reporting. The Niagara Frontier Transportation Authority's internal control system is designed to provide reasonable assurance to the Authority's management and Board of Commissioners regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, internal control effectiveness may vary over time.

The Authority's management assessed the effectiveness of the Authority's internal control over financial reporting as of March 31, 2014. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment we believe that, as of March 31, 2014, the Authority's internal controls over financial reporting is effective based on those criteria.

The Authority's independent auditor, Lumsden & McCormick, LLP, has issued a report on our assessment of the Authority's internal control over financial reporting.


NIAGARA FRONTIER TRANSPORTATION AUTHORITY



Kimberley A. Minkel
Executive Director



John T. Cox
Chief Financial Officer



Patrick J. Dalton
Director of Internal Audit

June 26, 2014

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS

The Board of Commissioners
Niagara Frontier Transportation Authority

We have examined management's assertion, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Niagara Frontier Transportation Authority (the Authority) maintained effective internal control over financial reporting as of March 31, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Authority's management is responsible for maintaining effective internal control over financial reporting, and for its assertion about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the Authority maintained effective internal control over financial reporting as of March 31, 2014 is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Authority and our report dated June 26, 2014 expressed an unmodified opinion.



June 26, 2014

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

This management's discussion and analysis (MD&A) of the Niagara Frontier Transportation Authority (the Authority) provides an introduction and overview to the financial statements of the Authority for the fiscal years ended March 31, 2014, 2013, and 2012. Following this MD&A are the financial statements of the Authority, together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements.

The financial statements of the Authority are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues are recorded when earned and expenses are recorded when a liability is incurred, not when the related cash receipt or disbursement occurs.

The financial statements of the Authority encompass the activity of the NFTA, which includes aviation operations and property management, and Niagara Frontier Transit Metro System, Inc. (Metro), a component unit of the Authority, which primarily provides surface transportation.

Mission Statement

The Authority is a multi-modal entity encompassing a skilled and dedicated workforce. We are firmly committed to providing safe, efficient and professional transportation services that enhance the quality of life in the Buffalo Niagara region in a manner consistent with the needs of our customers.

Aviation: serves as a catalyst for economic growth by maintaining cost effective, customer oriented, and efficient airports to attract and retain comprehensive and competitive air transportation services.

Surface: enhance the quality of life of residents and visitors by providing the highest level of safe, clean, affordable, responsive, and reliable transportation through a coordinated and convenient bus and rail system.

Property: manage and develop the Authority owned real property to optimize the generation of self-supporting discretionary revenue to support our transportation businesses while fostering economic growth.

Support services: proactively provide high quality, coordinated, innovative, technological, and cost-effective support service solutions for our internal and external stakeholders.

Vision Statement

Ensure the optimal generation, use and allocation of resources in providing the highest quality of services.

Support the effective coordination and partnership with public and private entities in continuously improving transportation services to promote regional growth.

Promote a positive image as a gateway to the Buffalo Niagara Region.

Maximize the use of proven technology in the effective and efficient provision of transportation services.

Maintain a highly motivated, skilled and innovative workforce.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

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(Unaudited)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements consist of:

- Balance Sheets
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows

Balance Sheets present information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statements of Revenues, Expenses and Changes in Net Position report the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference, loss before capital contributions, combined with capital contributions determine the change in net position for the fiscal year. That change, combined with the previous year's net position total, reconciles to the net position total at the end of this fiscal year.

Statements of Cash Flows report cash activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities. The net result of these activities, added to the beginning of the year cash and cash equivalents balance, reconciles to the total cash and cash equivalents balance at the end of the fiscal year.

The notes to the financial statements further explain certain information in the financial statements and provide more detailed data. The statements are followed by additional information that provides information related to NFTA and Metro.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

Summary of Financial Highlights

Summary of Net Position

	March 31		
	2014	2013	2012 As restated
	(In thousands)		
Current assets	\$ 61,020	\$ 57,814	\$ 48,752
Restricted assets	46,912	45,003	42,647
Bond insurance costs, net	1,543	1,683	1,823
Capital assets, net	673,651	704,338	713,763
Total assets	783,126	808,838	806,985
Current liabilities	52,777	57,680	50,531
Long-term liabilities	290,485	285,696	282,123
Total liabilities	343,262	343,376	332,654
Net position:			
Net investment in capital assets	519,675	533,939	529,698
Restricted	40,082	54,631	51,613
Unrestricted	(119,893)	(123,108)	(106,980)
Total net position	\$ 439,864	\$ 465,462	\$ 474,331

March 31, 2014 vs. March 31, 2013

The changes in total net position serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$439.9 million at March 31, 2014, a \$25.6 million, or 5.5%, decrease from March 31, 2013. Included in 2014 is an increase in health insurance postemployment liabilities of \$13.6 million.

- Current assets increased \$3.2 million, or 5.5%, due to an increase in government grants receivable related to additional Preventive Maintenance (PM) funds for Metro, partially offset by higher operating cash outflows.
- Restricted assets increased \$1.9 million, or 4.2%, in compliance with funding source and debt service reserve requirements.

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Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
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- Capital assets decreased \$30.6 million, or 4.4%, due to the continued depreciation of existing Metro buses and railcars, and Buffalo Niagara International Airport (BNIA) buildings, facilities and surrounding infrastructure, partially offset by the capitalized costs in the current year primarily related to the railcar rebuild project, track bed replacement and BNIA long term lot B expansion.
- Current liabilities decreased \$4.9 million, or 8.5%, attributable to the payoff of the \$5.5 million line of credit drawn in 2012 for the anticipated receipt of New York State dedicated transit funds.
- Long-term debt (net of current portion) declined \$10.3 million, or 6.8%, as debt service payments continued related to the construction of the BNIA and Niagara Falls International Airport (NFIA) terminals.
- Payable to New York State Retirement increased \$1.3 million, or 28.6%. The Pension Stabilization Program (Chapter 57, Laws of 2010) contributed \$2.1 million to the variance, partially offset by \$0.7 million amortization of deferred amounts from prior years.

The Authority uses its capital assets primarily to provide services to the public. Significant components of capital assets include a Light Rail Rapid Transit (LRRT) system and the BNIA. Authority additions included \$3.5 million and \$1.2 million for the BNIA Long Term Lot B Expansion and BNIA runway 5/23 and 14/32 intersection project, respectively. Also, NFIA runway 10L/28R rehabilitation from 2003 was disposed in 2014 as a result of the runway mill and overlay project of 2013. Metro additions included \$2.6 million for the ongoing mid-life railcar rebuild project, \$2.2 million and \$2.0 million for rail track bed replacement (600 block of Main Street) and the purchase of four trolley buses, respectively. Also, certain rail station structures and nineteen life-expired small transit buses were disposed in 2014.

March 31, 2013 vs. March 31, 2012

The Authority's assets exceeded liabilities by \$465.5 million at March 31, 2013, an \$8.9 million, or 1.9%, decrease from March 31, 2012. Included in 2013 is an increase in health insurance postemployment liabilities of \$13.4 million.

- Current assets increased \$9.1 million, or 18.6%, due to an increase in cash balances of \$7.4 million, or 35.6%, resulting from lower cash outflows from favorable operating activities, and an increase in government agencies receivable related to higher drawdown requests for federal and state assistance and other miscellaneous grants.
- Restricted assets increased \$2.4 million, or 5.5%, in compliance with funding sources and debt service reserve requirements.
- Capital assets decreased \$9.4 million, or 1.3%, due to the continued depreciation of existing Metro railcars and BNIA buildings, facilities and surrounding infrastructure, partially offset by the capitalization of the NFIA runway mill and overlay project and thirteen new hybrid Metro buses.
- Current liabilities increased \$6.0 million, or 12.0%, attributable to higher accounts payable and accrued expenses due to the impact of year end capital project expenditures, most notably the Train Control Carborne ATP System, Mall Track Switches and BNIA Long Term Lot B Expansion. The accrual of the potential impact of represented employee contract settlements also contributed to the increase.
- Long-term debt (net of current portion) declined \$13.4 million, or 8.1%, as debt service payments for capital projects increased.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

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For the Years Ended March 31, 2014, 2013 and 2012

(Unaudited)

- Payable to New York State Retirement increased \$4.1 million. The Pension Stabilization Program (Chapter 57, Laws of 2010) contributed \$2.4 million to the variance.

The major change in capital assets between 2013 and 2012 included \$16.5 million for the NFIA runway mill and overlay project, \$1.5 million for BNIA revolving doors replacement and \$1.2 million for the BNIA two-tier departure level deck rehabilitation. Metro additions included \$8.7 million for the purchase of thirteen hybrid buses, \$2.4 million and \$2.4 million for the ongoing mid-life railcar rebuild project and the purchase of thirty-one small buses, respectively, and \$1.4 million for rail fastener and pad replacement. Also, thirty-seven life-expired transit buses were disposed in 2013.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

	Years ended March 31		
	2014	2013	2012
		(In thousands)	As restated
Operating revenues:			
Fares	\$ 36,714	\$ 36,489	\$ 32,524
Concessions and commissions	29,035	30,203	29,294
Rental income	15,976	14,877	13,409
Airport fees and services	16,874	16,137	16,208
Other operating revenues	6,741	7,153	6,894
Total operating revenues	105,340	104,859	98,329
Operating expenses:			
Salaries and employee benefits	120,086	116,877	116,089
Other postemployment benefits	16,181	18,502	17,329
Depreciation	53,021	56,274	57,523
Maintenance and repairs	18,587	16,420	16,267
Transit fuel and power	8,106	8,219	8,582
Utilities	6,358	5,101	5,242
Insurance and injuries	4,292	4,374	4,118
Safety and security	11,695	11,255	11,581
Other operating expenses	13,521	13,396	13,784
Total operating expenses	251,847	250,418	250,515
Operating loss	(146,507)	(145,559)	(152,186)
Nonoperating revenues, net	97,199	88,280	107,349
Loss before capital contributions	(49,308)	(57,279)	(44,837)
Capital contributions	23,710	48,410	25,885
Change in net position	(25,598)	(8,869)	(18,952)
Total net position, beginning of year as previously stated	465,462	474,331	495,121
Restatement	-	-	(1,838)
Total net position, beginning of year as restated	465,462	474,331	493,283
Total net position, end of year	\$ 439,864	\$ 465,462	\$ 474,331

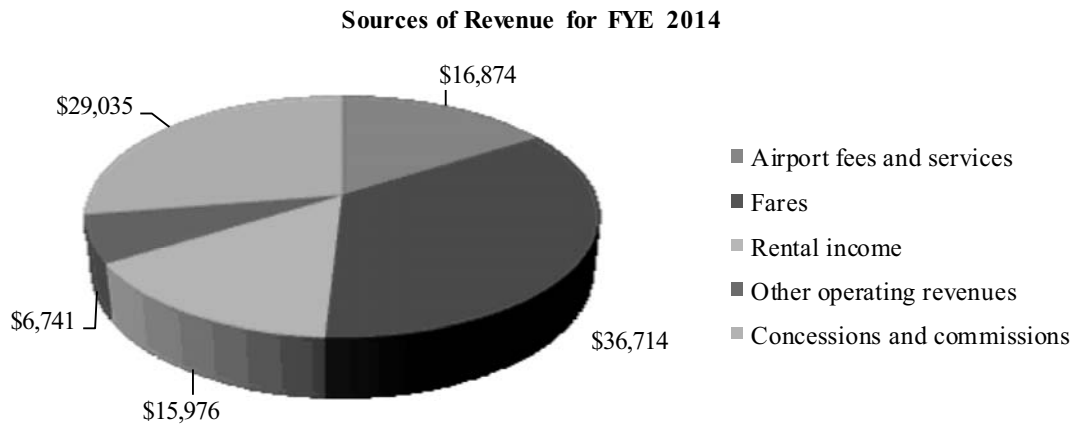
NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

March 31, 2014 vs. March 31, 2013

The Authority ended 2014 with total net position of \$439.9 million, a \$25.6 million or 5.5%, decrease as compared to 2013.



Significant items affecting the revenues, expenses and changes in net position are as follows:

Authority-wide operating revenues increased 0.5% from \$104.9 million to \$105.3 million due to the following:

- NFTA operating revenues increased 0.2%, from \$67.7 million to \$67.9 million.
 - BNIA airport fees and services increased \$0.7 million, or 4.6%, as increased direct landing area expenses, bond debt service costs and higher NFIA net deficit, are factored into signatory airline billings. The BNIA signatory airlines, as part of the landing fee rate, fund 50% of NFIA's net deficit, after capital needs. BNIA rental income increased \$0.7 million, or 7.3%, due to higher airline overnight parking and gate use fees. The Authority also realized a full year impact of a new lease agreement with auto rental companies which resulted in higher fixed rental billings, offset by lower variable auto rental revenue (concessions), based on a lowered negotiated minimum guarantee. BNIA concessions/commissions decreased \$1.5 million, or 5.1%, due to decreased parking lot/ramp and lower auto rental revenue resulting from the aforementioned negotiated lease agreement.
 - NFIA concessions/commissions increased \$0.3 million, or 23.1%, as a result of higher parking revenue.
 - Property Development Group operating revenue increased \$0.1 million, or 2.1%, due to higher Boat Harbor dock and gasoline sales revenue and increased rental revenue, primarily at Terminal A, partially offset by lower utility rebillings at 485 Cayuga Road.

METRO

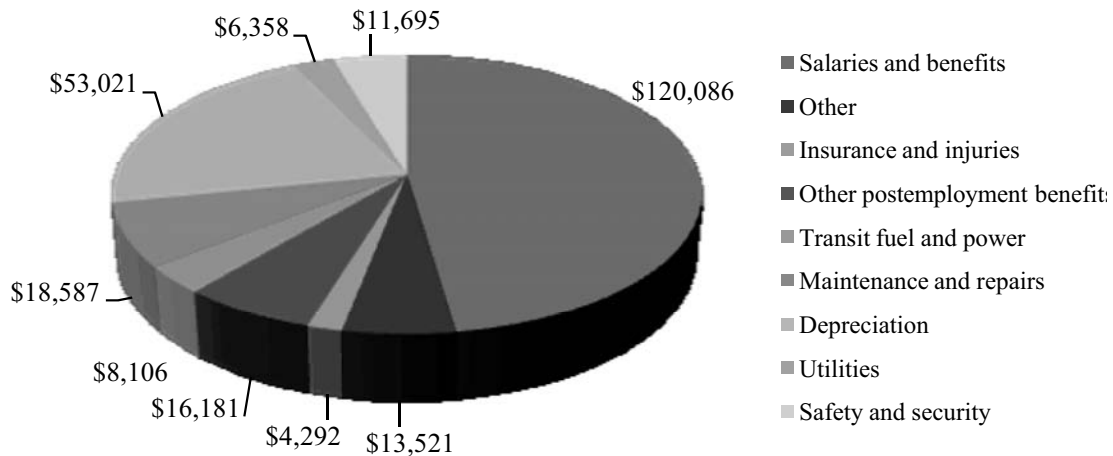
- Metro operating revenue increased 0.8%, from \$37.2 million to \$37.5 million, primarily due to higher university pass program revenue, while core ridership remained at similar levels.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

Expenses for FYE 2014



Operating expenses increased from \$250.4 million to \$251.8 million, or 0.6%, due to the following:

NFTA

- NFTA expenses increased 3.0% from \$82.9 million to \$85.4 million. Included in 2014 are \$4.6 million in health insurance postemployment costs and higher workers' compensation costs of \$0.7 million, or 85.0%, as 2014 included an unfavorable year-end actuarial adjustment based on cases outstanding. Decreased health insurance costs of \$0.2 million, or 2.9%, and lower pension costs of \$0.5 million, or 8.5%, are allocated throughout the NFTA to the business centers and support functions noted below. Other expense variances identifiable to business centers and administrative support areas are the following:

BNIA:

- Salaries and employee benefits increased \$0.5 million, or 3.5%, as a result of union contractual and non-represented employee increases and higher overtime and workers' compensation costs, partially offset by lower health insurance and pension costs.
- Maintenance & repairs increased \$0.7 million, or 8.8%, due to higher snowplowing, automotive (diesel fuel and supplies) and environmental costs, partially offset by decreased baggage maintenance costs as negotiations with a new supply company resulted in significant savings.
- Utilities increased \$0.6 million, or 25.7%, as an extraordinarily harsh winter resulted in increased electric and gas billings.
- Safety & security increased \$0.3 million, or 4.3%, as a result of increased police workers' compensation costs, partially offset by decreased health insurance and pension costs.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

- General business/other increased \$0.3 million, or 5.2%, as the partial reversal 2013 bad debt expense, and higher temporary help, parking management costs and advertising expenses contributed to the variance.

NFIA:

- Utilities increased \$0.04 million, or 12.0%, due to higher electric and gas billings (weather related).
- Safety and security increased \$0.2 million, or 66.4%, due to higher police workers' compensation and a reallocation of police resources to NFIA operations, partially offset by lower police health insurance and pension costs.
- General business/other increased \$0.2 million, or 33.7%, as a result of higher parking operation costs and temporary help.

Transportation Centers:

- Salaries and employee benefits increased \$0.1 million, or 12.7%, as a result of fewer staffing vacancies contractual and non-represented employee increases and higher overtime and workers' compensation costs, partially offset by lower health insurance and pension costs.
- Utilities increased \$0.07 million, or 21.9%, as the extraordinarily harsh winter contributed to higher electric and gas billings.
- Safety and security increased \$0.1 million, or 32.4%, due to a reallocation of police resources and higher police workers' compensation costs, partially offset by lower police health insurance and pension costs.

Property Development Group:

- Salaries and employee benefits increased \$0.05 million, or 8.4%, as a result of fewer staffing vacancies, union contractual and non-represented employee increases and higher workers' compensation costs, partially offset by lower health insurance and pension costs.
- Utilities increased \$0.1 million, or 20.4%, as a result of weather related increases to electric and gas billings at Cayuga Commerce Center and 485 Cayuga Road.
- Safety and security decreased \$0.04 million, or 62.3%, due to a reallocation of police resources and lower police health insurance and pension costs, partially offset by higher police workers' compensation costs.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

Administrative Support:

- Salaries and employee benefits increased \$0.7 million, or 2.5%, as a result of union contractual and non-represented employee increases, higher staffing and workers' compensation costs, partially offset by lower health insurance, pension costs and police overtime.
- Maintenance and repairs decreased \$0.1 million, or 20.3%, due to lower MIS service costs, police facilities maintenance costs and automotive expenses.
- Insurance claims and settlements decreased \$0.1 million, or 42.1%, resulting from lower police claim losses.
- General business/other increased \$0.4 million, or 15.4%, due to higher professional services/consultant costs, advertising, rent and general office expenses.

METRO:

- Metro operating expenses decreased 0.6% from \$167.5 million to \$166.4 million, due to the following:
 - Salaries and employee benefits increased \$2.4 million, or 2.6%, due to higher instruction labor, student labor, snowplowing labor, overtime and health insurance costs, partially offset by lower workers' compensation and pension costs.
 - 2014 includes \$11.6 million in health insurance postemployment costs, a decrease of \$0.3 million, or 2.7%.
 - Maintenance and repairs increased \$1.5 million, or 24.0%, as higher revenue and non-revenue vehicle maintenance, environmental and facility costs contributed to the variance.
 - Transit Fuel/Power decreased \$0.1 million, or 1.4%, due to decreased diesel fuel costs, partly attributable to favorable hedged prices, and lower rail traction costs.
 - Utilities increased \$0.5 million, or 28.6%, as the extraordinarily harsh winter contributed to higher electric and gas billings.
 - Other operating expenses decreased \$0.5 million, or 13.6%, as decreased transportation costs and recognition of a provision/reserve (bad debt) expense in 2013 contributed to the variance.

The net result of the above was an operating loss increase of 0.7% from \$145.6 million in 2013 to \$146.5 million in 2014.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

Net non-operating revenues for fiscal 2014 increased 10.1%, from \$88.3 million to \$97.2 million, compared to fiscal 2013 due to an increase in federal operating assistance of \$3.2 million, or 21.5%, a favorable adjustment of \$2.0 million related to the change in value of derivative instruments, a \$1.1 million adjustment related to ongoing union contract negotiations, and increased expenses of \$2.2 million related to the airport noise abatement project.

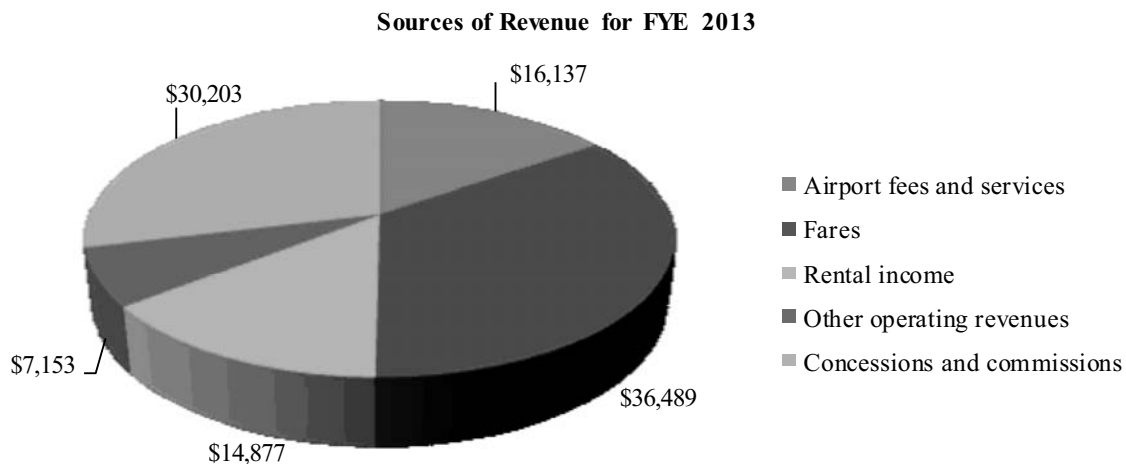
The net result of the above was a decrease in the loss before capital contributions of 14.0% from \$57.3 million in 2013 to \$49.3 million in 2014.

Capital contributions decreased 51% from \$48.4 million in 2013 to \$23.7 million in 2014 primarily due to lower grant funds related to decreased drawdowns of FTA, FAA, NYSDOT and other miscellaneous grants as 2013 included major runway work at NFIA and the purchase of thirteen hybrid buses.

Summary of Revenues, Expenses and Changes in Net Position

March 31, 2013 vs. March 31, 2012

The Authority ended 2013 with total net position of \$465.5 million, an \$8.9 million or 1.9%, decrease as compared to 2012.



NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

Significant items affecting the revenues, expenses and changes in net assets are as follows:

Authority-wide operating revenues increased 6.6% from \$98.3 million to \$104.9 million due to the following:

- NFTA operating revenues increased 3.7%, from \$65.2 million to \$67.6 million.
 - BNIA rental income increased \$1.2 million, or 14.1%, due to higher airline overnight parking and gate use fees related to increased business cyclical activity, a new lease agreement negotiated with auto rental companies resulting in higher fixed rental billings offset by lower variable auto rental revenue (concessions) resulting from a lowered negotiated minimum guarantee and higher terminal rental compensatory billings with increased terminal direct and indirect costs. BNIA concessions/commissions increased \$0.7 million, or 2.5%, primarily due to increased auto rental and parking lot/ramp revenue.
 - NFIA concessions/commissions increased \$0.2 million, or 18.0%, as a result of higher parking revenue.
 - Property Development Group operating revenue increased \$0.4 million, or 8.4%, due to higher Boat Harbor dock and gasoline sales revenue and increased rental revenue, primarily at 485 Cayuga Road.

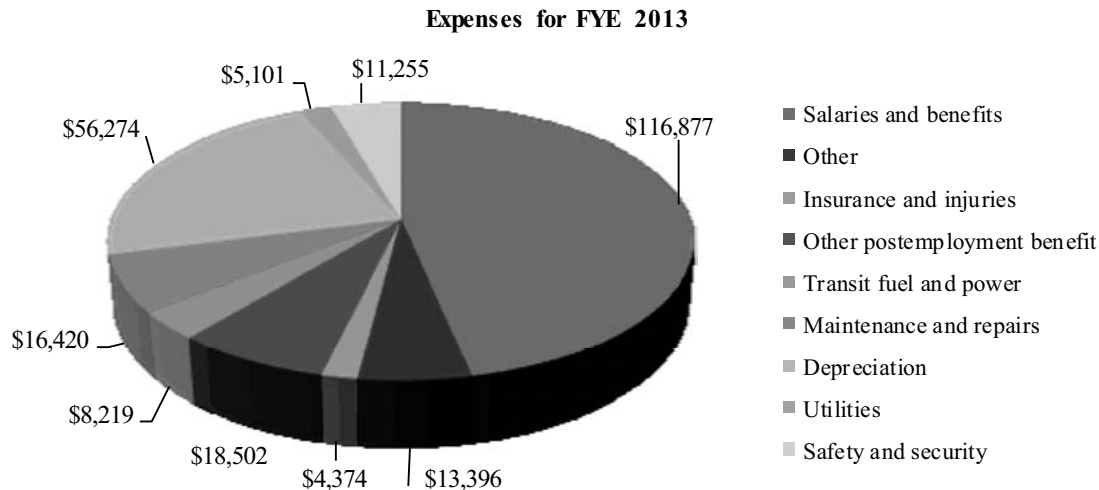
METRO

- Metro operating revenue increased 12.3%, from \$33.1 million to \$37.2 million, as base fares increased from \$1.75 to \$2.00, effective May 1, 2012.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)



Operating expenses decreased from \$250.5 million to \$250.4 million, due to the following:

NFTA

- NFTA expenses increased 3.8% from \$79.9 million to \$82.9 million. Included in 2013 are \$6.6 million in health insurance postemployment costs. Lower workers' compensation costs of \$1.1 million, or 58.5%, as 2012 included a negative year-end actuarial adjustment based on cases outstanding, and decreased health insurance costs of \$0.2 million, or 3.1%, partially offset by higher pension costs of \$0.4 million, or 7.2%, are allocated throughout the NFTA to the business centers and support functions noted below. Other expense variances identifiable to business centers and administrative support areas are the following:

BNIA:

- Salaries and employee benefits increased \$0.1 million, or 0.9%, as a result of union contractual increases and higher pension costs, partially offset by lower workers' compensation and health insurance costs.
- Maintenance & repairs increased \$0.4 million, or 4.4%, as higher snowplowing and automotive (diesel fuel and supplies) costs contributed to the variance.
- Utilities increased \$0.2 million, or 10.4%, due to increased usage.
- Safety & security decreased \$0.6 million, or 10.9%, as a result of decreased workers' compensation and health insurance costs. Also, traffic control costs increased \$0.3 million, or 43.7%, based on a new contract inclusive of a prevailing wage adjustment.

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NFIA:

- Salaries and employee benefits increased \$0.2 million, or 14.9%, as a result of union contractual increases, higher workers' compensation and increased staffing, consistent with greater business activity, partially offset by lower workers' compensation and health insurance costs.
- Maintenance and repairs decreased \$0.1 million, or 13.3%, due to lower runway repair costs.
- Safety and security decreased \$0.04 million, or 13.7%, due to lower police workers' compensation and health insurance costs and a reallocation of police resources to NFIA operations, partially offset by higher police pension costs.
- General business/other decreased \$0.3 million, or 35.3%, as a result of lower parking operation expense with the loss of Direct Air in March 2012 and the six week closure of our runway for major repairs. Also, 2012 included \$0.1 million in provision/reserve (bad debt) costs related to the Direct Air bankruptcy.

Transportation Centers:

- Utilities decreased \$0.05 million, or 12.7%, due to lower National Grid delivery costs and multi-year low natural gas prices.
- Safety and security increased \$0.03 million, or 10.2%, due to a reallocation of police resources and higher pension costs, partially offset by lower workers' compensation and health insurance costs.
- General business/other costs increased \$0.06 million, or 98.0% as 2013 included \$0.04 million in provision/reserves (bad debt) costs.

Property Development Group:

- Utilities decreased \$0.08 million, or 14.4%, as electric billings at 485 Cayuga Road decreased due to lower National Grid capacity and usage costs.
- Insurance and injuries increased \$0.02 million, or 17.0%, due to higher general liability costs.
- General business/other costs increased \$0.1 million, or 14.4%, as 2012 included \$0.1 million in NanoDynamics, Inc. bankruptcy proceeds.

Administrative Support:

- Personnel services decreased \$1.2 million, or 4.4%, as a result of a decreased police force, lower workers' compensation costs and health insurance costs, partially offset by higher pension costs and police overtime.
- Maintenance and repairs increased \$0.2 million, or 48.6%, due to higher MIS service costs and police automotive expenses.

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- Insurance and injuries increased \$0.1 million, or 60.9%, resulting from higher police claim losses.
- General business/other costs increased \$0.3 million, or 12.7%, due to a reallocation of adjudication department costs.
- Included in general business/other are contra accounts related to costs allocated to business centers. Police costs decreased with a reduced work force resulting in \$0.6 million or 2.9% change in general business/other.

METRO:

- Metro operating expenses decreased 1.9% from \$170.7 million to \$167.5 million, due to the following:
 - Salaries and employee benefits increased \$0.4 million, or 0.4%, due to higher workers' compensation, overtime and health insurance costs, partially offset by lower staffing costs.
 - 2013 includes \$11.9 million in health insurance postemployment costs, a decrease of \$2.1 million, or 14.8%.
 - Transit Fuel/Power decreased \$0.05 million, or 5.6%, due to decreased diesel fuel costs, partly attributable to favorable hedged prices, and lower rail traction costs.
 - Utilities decreased \$0.2 million, or 11.2%, as a result of lower National Grid capacity and usage costs.
 - Safety and security decreased \$0.9 million, or 16.6%, due to a decreased police force, lower police workers' compensation and health insurance costs, partially offset by higher police pension and overtime costs.
 - Other operating expenses increased \$0.2 million, or 6.2%, as increased advertising costs and recognition of a provision/reserve (bad debt) expense of \$0.06 million contributed to the variance.

The net result of the above was an operating loss decrease of 4.4% from \$152.2 million in 2012 to \$145.6 million in 2013.

Net non-operating revenues increased 1.7% from \$86.8 million in 2012 to \$88.3 million in 2013.

The net result of the above was a decrease in the loss before capital contributions of 12.4% from \$65.4 million in 2012 to \$57.3 million in 2013.

Capital contributions increased 4.3% from \$46.4 million in 2012 to \$48.4 million in 2013 primarily due to the timing of capital projects and bus purchases.

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(Unaudited)

Capital Assets

Non-depreciable capital assets include land and construction in progress. Depreciable capital assets include light rail rapid transit, airport buildings, metropolitan transportation centers, marine terminals, docks and wharves, motorbuses and equipment.

The following is a schedule of the Authority's capital assets:

	March 31		
	2014	2013	2012
	(In thousands)		
Nondepreciable:			
Land	\$ 63,137	\$ 63,137	62,572
Construction in progress	30,131	33,505	40,630
Total capital assets not subject to depreciation	93,268	96,642	103,202
Depreciable:			
Land improvements	339,893	344,464	311,963
Light rail rapid transit system	615,713	611,126	607,998
Airport buildings	271,209	270,672	267,888
Metropolitan transportation centers	20,846	20,849	20,849
Marine terminals, docks and wharves	26,568	27,433	27,566
Motor buses	136,412	134,560	130,534
Equipment, miscellaneous, buildings and other	136,552	134,860	133,590
Depreciable capital assets	1,547,193	1,543,964	1,500,388
Less accumulated depreciation	(966,810)	(936,268)	(889,827)
Total net capital assets	\$ 673,651	704,338	713,763

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Management's Discussion and Analysis

For the Years Ended March 31, 2014, 2013 and 2012
(Unaudited)

March 31, 2014 vs. March 31, 2013

Noteworthy capital asset additions and disposals for fiscal year 2014 were:

- NFTA additions included \$3.5 million and \$1.2 million for the BNIA Long Term Lot B Expansion and BNIA runway 5/23 and 14/32 intersection project, respectively. Also, NFIA runway 10L/28R rehabilitation from 2003 was disposed in 2014 as a result of the runway mill and overlay project of 2013.
- Metro additions included \$2.6 million for the ongoing mid-life railcar rebuild project, \$2.2 million and \$2.0 million for rail track bed replacement (600 block of Main Street) and the purchase of four trolley buses, respectively. Also, rail station structures and nineteen life-expired small transit buses were disposed in 2014.

March 31, 2013 vs. March 31, 2012

Noteworthy capital asset additions and disposals for fiscal year 2013 were:

- NFTA additions included \$16.5 million for the NFIA runway 10L/28R mill and overlay project, \$1.5 million for BNIA revolving doors replacement, and \$1.2 million for the BNIA two-tier departure level deck rehabilitation.
- Metro additions included \$8.7 million for the purchase of thirteen hybrid buses, \$2.4 million and \$2.4 million for the ongoing mid-life railcar rebuild project and the purchase of thirty-one small buses, respectively, and \$1.4 million for rail fastener and pad replacement. Also, thirty-seven life-expired transit buses were disposed in 2013.

Debt Administration

March 31, 2014 vs. March 31, 2013

At March 31, 2014, the Authority had \$154.0 million of outstanding debt. This represents a \$16.4 million, or 9.6%, decrease from 2013. Continued debt service payments related to BNIA and NFIA terminal construction, as well as repayment of the \$5.5 million line of credit drawn in 2012 for the anticipated receipt of New York State dedicated transit funds, contributed to the decrease.

March 31, 2013 vs. March 31, 2012

At March 31, 2013, the Authority had \$170.4 million of outstanding debt. This represents a \$13.7 million, or 7.4%, decrease from 2012. Debt service payments related to the construction of BNIA and NFIA terminals contributed to the decrease.

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OPERATIONS, ACCOMPLISHMENTS AND OUTLOOK FOR THE AUTHORITY

Surface Transportation

Metro bus and rail is the Authority's largest strategic business unit with over 1,100 employees. It is also the second largest transit provider in New York State, behind the Metropolitan Transportation Authority in New York City, and the only upstate transportation authority to operate a light rail system. It transports approximately 30 million passengers a year over 1,575 square miles.

Based on a calendar year 2012 On Board Study conducted by the Greater Buffalo-Niagara Regional Transportation Council, the majority of our transit riders are transit dependent. Eighty-two percent of riders do not have access to a vehicle and 55 percent of riders do not have a valid driver's license. Furthermore, 14 percent of riders surveyed in the region were unemployed. The survey found that the NFTA Surface Transportation System primarily serves people with lower incomes. On average 90% of riders were from households with an annual income of less than \$50,000 and 37% of riders were from households making less than \$10,000 annually.

Approximately 27% of Metro's revenues come from fare collection and advertising, while 73% comes from outside operating assistance. New York State provides 47% of total operating assistance, while 36% comes from local sources and 17% from the federal government. Any changes in these funding sources can have a significant impact on future operations. In fact, the Authority's five year capital and operating plan for fiscal years 15-19, projects approximately \$6 - \$13 million a year in additional support, primarily for surface transportation, will be required in order to be sustainable without dramatically impacting service or fare structure.

Further analysis also revealed that if State Operating Assistance was based on the Federal formula methodology the Authority would receive approximately \$9 million more per year since federal funding takes into consideration population, population density, bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle miles, and fixed guideway route miles.

However, the Authority recognizes that federal, state and local government sectors continue to face fiscal challenges and new funding sources need to be addressed for public transportation; our goal is to continue to work towards diversifying and growing the funding sources to help sustain public transportation for all of upstate New York.

As part of our Blueprint for the Future, in addition to stabilizing government assistance, our strategic plans concentrate on cost control, increasing organizational liquidity, technological improvements, operational changes such as implementation of a new fare box collection system providing more user flexible fare structures, improving service standards, continuing to engage the public with the newly established Citizens Advisory Committee for Public Transportation, developing our workforce, and growing locally generated revenue through public-private partnerships.

A Transit Intelligent Transportation System (ITS) Strategic plan has been drafted that will guide the implementation of ITS projects for the next 2 - 4 years.

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The NFTA continues work on several key innovative projects that will positively impact public transportation in the region and spur economic development. The Niagara Street Corridor Project will create a comprehensive urban transit corridor in the City of Buffalo that will improve NFTA bus service, advance the FTA's livability standards and act as a model for future corridors in the NFTA service area and throughout the United States. The project, which goes from Niagara Square in downtown Buffalo to Niagara and Ontario streets, focuses on a high-demand urban transit corridor which presents real opportunity for neighborhood revitalization, transit orientated development, and improved livability for local citizens. Final products of the project will include five new 40-foot CNG buses, a compact neighborhood transit center and park-and-ride with bus holding spaces near prime access points for six bus routes, traffic signal prioritization equipment to enhance bus flow and timing, and new bus shelters with solar panels and next bus notification technology. The anticipated completion is fiscal 2016.

NFTA is also continuing an alternatives study for the Amherst-Buffalo Corridor, which includes NFTA/Metro's highest ridership levels, to ensure recent economic development in the region has adequate infrastructure to address increased transportation needs. The Amherst-Buffalo Corridor would connect the current NFTA Light Rail System in Buffalo to the State University of New York at Buffalo's (UB) 1,100 acre North Campus in Amherst. This analysis is viewed as the first step for NFTA to make informed decisions about providing transit options for a growing ridership and could lead to a project to spur economic and transit oriented development.

In addition, the NFTA is engaged as part of One Region Forward. One Region Forward is a broad-based, collaborative effort to promote more sustainable forms of development in Erie and Niagara counties (the Buffalo Niagara Region) in land use, transportation, housing, energy and climate, access to food, and more. The primary deliverable of One Region Forward will be a Regional Plan for Sustainable Development, a federally recognized document that will give our region priority status for funding opportunities. It will serve as a basis for improving mobility, promoting more efficient land use patterns, strengthening our basic infrastructure, and growing the economy.

Looking at infrastructure, the ongoing Facility Consolidation Study is an opportunity for potential savings for Metro. The study is expected to be complete in fiscal 2015. The Light Railcar Mid-life Rebuild, a project to rehabilitate all 27 railcars that have been in service for over 25 years, and extends the life of the fleet for another 20 years, continues to progress. These improvements are being accomplished in New York State, adding to the State's economic development.

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Aviation

BNIA, the Authority's second largest strategic business unit, serves over 5 million passengers. This marks the eighth straight year of that level of passengers, a milestone that was not predicted until 2020. To accommodate growth, BNIA's Long Term Lot B was expanded in fiscal 2014 to accommodate an additional 988 cars. BNIA also continues to progress on the \$56.8 million Noise Mitigation Projects that will continue for the next two years. These projects are fully funded by the FAA, New York State and Passenger Facility Charges.

Located just five miles from Niagara Falls, the NFIA has been a catalyst for economic development. Since the completion of the new terminal building in 2009, the number of enplanements has grown significantly. This has resulted in a 25.9% increase of passengers from fiscal 2014, as NFIA hit the 0.2 million level of annual passengers for the first time. Overall, the Aviation Division continues to work on ways to increase revenues and attract more air service to NFIA.

A Master Plan for NFIA will be completed in fiscal 2015, including an overall Aviation Strategic Plan that considers the growth and positioning of both BNIA and NFIA. This will help shape the direction of the Authority's aviation system as a whole.

The Authority anticipates, in July 2014, issuing Airport Revenue Refunding bonds (Refunding Bonds). The Refunding bonds will refund approximately \$88,785 par value of outstanding debt estimated to yield debt service savings of approximately \$.7million annually from fiscal years 2016 - 2029.

Property Development

The Property Development Division serves as the Authority-wide provider of real estate services, managing over 2,000 acres of property throughout Erie and Niagara counties. It is responsible for the Authority's non-public transportation assets, including the NFTA Boat Harbor, the largest recreational boat harbor in New York State with over 1,000 slips.

The Authority owns 400 acres of waterfront property on the outer harbor of the City of Buffalo, including a 1,000 slip boat harbor. Effective May 11, 2014 this property, including the boat harbor, was transferred to the Erie Canal Harbor Development Corporation and New York State Office of Parks, Recreation and Historic Preservation for \$2. Under the terms of the agreement, the Authority will continue to operate the boat harbor until November 2014.

Additionally, in accordance with the Board of Commissioners' intention to divest properties that are not in concert with the Authority's transportation mission, purchase offers for the sale of Port Terminals A & B are currently under review.

CONTACT FOR THE AUTHORITY'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the finances of the Authority for interested parties. Questions concerning any information within this report or requests for additional information should be addressed to John T. Cox, Chief Financial Officer, 181 Ellicott Street, Buffalo, New York 14203.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
(A Component Unit of the State of New York)

Balance Sheets (In thousands)

March 31,	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 25,104	\$ 28,200
Accounts receivable, net of allowance for doubtful accounts of \$95 and \$196 in 2014 and 2013	6,155	5,427
Grants receivable	25,085	19,848
Materials and supplies inventory	4,159	3,971
Prepaid expenses and other	517	368
	<u>61,020</u>	<u>57,814</u>
Restricted assets:		
Cash and cash equivalents	46,887	44,978
Investments	25	25
	<u>46,912</u>	<u>45,003</u>
Prepaid bond insurance	1,543	1,683
Capital assets, net (Note 4)	673,651	704,338
	<u>722,106</u>	<u>751,024</u>
Total assets	\$ 783,126	\$ 808,838
Liabilities		
Current liabilities:		
Current portion of long-term debt	\$ 12,875	\$ 18,938
Accounts payable and accrued expenses	29,913	30,089
Customer deposits	3,159	2,601
Other liabilities	6,830	6,052
	<u>52,777</u>	<u>57,680</u>
Noncurrent liabilities:		
Fair value of swap agreements	5,043	7,333
Long-term debt	141,101	151,461
Other postemployment benefits	104,146	90,048
Payable to NYS Retirement	6,068	4,719
Estimated liability for self-insured claims	34,127	32,135
	<u>290,485</u>	<u>285,696</u>
Total liabilities	343,262	343,376
Net position		
Net investment in capital assets	519,675	533,939
Restricted	40,082	54,631
Unrestricted	(119,893)	(123,108)
Total net position	439,864	465,462
Total liabilities and net position	\$ 783,126	\$ 808,838

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Statements of Revenues, Expenses and Changes in Net Position (In thousands)

For the years ended March 31,	2014	2013
Operating revenues:		
Fares	\$ 36,714	\$ 36,489
Concessions and commissions	29,035	30,203
Rental income	15,976	14,877
Airport fees and services	16,874	16,137
Tenant reimbursements	1,651	1,668
Boat harbor fees	1,215	1,145
Retail sales	399	377
Other operating revenues	3,476	3,963
Total operating revenues	105,340	104,859
Operating expenses:		
Salaries and employee benefits	118,144	118,351
Other postemployment benefits	18,123	17,028
Depreciation	53,021	56,274
Maintenance and repairs	18,587	16,420
Transit fuel and power	8,106	8,219
Utilities	6,358	5,101
Insurance and injuries	4,292	4,374
Safety and security	11,695	11,255
Other	13,521	13,396
Total operating expenses	251,847	250,418
Operating loss	(146,507)	(145,559)
Non-operating revenues (expenses):		
Operating assistance	101,190	96,137
Passenger facility charges	10,176	10,876
Change in fair value of swap agreements	2,289	285
Interest expense, net	(7,782)	(8,330)
Airport noise abatement	(7,291)	(5,089)
Other non-operating expense, net	(1,383)	(5,599)
Total net non-operating revenues	97,199	88,280
Loss before capital contributions	(49,308)	(57,279)
Capital contributions	23,710	48,410
Change in net position	(25,598)	(8,869)
Net position, beginning of year	465,462	474,331
Net position, end of year	\$ 439,864	\$ 465,462

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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Statements of Cash Flows (In thousands)

For the years ended March 31,	2014	2013
Operating activities:		
Cash collected from customers	\$ 105,168	\$ 105,460
Cash paid for employee wages and benefits	(120,469)	(117,352)
Cash paid to vendors and suppliers	(58,817)	(49,768)
Cash paid for insurance and injuries	(2,300)	(3,501)
Net operating activities	(76,418)	(65,161)
Non-capital financing activities:		
Operating assistance	101,190	96,137
Capital and related financing activities:		
Repayments of long-term debt	(18,938)	(13,666)
Proceeds from issuance of new long-term debt	2,515	-
Escrow funds, net	314	214
Interest paid	(7,938)	(8,463)
Mortgage recording tax	464	1,134
Capital grants and contributions	18,473	45,931
Additions to capital assets	(22,453)	(47,022)
Construction retainages, net	(311)	169
Proceeds from sale of capital assets	166	111
Passenger facility charges	10,176	10,876
Airport noise abatement	(7,291)	(5,089)
Other	(1,292)	(5,538)
Net capital and related financing activities	(26,115)	(21,343)
Investing activities:		
Interest income	156	133
Net change in cash and cash equivalents	(1,187)	9,766
Cash and cash equivalents, beginning of year	73,178	63,412
Cash and cash equivalents, end of year	\$ 71,991	\$ 73,178
Reconciliation to Balance Sheets		
Cash and cash equivalents:		
Unrestricted	\$ 25,104	\$ 28,200
Restricted	46,887	44,978
Total cash and cash equivalents	\$ 71,991	\$ 73,178
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (146,507)	\$ (145,559)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation	53,021	56,274
Other postemployment benefits, net	14,098	12,324
Changes in assets and liabilities:		
Receivables	(728)	583
Materials and supplies inventory	(188)	163
Prepaid expenses and other	(149)	222
Accounts payable and accrued expenses	136	5,841
Customer deposits	558	20
Estimated liability for self-insured claims	1,992	873
Payable to NYS Retirement	1,349	4,098
Net cash used for operating activities	\$ (76,418)	\$ (65,161)

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

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Notes to Financial Statements

March 31, 2014 and 2013

(In thousands)

(1) **Financial Reporting Entity**

The Niagara Frontier Transportation Authority (the Authority) was created by an Act of the New York State Legislature in 1967 to promote the development and improvement of transportation and related services within the Niagara Frontier transportation district. The Niagara Frontier Transit Metro System, Inc. (Metro) was created as part of the Authority in 1974 to provide mass transportation services to the Niagara Frontier. Although Metro is a separate legal entity, the Authority maintains financial and governance responsibility over its operations.

The Authority, including Metro, is governed by a 13 member Board of Commissioners (the Board) appointed by the Governor of New York State (the State), with the consent of the New York State Senate. The Board governs and sets policy for the Authority. The Executive Director, subject to policy direction and delegations from the Board, is responsible for all activities of the Authority.

As a multi-modal transportation authority, the Authority operates a number of transportation related business centers including aviation, surface transportation and property management. The Authority's charter requires that it operate under an approved annual balanced consolidated budget. Therefore, its basic mode of operations calls for transfers, if necessary, within business centers that produce a surplus to those that incur a deficit.

The Authority follows the requirements of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, as well as GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and GASB Statement No. 14, *The Financial Reporting Entity*, which provide guidance to determine whether an affiliated organization is considered a component unit of a financial reporting entity. Based on its financial and governance responsibility for Metro, the Authority reports Metro as a blended component unit. The Authority is included in the financial statements of the State as an enterprise fund.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

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Notes to Financial Statements

March 31, 2014 and 2013

(In thousands)

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation and Measurement Focus*

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's financial statement presentation is prepared in accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, amended by the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

The Authority reports as a special purpose government engaged in business-type activities, as defined by GASB Statement No. 34, *Financial Statements – and Management's Discussion and Analysis-For State and Local Governments*, using the economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been satisfied.

The Authority's policy for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and payments made to purchase goods and services. Certain other transactions are reported as non-operating activities and include government funding and investment income.

Authority Operations

The Authority operates the following three strategic business centers:

Aviation

The Authority operates the Buffalo Niagara International Airport (BNIA) and the Niagara Falls International Airport (NFIA). BNIA is Western New York's primary passenger and cargo airport, while NFIA continues to serve as a general aviation airport with an emerging scheduled charter business. NFIA, shared with a military base, also serves as the Federal Aviation Administration (FAA) reliever airport for BNIA.

Property Management

The Property Management Department manages more than 2,000 acres of real estate. This includes the NFTA Boat Harbor, Outer Harbor property, rail right of ways, and non-public transportation assets, including industrial warehouse distribution and associated office space for lease.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
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March 31, 2014 and 2013

(In thousands)

Surface Transportation

Metro Operations

Metro provides the following operations:

MetroLink, a fixed route scheduled service providing community access to jobs, and a paratransit program for disabled persons.

A seasonal/tourist-oriented service operating replica trolley vehicles over a fixed loop route in the City of Niagara Falls.

A light rail system between downtown Buffalo and the State University of New York at Buffalo.

The majority of Metro operations employees are members of the Amalgamated Transit Union Local 1342 (ATU). Five other labor unions represent a small percentage of remaining employees. Management is currently renegotiating the ATU contract which expired March 31, 2009 and expects settlement without disruption to operations.

The Metropolitan Transportation Center, located in downtown Buffalo, serves as a bus terminal for Buffalo and its immediate suburbs and contains the offices for the Authority. The Niagara Falls Transit Center and the Portage Road Transit Center in Niagara Falls serve as the bus terminals for Niagara County.

(b) *Cash and Cash Equivalents*

Cash and cash equivalents principally include cash on hand, money market funds, certificates of deposit, U.S. Treasury bills and repurchase agreements with an initial term of less than three months.

(c) *Investments*

The Authority's investment policies comply with the New York State Comptroller's guidelines for Public Authorities. Investments consist primarily of obligations of the U.S. Government valued at cost, which approximates fair value. Securities are held by the banks in the Authority's name.

(d) *Revenue Recognition*

The Authority's principal sources of operating revenues are fares, airport fees and services, rental income, and concessions and commissions. Operating revenues from fares represent surface transportation services and are generated from cash and various fare media including tickets, passes and tokens which are recognized as income as they are used. Operating revenues from airport fees and services includes landing and terminal ramp fees. Rental income includes building and ground space rented to the airlines and air cargo carriers, among others. Operating revenues from concessions and commissions include parking fees and rental of retail space. These sources of operating revenues are recognized upon provision of services.

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March 31, 2014 and 2013

(In thousands)

Commissions from auto rental companies are recognized based upon monthly percentage of revenues earned during the contractual year with an annual adjustment for any minimum annual guaranteed fees.

Capital contributions are recorded when requests are submitted to funding agencies for reimbursement of capital expenditures incurred.

Non-operating revenues consist primarily of various federal, state and local operating subsidies which are recognized when all applicable eligibility requirements are met.

(e) Materials and Supplies Inventory

Materials and supplies inventory is valued based on the weighted average cost method.

(f) Restricted Assets

Certain cash deposits and investments are classified as restricted assets in accordance with bonding requirements or because their use is legally limited to specific purposes such as airport capital expansion and operations, and the light rail rapid transit system. The Authority's policy is to use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

(g) Bond Costs

Bond issuance costs, with the exception of prepaid insurance, are expensed as incurred. Insurance costs are amortized over the term of the related debt.

(h) Capital Assets

The Authority's policy is to capitalize assets that cost at least \$5,000 and have estimated useful lives of 2 years or more. Capital assets are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. The useful lives used in computing depreciation on principal classes of capital assets are as follows:

	<u>Estimated Useful Life</u>
Metropolitan Transportation Centers	25
Improvements	20-25
Buildings	20-45
Light Rail Rapid Transit System	10-45
Motor buses	12
Marine terminals, docks, and wharves	10-40
Equipment and other	3-10

Maintenance and repairs are charged to operations as incurred.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2014 and 2013

(In thousands)

(i) *Compensated Absences*

Authority employees are granted vacation and sick leave in varying amounts in accordance with collective bargaining agreements or Authority policy. The Authority provides for vacation, sick and compensatory time attributable to services already rendered and vested. The liabilities are determined based on employees' year end pay rates and included in other liabilities in the balance sheets.

(j) *Customer Deposits and Mortgage Recording Tax Revenue*

Operating revenues received in advance of services provided are recorded as customer deposits.

As required by New York State legislation, the Authority receives a percentage of mortgage recording taxes collected by Erie County. Receipts are recorded as other liabilities until all eligibility requirements are met.

(k) *Self-Insured Claims*

The Authority is self-insured for property damage, environmental claims, personal injury liability, and workers' compensation claims. An estimate of the liability is made by the Authority based primarily on information available from third-party administrator claims, actuarial studies, and in-house and outside legal counsel. Certain assets are intended to fund, in part, the ultimate settlement of such claims. The Authority also maintains excess liability insurance.

(l) *Other Liabilities (Escrow Funds)*

The Authority administers the funding of regional transportation improvement projects on behalf of the Federal Highway Administration (FHWA) for the Niagara International Transportation Technology Coalition (NITTEC). At March 31, 2014 and 2013, net advance payment provided by the FHWA for regional construction projects authorized by NITTEC and the FHWA totaled \$4,972 and \$4,714 and are recorded as other liabilities in the balance sheets.

(m) *Pensions*

The Authority provides retirement benefits to substantially all employees through various defined benefit retirement plans (Note 9).

(n) *Postemployment Benefits*

In addition to providing pension benefits, the Authority provides health insurance coverage for retired employees. Substantially all employees become eligible for these benefits when they reach normal retirement age with a minimum of ten years of service. Health insurance benefits are provided through an insurance company whose premiums are based on benefits paid during the year.

The Authority records these benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement established standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses and related liabilities and disclosures (Note 10).

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

(A Component Unit of the State of New York)

Notes to Financial Statements

March 31, 2014 and 2013

(In thousands)

(o) Taxes

As a public benefit entity, the Authority is exempt from federal and state income tax, as well as state and local property and sales taxes, with the exception of certain payments made in lieu of tax agreements.

(p) Use of Estimates

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

(q) Derivative Instruments

The Authority records derivative instruments in accordance with the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement enhances the usefulness and comparability of derivative instrument information reported by state and local governments by providing a comprehensive framework for the recognition, measurement, and disclosure of derivative instrument transactions. Derivative instruments such as interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts are entered into by governments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (i.e., hedgeable items); to lower the costs of borrowings; to effectively fix cash flows or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of GASB Statement No. 53 is that certain derivative instruments are reported at fair value in the financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

As of March 31, 2014 and 2013, the negative fair values of all investment and ineffective derivative instruments totaled \$5,043 and \$7,333, respectively, and are recorded as noncurrent liabilities in the statements of net position. Negative fair value decreases of \$2,290 and \$285 for 2014 and 2013 are recorded as non-operating revenues in the statements of revenues, expenses and changes in net position (Note 5).

To reduce its exposure to rising fuel costs, the Authority has entered into a contract that fixes the prices of certain vehicle fuels purchased from September 1, 2011 through August 31, 2014, with the right to extend for two additional one year periods. It is probable the Authority will take delivery of the fuel as specified and, therefore, the contract is considered a normal purchase contract and not subject to the requirements of GASB Statement No. 53.

NIAGARA FRONTIER TRANSPORTATION AUTHORITY

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March 31, 2014 and 2013

(In thousands)

(r) *Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position Restatement*

For the year ended March 31, 2013, the Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 amends the net asset reporting requirement in GASB Statement No. 34 and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure as net position, rather than net assets. GASB Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

(s) *Reclassification*

Certain amounts relating to the financial statements as of and for the year ended March 31, 2013 have been reclassified to be consistent with the current year's presentation.

(3) Cash Deposits and Investments

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At March 31, 2014 and 2013, none of the Authority's bank deposits were exposed to custodial credit risk.

The following describes the Authority's policies related to deposit and investment risk:

The Authority has a written investment policy applicable to each of its cash, cash equivalents, and investment accounts which is in compliance with the Authority's enabling legislation under Sections 1299e and 2925(3)(f) of the New York State Public Authorities Law. Further, pursuant to collateralizing its investments, the Authority is subject to General Municipal Law Section 10, *Deposit of Public Money*, whereby all cash, cash equivalents, and investments are fully insured by the Federal Deposit Insurance Corporation (FDIC) and/or are fully collateralized with U.S. government obligations held in the name of the Authority. Investments consist of U.S. Treasury notes purchased directly by the Authority.

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(4) Capital Assets

	<u>April 1, 2013</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>March 31, 2014</u>
Non-depreciable capital assets:				
Land	\$ 63,137	\$ -	\$ -	\$ 63,137
Construction in progress	33,505	-	(3,374)	30,131
Total non-depreciable capital assets	<u>96,642</u>	<u>-</u>	<u>(3,374)</u>	<u>93,268</u>
Depreciable capital assets:				
Land improvements	344,464	3,435	(8,006)	339,893
Light rail rapid transit (LRRT) system	611,126	11,877	(7,290)	615,713
Airport buildings	270,672	2,631	(2,094)	271,209
Metropolitan transportation centers	20,849	-	(3)	20,846
Marine terminals, docks, and wharves	27,433	6	(871)	26,568
Motor buses	134,560	3,141	(1,289)	136,412
Equipment, buildings, and other	134,860	4,809	(3,117)	136,552
Total depreciable capital assets	<u>1,543,964</u>	<u>25,899</u>	<u>(22,670)</u>	<u>1,547,193</u>
Accumulated Depreciation:				
Land improvements	201,420	16,296	(8,006)	209,710
LRRT system	431,847	9,962	(7,106)	434,703
Airport buildings	104,167	9,005	(2,088)	111,084
Metropolitan transportation center	14,380	461	(3)	14,838
Marine terminals, docks, and wharves	25,028	444	(875)	24,597
Motor buses	69,344	10,310	(1,289)	78,365
Equipment, buildings, and other	90,082	6,543	(3,112)	93,513
Total accumulated depreciation	<u>936,268</u>	<u>53,021</u>	<u>(22,479)</u>	<u>966,810</u>
Total depreciable assets, net	<u>607,696</u>	<u>(27,122)</u>	<u>(191)</u>	<u>580,383</u>
	<u>\$ 704,338</u>	<u>\$ (27,122)</u>	<u>\$ (3,565)</u>	<u>\$ 673,651</u>

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	<u>April 1, 2012</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>March 31, 2013</u>
Non-depreciable capital assets:				
Land	\$ 62,572	\$ 565	\$ -	\$ 63,137
Construction in progress	40,630	-	(7,125)	33,505
Total non-depreciable capital assets	<u>103,202</u>	<u>565</u>	<u>(7,125)</u>	<u>96,642</u>
Depreciable capital assets:				
Land improvements	311,963	32,501	-	344,464
Light rail rapid transit (LRRT) system	607,998	3,305	(177)	611,126
Airport buildings	267,888	2,784	-	270,672
Metropolitan transportation centers	20,849	-	-	20,849
Marine terminals, docks, and wharves	27,566	(133)	-	27,433
Motor buses	130,534	10,009	(5,983)	134,560
Equipment, buildings, and other	133,590	4,943	(3,673)	134,860
Total depreciable capital assets	<u>1,500,388</u>	<u>53,409</u>	<u>(9,833)</u>	<u>1,543,964</u>
Accumulated depreciaton:				
Land improvements	187,098	14,322	-	201,420
LRRT system	417,071	14,953	(177)	431,847
Airport buildings	99,445	4,722	-	104,167
Metropolitan transportation center	13,908	472	-	14,380
Marine terminals, docks, and wharves	19,977	5,051	-	25,028
Motor buses	64,886	10,441	(5,983)	69,344
Equipment, buildings, and other	87,442	6,313	(3,673)	90,082
Total accumulated depreciation	<u>889,827</u>	<u>56,274</u>	<u>(9,833)</u>	<u>936,268</u>
Total depreciable assets, net	<u>610,561</u>	<u>(2,865)</u>	<u>-</u>	<u>607,696</u>
	<u>\$ 713,763</u>	<u>\$ (2,300)</u>	<u>\$ (7,125)</u>	<u>\$ 704,338</u>

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(5) Long-Term Debt

(a) Long-term Obligations

	2014	2013
(1) Airport Revenue Bonds 2004:		
Series A, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.646% and a variable auction interest rate, offset by earned swap interest rate at 71% of the prevailing LIBOR rate	\$ 37,625	\$ 40,700
Series C, maturing April 1, 2024 with variable annual payments commencing March 10, 2005, bearing fixed interest at 3.55% and a variable auction interest rate, offset by earned swap interest rate at 69% of the prevailing LIBOR rate	5,950	6,425
(2) Airport Revenue Bonds 1999:		
Series A, maturing April 1, 2029 with variable annual principal payments commencing April 1, 2004, bearing interest at 4.75% to 5.875% (net of unamortized discount of \$1,266 in 2014 and \$1,318 in 2013)	63,403	66,323
Series B, maturing April 1, 2019 with variable principal payments commencing April 1, 2016, bearing interest at 5.50% (net of unamortized discount of \$75 in 2014 and \$91 in 2013)	13,700	13,685
(3) Airport Revenue Bonds 1998, maturing April 1, 2028, with variable annual principal payments commencing April 1, 2001, bearing interest at 4.10% to 5.00% (net of unamortized discount of \$299 in 2014 and \$318 in 2013)	13,842	14,447
(4) Payable to the State, non-interest bearing	3,380	3,380

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	2014	2013
(5) Capital leases, monthly payments with fixed interest rates ranging from 4.19% to 6.59%, maturing in 2019, secured by related equipment and a junior lien on net airport revenues	\$ 1,646	\$ 1,905
(6) Airport Revenue bonds, EFC series 2000, for glycol containment, issued to New York State Environmental Facilities Corporation (EFC) maturing January 15, 2020 with variable annual principal payments, bearing interest at 5.492% to 5.742%, offset by a variable refunding interest credit provided by EFC (NYS EFC Series 2011A)	1,395	1,600
(7) Bank Loan for BNIA Capital Projects, monthly payments with variable interest based on the 30 day LIBOR rate plus 225 basis points and fixed principal payments, maturing in 2015, secured by certain non-real estate property	3,357	6,929
(8) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	1,616	1,851
(9) Capital lease, monthly payments with fixed interest rate of 4.27%, maturing in 2020, secured by related equipment	4,113	4,207
(10) Bank loan for NFIA New Terminal Project, monthly payments with variable interest based on the 30 day LIBOR rate plus 265 basis points and fixed principal payments, maturing in 2015, secured by certain non-real estate property	1,424	3,324
(11) Loan, monthly payments with fixed interest rate at 4%, maturing in 2013, unsecured	-	108
(12) Capital lease, monthly payments with fixed interest rate of 5.5%, maturing in 2016, secured by related equipment	10	15
(13) Revolving line of credit for NYS Dedicated Transit Funds with variable interest rate of LIBOR plus 1.69%, repaid May 16, 2013	-	5,500
(14) Capital lease, monthly payments with fixed interest rate of 2.57%, maturing in 2022, secured by related property	2,515	-
	153,976	170,399
Less current portion	12,875	18,938
	\$ 141,101	\$ 151,461

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The following is a description of the Authority's long-term debt:

- (1) On January 15, 2004, the Authority issued \$63,000 in Series 2004A and \$10,025 in Series 2004C Airport Revenue Bonds with fixed interest rates of 3.646% and 3.55%, respectively, and variable auction rates offset by a swap of fixed percentages of the prevailing LIBOR rate. These bonds were issued to advance refund the Series 1994A and the Series 1994C Airport Revenue Bonds of \$55,435 and \$9,765 with interest rates ranging from 5.70% to 6.25% for Series 1994A and 5.50% to 6.00% for Series 1994C, respectively.
- (2) On September 17, 1999, the Authority issued \$102,110 of additional Airport Revenue Bonds to provide funding for the continued expansion of the BNIA. The bonds were issued as a supplement to the 1994 and 1998 bond issuance with similar provisions. These bonds were sold at a discount of \$1,582 which is being amortized using the interest method over the life of the bonds.
- (3) On August 25, 1998, the Authority issued \$20,375 of additional Airport Revenue Bonds to provide funding for the expansion of the BNIA. The bonds were issued as a supplement to the 1994 bond issuance with similar provisions. These bonds were sold at a discount of \$546 which is being amortized using the interest method over the life of the bonds.
- (4) The State Legislature passed a law in 1994 that granted the Authority immediate relief from the repayment covenant for a non-interest bearing loan totaling \$3,380. The law provides in pertinent part that repayment of the loan would be deferred for a two-year period, which expired on May 12, 1996. The Director of the Budget has been granted the discretion to either enter into an agreement with the Authority setting forth a schedule for reimbursement without interest or waive the requirement for reimbursement in whole or in part. No decision has been made to date. Maturities for this loan have been included in the category of loans and capital leases for long-term debt maturities for 2030 through 2034 due to the uncertainty of repayment.

The Airport Revenue Bonds from 2004, 1999, 1998, and EFC Series 2000, are payable from and secured by a lien against net revenues derived from the operations of the BNIA. Payment of scheduled bond principal and interest payments are also guaranteed by municipal bond insurance policies maintained by the Authority. The bonds are special limited obligations of the Authority. They are neither general obligations of the Authority nor a debt of the State or any political subdivision.

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Changes in long-term debt for the years ended March 31, 2014 and 2013 were as follows:

	2014	2013
Balance, beginning of year	\$ 170,399	\$ 184,065
Proceeds from issuance of debt	2,515	-
Repayment of long-term debt, net of discount amortization	(18,938)	(13,666)
Balance, end of year	153,976	170,399
Less current portion	12,875	18,938
Noncurrent portion	\$ 141,101	\$ 151,461

Required principal and interest payments for long-term debt, net of unamortized discounts, are as follows:

	Loans and Capital Leases		Serial Bonds		
			Unamortized		
	Principal	Interest	Principal	Discount	Interest
Years ending March 31,					
2015	\$ 5,257	\$ 569	\$ 7,710	(92)	\$ 6,662
2016	1,243	474	7,940	(97)	6,438
2017	967	432	8,475	(99)	5,928
2018	1,016	391	8,710	(101)	5,643
2019	1,066	346	9,245	(98)	5,140
2020 - 2024	2,495	1,270	51,955	(504)	18,866
2025 - 2029	1,293	792	36,360	(649)	7,344
2030 - 2034	4,724	207	7,160	-	201
	\$ 18,061	\$ 4,481	\$ 137,555	\$ (1,640)	\$ 56,222

At March 31, 2014 and 2013, the Authority was in compliance with all loan and bond covenants.

(b) Derivative Instruments

Interest Rate Swaps

To reduce exposure to changing interest rates, the Authority entered into two hedging interest rate swaps with Goldman Sachs Capital Markets, L.P. in connection with its \$73,025 Refunding Series 2004A and 2004C variable-rate bonds. The interest rate swaps are forward, floating-to-fixed agreements in notional amounts equal to the outstanding bonds pursuant to which the Authority will pay a specified fixed rate of interest in return for receipts of a variable rate of interest based on a fixed percentage of the prevailing LIBOR rate. The intention of the interest rate swaps was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 3.646% and 3.55% for Series 2004A and 2004C, respectively.

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Risks

Below is a list of risks inherent in the Authority's interest rate swaps:

Basis Risk – The risk that the Authority's variable rate interest payments will not equal the variable rate swap receipts because they are based on different indexes. If the rate under the swap is lower than the bond interest rate, the payment under the swap agreement will not fully reimburse the Authority for the interest payments on the bonds. However, if the bond interest rate is lower than the swap payment, there is a net gain to the Authority. The Authority experienced an unfavorable basis variance of \$2,137 and \$2,029 for the years ending March 31, 2014 and 2013, respectively.

The Series 2004 Bonds were issued to refund the Authority's outstanding Airport Revenue Bonds, Series 1994A and 1994C, which, together with the Authority's interest rate swaps entered into with respect to the Series 2004 Bonds, are expected to achieve debt service savings for the Authority.

Tax Risk – The risk that a change in Federal tax rates will alter the fundamental relationship between auction rates and LIBOR.

Interest Rate Risk – The risk that changes will adversely affect the fair value or cash flows.

Credit Risk – The risk that a counterparty will not fulfill its obligations under the swap. In this event, the Authority would have to pay another entity to assume the position of the defaulting counterparty. The Authority has sought to limit its counterparty risk by contracting with a highly rated entity.

Terms

At March 31, 2014, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of \$4,379 and \$664, respectively. At March 31, 2013, the fair value of the Series 2004A and 2004C interest rate swaps was a negative fair value of \$6,356 and \$977, respectively. The combined negative fair values of \$5,043 and \$7,333 were recorded in accordance with the provisions of GASB 53. At March 31, 2014, the notional amounts of Series 2004A and 2004C swaps were \$37,625 and \$5,950, respectively. At March 31, 2013, the notional amounts of Series 2004A and 2004C swaps were \$40,700 and \$6,425, respectively. The terms of the interest rate swaps will remain in effect until the bonds are fully matured on April 1, 2024 or a 10 year investment maturity.

The Authority evaluated the effectiveness of the interest rate swap derivatives that existed at the end of the reporting period. Due to the risks inherently noted above, the Series 2004A and 2004C interest rate swaps as of March 31, 2012 were considered ineffective because they did not meet the effectiveness criteria under the synthetic instrument method (SIM) quantitative method of evaluating effectiveness. Therefore, changes in the fair value of the swaps are recorded as derivative instrument losses in the statements of revenues, expenses and changes in net position for 2012 and all future periods.

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(6) Unearned Mortgage Recording Tax 88(c) Revenue

Changes in unearned mortgage recording tax revenues for the years ended March 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 1,394	\$ 260
Receipts of funds	5,817	6,100
Interest income	1	3
Light rail capital and operating expenditures	<u>(5,354)</u>	<u>(4,969)</u>
Balance, end of year	<u>\$ 1,858</u>	<u>\$ 1,394</u>

(7) Passenger Facility Charges

In 1992, the Federal Aviation Administration (FAA) approved the Authority's application to impose collection of Passenger Facility Charges (PFC) at the BNIA. PFCs used specifically for FAA approved projects at the BNIA and included in non-operating revenues totaled \$10,176 and \$10,876 for the years ended March 31, 2014 and 2013.

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(8) Operating Assistance

Operations are funded primarily by farebox revenues from passengers and operating subsidy payments from the Federal Transit Administration (FTA) under Sections 5307 and 5311 of the Urban Mass Transportation Administration (UMTA) Act; the State, Erie and Niagara Counties (pursuant to State transportation laws); and the Buffalo & Fort Erie Public Bridge Authority. Assistance recognized as revenue for the years ended March 31, 2014 and 2013 was as follows:

	2014	2013
Metro:		
FTA:		
Section 5307 and 5311 assistance	\$ 14,681	\$ 10,628
Section 5307 capital maintenance	429	408
Other	1,909	2,353
Total FTA	17,019	13,389
State:		
Statewide transit operating assistance program	40,827	40,827
Section 18b assistance	4,100	4,100
Section 5307 capital maintenance match	1,882	1,373
Other	210	236
Total State	47,019	46,536
Erie County:		
88(c) – general	4,750	4,012
Mortgage recording tax (section 88a)	7,129	7,187
Section 18b matching funds	3,657	3,657
Sales tax receipts	18,926	18,295
Total Erie County	34,462	33,151
Niagara County:		
Mortgage recording tax	1,167	1,070
Section 18b matching funds	443	443
Total Niagara County	1,610	1,513
Buffalo and Fort Erie Public Bridge Authority	200	200
	100,310	94,789
NFTA:		
Department of Homeland Security	872	1,345
Department of Justice	8	3
	880	1,348
	\$ 101,190	\$ 96,137

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(9) Retirement Plans

(a) *New York State Retirement System*

The Authority participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS) (the Systems). The Systems are cost-sharing, multiple-employer public employee retirement systems that provide retirement benefits as well as death and disability benefits. These benefits are provided in accordance with the New York State Retirement and Social Security Law (NYSRSSL), which also governs obligations of employers and employees to contribute. The benefits to employees are guaranteed under the State constitution. The Authority's election to participate in the State plans is irrevocable.

As set forth in the NYSRSSL, the Comptroller of the State (the Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller adopts and may amend rules and regulations for the administration and transaction of the Systems and for the custody and control of their funds. The Systems issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12236, or on the internet at www.osc.state.ny.us/retire.

No employee contributions are required for those whose service began 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 whose service began on or after January 1, 2010 through March 31, 2012 are required to contribute 3% of their salary for the entire length of service. Employees who joined on or after April 1, 2012, contribute based on annual wages at a rate of 3-6% for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. The rates range from 10.1% to 28.8% of annual covered payroll over the past three years.

The Authority's contributions to the Systems for the years ended March 31, 2014, 2013 and 2012 were \$6,162, \$5,897 and \$5,447, respectively. The Authority contributions made to the Systems were equal to 100% of the contributions required for each year.

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(b) Amalgamated Transit Union Division 1342 NFT Metro Pension Plan

Plan Description

All full-time Metro employees who are ATU members are covered by the Amalgamated Transit Union Local 1342 Niagara Frontier Transit Metro System Pension Fund (the ATU Plan), a defined benefit pension plan established in accordance with an Agreement and Declaration of Trust between the ATU and Metro (the Agreement). Pursuant to the ATU Union Contract signed in 1993, a portion of part-time employee compensation is also contributed by Metro to the ATU Plan, although part-time employees do not participate in or benefit from the ATU Plan.

The ATU Plan is managed by four Trustees, two union representatives and two management representatives. These Trustees are responsible for management of investments and payments to retirees. The ATU Plan issues a publicly available financial report that includes financial statements and notes. That report may be obtained by writing to Amalgamated Transit Union Local 1342, 196 Orchard Park Road, West Seneca, New York 14224.

Funding Requirement

Each eligible employee is required to contribute the greater of sixteen dollars or 4% of their weekly payroll. Metro's contribution is 11% of eligible employee wages and is determined pursuant to the collective bargaining agreement (CBA) between Metro and the ATU. Metro's contributions to the Plan recorded on the statements of revenues, expenses and changes in net position, pursuant to the CBA, totaled \$5,448 and \$5,478 for 2014 and 2013. The Agreement provides that Metro is not obligated to make any other payment to fund the benefits or to meet any expenses of administration and, in the event of termination, Metro will have no obligation for further contributions to the ATU Plan. Therefore, net pension assets and liabilities of the ATU plan are not recorded by the Authority.

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(c) Metro Nonunion Retirement Plan

Effective January 1, 1997, active non-bargaining unit participants in the Niagara Frontier Transit Metro System, Inc. Retirement Plan (Metro Plan) transferred to the employment of the NFTA and were given the opportunity to elect to have their contribution accounts transferred from the Metro Plan to ERS. The enabling legislation that provided for the purchase of service credits under ERS for pre-transfer service obliges the Authority to make \$465 additional annual contributions commencing December 1997 to ERS (in addition to its regular employer contribution) each year for 25 years, and to amortize the liability assumed by ERS for benefits attributable to the former Metro Plan participants' pre-transfer service. The Metro Plan was amended as of January 1, 1998, at which time the plan was frozen.

The Authority's annual pension cost and net pension obligation of the Metro Nonunion Plan for the years ended March 31 were as follows for the plan year which encompasses January 1 through December 31:

	2014	2013
Annual required contribution	\$ (432)	\$ (567)
Interest on net pension asset	(31)	(24)
Adjustment to annual required contribution	31	24
Annual pension cost	(432)	(567)
Contributions made	73	576
Decrease (increase) in net pension asset	(359)	9
Net pension asset, beginning of year	(567)	(576)
Net pension asset, end of year	\$ (926)	\$ (567)

The

annual required contribution was determined using the Unit Credit Actuarial Cost Method. The actuary assumed a 4.75% investment rate of return, mortality rates based on the Applicable Mortality Table for the Valuation Year, and retirement age 62 with 5 years of service.

At December 31, 2013, on the basis for actuarial assumptions used for funding purposes, the actuarial value of the plan assets of \$5,094 is lower than the actuarial accrued liabilities of \$5,457.

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(10) Postemployment Benefits

Postemployment Health Care

The Authority provides a defined benefit postemployment health care plan (the Plan) for essentially all full-time employees with a minimum of ten years service upon retirement. Upon retirement, most Authority employees are provided 50% of the medical insurance premiums while certain management employees hired prior to February 2004 are provided with continuation of full medical coverage.

Metro retirees are provided with a monthly stipend representing the insurance premium amount of a single medical coverage if they retired prior to January 1, 2004. If they retired subsequent to January 1, 2004, Metro retirees are provided with continuation of full medical coverage.

GASB Statement No. 45 requires the recognition of the costs of postemployment benefits during the periods when employees render services that will eventually entitle them to the benefits. This cost is referred to as the annual required contribution (ARC) and includes:

- amortization of the unfunded actuarial accrued liability (UAAL) for the current year, which is the actuarially-determined and unfunded present value of all future OPEB costs associated with current employees and retirees as of the beginning of the year
- normal cost which is the actuarially-determined cost of future OPEB earned in the current year

The ARC represents an amount that, if funded each year, would ultimately satisfy the UAAL at the end of the amortization period (30 years) as well as each year's normal cost during that timeframe. A liability is recognized to the extent that actual funding is less than the ARC. This liability is reflected as a noncurrent liability on the statements of net position as other postemployment benefits. The Authority's Board has the authority to establish a funding policy for the Plan. The Authority's current policy is to fund the benefits to the extent of premium payments, on a "pay-as-you-go" basis. The plan does not issue a publicly available financial report.

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The following table summarizes the Authority's ARC, the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation for the years ended March 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Annual required contribution		
Normal cost	\$ 7,734	\$ 7,275
Amortization of UAAL	<u>11,943</u>	<u>11,088</u>
Annual required contribution	<u>19,677</u>	18,363
Interest on OPEB obligation	4,266	3,665
Adjustment to ARC	<u>(5,820)</u>	<u>(5,000)</u>
Annual OPEB cost	<u>18,123</u>	17,028
Employer contributions	<u>(4,483)</u>	<u>(3,677)</u>
Increase in net OPEB obligation	<u>13,640</u>	13,351
Net OPEB obligation, beginning of year	<u>94,794</u>	<u>81,443</u>
Net OPEB obligation, end of year	<u>\$ 108,434</u>	<u>\$ 94,794</u>

The Authority's total annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the years ended March 31, 2012 through March 31, 2014 were:

March 31,	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 18,123	24.74%	\$ 108,434
2013	\$ 17,028	21.59%	\$ 94,794
2012	\$ 21,389	18.98%	\$ 81,443

The actuarial analysis supporting the GASB 45 obligation for 2014 was completed using an interim valuation date of April 1, 2013. As of that date, the total actuarial accrued liability (UAAL) for future benefits was \$48,320 for the Authority and \$158,745 for Metro, all of which is unfunded. These projections are based on the April 1, 2012 census data, claims information and the impact of healthcare reform. The covered payroll (annual payroll of active employees covered by the plan) was \$84,348, and the ratio of the UAAL to the covered payroll was 245.5%.

The actuarial valuation involves estimates of costs and the impacts of events far into the future. Examples include employee turnover and retirement rates, employee and retiree mortality, and changes in health care costs and interest rates. The benefits are subject to routine actuarial revaluations and these analyses will reflect revised estimates and assumptions as actual results are compared to past projections and expectations of the future. Any changes in these factors will impact the results of future valuations.

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The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial calculations reflect a long-term prospective and use techniques designed to reduce short-term volatility in actuarial accrued liabilities. A summary of the methods and assumptions is provided below:

- Healthcare cost trend is estimated at 7.75% next year, ultimately declining to 5% in year 2023 and remaining level thereafter
- Actuarial cost method used is Projected Unit Credit
- Discount rate is 4.50%
- Amortization method is 30 years, open, level dollar method
- RP-2000 Mortality Table for annuitants and nonannuitants with projected mortality improvements using scale AA

Postemployment Stipends

As of March 31, 2014, there are 214 retirees within Metro who retired prior to January 1, 2004. Each retiree is provided with a cash stipend equivalent to the single medical premium cost and, if enrolled in Medicare, the retiree also is provided with full Medicare reimbursement. The retiree has the option of any combination of cash stipend and/or health insurance continuation.

Health care benefits where the recipient has the option to receive cash stipends in lieu of coverage are treated as pension benefits. The Authority's annual pension cost and net pension obligation (asset) related to such stipends was:

	2014	2013
Annual required contribution	\$ 2,805	\$ 1,724
Interest on net pension cost	(190)	(149)
Adjustment to ARC	506	215
Annual pension cost	3,121	1,790
Employer contributions	(2,663)	(2,817)
(Decrease) Increase in net pension asset	458	(1,027)
Net pension asset, beginning of year	(4,746)	(3,719)
Net pension asset, end of year	\$ (4,288)	\$ (4,746)

The actuarial accrued liability at March 31, 2014 and 2013 was \$24,665 and \$26,328, respectively, all of which is unfunded. The net pension asset of \$4,288 and \$4,746 as of March 31, 2014 and 2013, respectively, has been recorded as a net noncurrent liability on the statements of net position as other postemployment benefits. The current policy is to fund on the "pay as you go" basis.

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A summary of the actuarial methods and assumptions is provided below:

- Healthcare cost trend is estimated at 8% next year declining 1% per year through 2017 For pre-age 65; 6.5% next year declining to 5% through 2017 for post-age 65
- Actuarial cost method used is Projected Unit Credit
- Discount rate is 4%
- Amortization method is 30 years, open, level dollar method
- RP-2000 Tables for Healthy Male and Female Retirees with mortality improvements using scale AA

(11) Leases

A substantial portion of the Authority's revenue is generated by a number of fixed-term operating leases at its airport, marine and transportation center facilities. The leases generally provide for rentals determined on the basis of a rate per square foot occupied or a percentage of the lessee's gross revenues with guaranteed minimum amounts. Total revenue from leases was \$59,980 and \$60,722 in 2014 and 2013, including guaranteed minimum rentals of \$22,740 and \$24,570 during 2014 and 2013, respectively.

Fixed-term operating leases in effect at March 31, 2014 are expected to yield minimum rentals in future years as follows:

2015	\$ 21,867
2016	20,967
2017	20,703
2018	17,505
2019	11,357
2020 - 2024	13,172
2025 - 2029	9,167
2030 - 2034	1,108
2035 - 2039	896
2040 - 2044	568
	<u>\$ 117,310</u>

(12) Commitments and Contingencies

(a) *Litigation and Claims*

In the normal course of business, it is not uncommon for the Authority to incur litigation surrounding certain events. There are outstanding lawsuits involving substantial amounts that have been filed against the Authority. Based on the facts presently known, management and in-house legal counsel do not expect these matters to have a material adverse effect on the Authority's financial condition or results of operations.

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(b) Self-Insured Claims

The Authority assumes the liability for most risks including, but not limited to, property damage, environmental claims, personal injury claims, and workers' compensation claims. Estimated liabilities for these claims, which are not covered by insurance, have been reflected in the financial statements. Workers Compensation liabilities are estimated based on an actuarial valuation dated April 16, 2014. Other self-insured liabilities are estimated by the Authority based on available information. Management believes that such liabilities are adequate 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 March 31, 2014 and 2013 were as follows:

	2014	2013
Liability, beginning of year	\$ 32,135	\$ 31,262
Current year claims and change in estimate	9,905	10,229
Claim payments	(7,913)	(9,356)
Liability, end of year	\$ 34,127	\$ 32,135

The Authority is subject to various federal, state, and local laws and regulations relating to the protection of the environment. The Authority has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and assure compliance with regulatory policies and procedures.

Environmental expenditures that relate to current operations are expensed or capitalized in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with notification by an outside agency, determination of the need for a feasibility study, or the Authority's commitment to a formal plan of action based on completion of the feasibility study. The Authority currently has no accrued environmental liabilities.

(c) Project Commitments

As of March 31, 2014, the Authority has commenced several projects including:

- NFIA runway 10L/28R mill and overlay improvements estimated at \$21,004 of which \$18,355 was expended
- BNIA noise abatement program estimated at \$54,306 of which \$43,732 was expended (expenditures are classified as non-operating expenses in the statements of revenues, expenses and changes in net position)
- Rail car refurbishment estimated at \$45,564 of which \$25,824 was expended
- BNIA Long Term Lot B expansion estimated at \$5,010 of which \$4,469 was expended
- Metro (Bus and Rail) fare collection upgrade \$691 of which \$1 was expended

Funding for these projects will be provided from anticipated federal, state and local grant awards, passenger facility charges, outside financing and other revenue sources.

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(13) Segment Information – Buffalo Niagara International Airport

BNIA is Western New York’s primary passenger and cargo airport. In fiscal year 1991, the Authority began the Airport Improvement Program to build a new terminal building and provide improved facilities for BNIA passengers. The Authority issued Airport Revenue Bonds (Note 5) pursuant to a Master Resolution approved by Board of Commissioners for the construction of the BNIA. The Master Resolution contains certain compliance covenants including requiring net airport revenues to be a minimum percentage of net debt service. The bonds are payable from and are secured by a lien on net revenues derived from the operations of the BNIA. The bonds are special limited obligations of the Authority. They are not general obligations of the Authority and are not a debt of the State or any political subdivision.

(a) Condensed Balance Sheets (BNIA)

	2014	2013
Assets:		
Current	\$ 42,564	\$ 46,305
Capital assets, net	265,770	278,343
Other	54,343	50,936
Total assets	\$ 362,677	\$ 375,584
Liabilities:		
Current liabilities	\$ 18,251	\$ 17,063
Long-term liabilities	141,156	153,615
Total liabilities	\$ 159,407	\$ 170,678
Net position:		
Net investment in capital assets	\$ 121,630	\$ 123,303
Restricted	36,804	49,253
Unrestricted	44,836	32,350
Total net position	\$ 203,270	\$ 204,906

Included in current and other assets are airport revenue bond fund accounts and other cash and deposit accounts totaling \$33,868 and \$22,555 for the fiscal year ended March 31, 2014 and \$29,879 and \$20,637 for the fiscal year ended March 31, 2013, respectively.

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(In thousands)

(b) Condensed Statements of Revenues, Expenses and Changes in Net Position (BNIA)

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Concessions and commissions	\$ 27,400	\$ 28,880
Airport fees and services	16,775	16,095
Rental income	10,682	9,955
Other	4,000	4,458
Total operating revenues	<u>58,857</u>	<u>59,388</u>
Operating expenses	40,287	37,922
Depreciation expense	20,026	20,510
Operating income (loss)	<u>(1,456)</u>	<u>956</u>
Non-operating revenues (expenses):		
Change in fair value of swap agreements	2,289	285
Interest expense, net	(7,133)	(7,615)
Passenger facility charges	10,176	10,876
Airport noise abatement	(7,291)	(5,089)
Other, net	(6,231)	(5,470)
Loss before capital contribution	<u>(9,646)</u>	<u>(6,057)</u>
Capital contributions	8,010	8,355
Change in net position	<u>(1,636)</u>	<u>2,298</u>
Net position, beginning of year	204,906	202,608
Net position, end of year	<u>\$ 203,270</u>	<u>\$ 204,906</u>

(c) Condensed Statements of Cash Flows (BNIA)

	<u>2014</u>	<u>2013</u>
Net cash provided by operating activities	\$ 24,104	\$ 19,301
Net cash provided by investing activities	141	110
Net cash used in capital and related financing activities	<u>(20,298)</u>	<u>(16,987)</u>
Net increase in cash	3,947	2,424
Cash, beginning of year	50,517	48,093
Cash, end of year	<u>\$ 54,464</u>	<u>\$ 50,517</u>

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(In thousands)

(d) Master Resolution Covenant

Subsection(a) of Section 5.02 of the Master Resolution requires the Authority to charge rates, rentals, fees, and charges at the BNIA, which are sufficient to pay debt service, operating expenses, and any and all other claims and charges relating to the BNIA. In addition, net airport revenues must at all times be at least 125% of net debt service on all bonds outstanding. The Authority has the ability to bill the airlines to meet the bond covenant pursuant to the Airline Use and Lease Agreement.

Airport revenues are defined in the Master Resolution as the total of all revenue from all sources collected by the Authority at the BNIA, which specifically excludes passenger facility charges and includes interest income. Passenger facility charges are not pledged as security for the Airport Revenue Bonds. Operating expenses are defined as all costs to operate and maintain the BNIA including general, administrative, and professional fee expenses allocated by the Authority. Debt service is defined as the total amount required to pay principal and interest, net of amounts available for the payment of interest as defined by the Master Resolution.

	<u>2014</u>	<u>2013</u>
Airport revenues:		
Operating revenues	\$ 58,857	\$ 59,388
Interest income	115	104
Gross airport revenues	<u>58,972</u>	<u>59,492</u>
Operating expenses, excluding depreciation	<u>(40,287)</u>	<u>(37,922)</u>
Net airport revenues	<u>18,685</u>	<u>21,570</u>
Net debt service:		
Principal payable	7,350	6,855
Interest payable	7,276	7,620
Passenger facility charges	<u>(2,526)</u>	<u>(2,692)</u>
Net debt service	<u>\$ 12,100</u>	<u>\$ 11,783</u>
Debt service coverage percentage	154.42%	183.06%
Minimum percentage requirement	125.00%	125.00%

(14) Subsequent Events

The Authority owns 400 acres of waterfront property on the outer harbor area of the City of Buffalo, including a 1,000 slip boat harbor. Effective May 11, 2014, this property, including the boat harbor, was transferred to the Erie Canal Harbor Development Corporation and New York State Office of Parks, Recreation and Historic Preservation for \$.002. Under the terms of the agreement, the Authority will continue to operate the boat harbor, receive all revenues and pay all operating costs, until November 2014. At March 31, 2014, capitalized acquisition costs related to this property have a net asset value of \$13,202.

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress for Other Postemployment Benefits and Pension Plans
(In thousands)

For the year ended March 31, 2014

Other Postemployment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2008	\$ -	\$ 163,267	\$ (163,267)	0%	\$ 78,203	208.8%
4/1/2010	\$ -	\$ 226,304	\$ (226,304)	0%	\$ 83,823	270.0%
4/1/2012	\$ -	\$ 194,540	\$ (194,540)	0%	\$ 82,536	235.7%

Postemployment Stipends						
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
4/1/2011	\$ -	\$ 31,682	\$ (31,682)	0%	\$ -	0.0%
4/1/2012	\$ -	\$ 29,814	\$ (29,814)	0%	\$ -	0.0%
4/1/2013	\$ -	\$ 26,328	\$ (26,328)	0%	\$ -	0.0%

Metro Nonunion Retirement Plan						
Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (UAAL)	Deficiency of Assets over UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2012	\$ 4,239	\$ 5,127	\$ (888)	83%	n/a	0.0%
1/1/2013	\$ 4,735	\$ 5,137	\$ (402)	92%	n/a	0.0%
1/1/2014	\$ 5,094	\$ 4,792	\$ 302	106%	n/a	0.0%

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Additional Information
Combining Balance Sheets (In thousands)

March 31,	2014			2013		
	NFTA	Metro	Total	NFTA	Metro	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 23,335	\$ 1,769	\$ 25,104	\$ 19,874	\$ 8,326	\$ 28,200
Accounts receivable, net	4,695	1,460	6,155	4,097	1,330	5,427
Grants receivable	3,041	22,044	25,085	4,684	15,164	19,848
Due to/from affiliate	(5,228)	5,228	-	(828)	828	-
Materials and supplies inventory	4	4,155	4,159	17	3,954	3,971
Prepaid expenses and other	371	146	517	223	145	368
	<u>26,218</u>	<u>34,802</u>	<u>61,020</u>	<u>28,067</u>	<u>29,747</u>	<u>57,814</u>
Restricted assets:						
Cash and cash equivalents	46,479	408	46,887	42,711	2,267	44,978
Investments	-	25	25	-	25	25
	<u>46,479</u>	<u>433</u>	<u>46,912</u>	<u>42,711</u>	<u>2,292</u>	<u>45,003</u>
Prepaid bond insurance	1,543	-	1,543	1,683	-	1,683
Capital assets, net	371,687	301,964	673,651	390,325	314,013	704,338
	<u>419,709</u>	<u>302,397</u>	<u>722,106</u>	<u>434,719</u>	<u>316,305</u>	<u>751,024</u>
Total assets	\$ 445,927	\$ 337,199	\$ 783,126	\$ 462,786	\$ 346,052	\$ 808,838
Liabilities						
Current liabilities:						
Current portion of long-term debt	\$ 12,559	\$ 316	\$ 12,875	\$ 13,203	\$ 5,735	\$ 18,938
Accounts payable and accrued expenses	14,786	15,127	29,913	14,818	15,271	30,089
Customer deposits	1,249	1,910	3,159	1,269	1,332	2,601
Other liabilities	4,972	1,858	6,830	4,658	1,394	6,052
	<u>33,566</u>	<u>19,211</u>	<u>52,777</u>	<u>33,948</u>	<u>23,732</u>	<u>57,680</u>
Noncurrent liabilities:						
Fair value of swap agreements	5,043	-	5,043	7,333	-	7,333
Long-term debt	139,047	2,054	141,101	149,845	1,616	151,461
Other postemployment benefits	22,485	81,661	104,146	20,013	70,035	90,048
Payable to NYS Retirement	6,068	-	6,068	4,719	-	4,719
Estimated liability for self-insured claims	5,658	28,469	34,127	4,930	27,205	32,135
	<u>178,301</u>	<u>112,184</u>	<u>290,485</u>	<u>186,840</u>	<u>98,856</u>	<u>285,696</u>
Total liabilities	211,867	131,395	343,262	220,788	122,588	343,376
Net position						
Net investment in capital assets	220,081	299,594	519,675	227,277	306,662	533,939
Restricted	41,507	(1,425)	40,082	53,733	898	54,631
Unrestricted	(27,528)	(92,365)	(119,893)	(39,012)	(84,096)	(123,108)
Total net position	234,060	205,804	439,864	241,998	223,464	465,462
Total liabilities and net position	\$ 445,927	\$ 337,199	\$ 783,126	\$ 462,786	\$ 346,052	\$ 808,838

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Additional Information

Combining Schedules of Revenues, Expenses and Changes in Net Position (In thousands)

For the years ended March 31,	2014			2013		
	NFTA	Metro	Total	NFTA	Metro	Total
Operating revenues:						
Fares	\$ -	\$ 36,714	\$ 36,714	\$ -	\$ 36,489	\$ 36,489
Concessions and commissions	29,035	-	29,035	30,203	-	30,203
Rental income	15,976	-	15,976	14,877	-	14,877
Airport fees and services	16,874	-	16,874	16,137	-	16,137
Tenant reimbursements	1,651	-	1,651	1,668	-	1,668
Boat harbor fees	1,215	-	1,215	1,145	-	1,145
Retail sales	399	-	399	377	-	377
Other operating revenues	2,716	760	3,476	3,257	706	3,963
Total operating revenues	67,866	37,474	105,340	67,664	37,195	104,859
Operating expenses:						
Salaries and employee benefits	23,548	94,596	118,144	25,011	93,340	118,351
Other postemployment benefits	3,939	14,184	18,123	3,713	13,315	17,028
Depreciation	27,987	25,034	53,021	26,516	29,758	56,274
Maintenance and repairs	11,004	7,583	18,587	10,304	6,116	16,420
Transit fuel and power	-	8,106	8,106	-	8,219	8,219
Utilities	4,204	2,154	6,358	3,426	1,675	5,101
Insurance and injuries	973	3,319	4,292	1,110	3,264	4,374
Safety and security	7,227	4,468	11,695	6,705	4,550	11,255
Other	10,554	2,967	13,521	9,961	3,435	13,396
Administration cost reallocation	(4,030)	4,030	-	(3,807)	3,807	-
Total operating expenses	85,406	166,441	251,847	82,939	167,479	250,418
Operating loss	(17,540)	(128,967)	(146,507)	(15,275)	(130,284)	(145,559)
Non-operating revenues (expenses):						
Operating assistance	880	100,310	101,190	1,348	94,789	96,137
Passenger facility charges	10,176	-	10,176	10,876	-	10,876
Change in fair value of swap agreements	2,289	-	2,289	285	-	285
Interest expense, net	(7,696)	(86)	(7,782)	(8,164)	(166)	(8,330)
Airport noise abatement	(7,291)	-	(7,291)	(5,089)	-	(5,089)
Other non-operating income (expense)	(1,202)	(181)	(1,383)	317	(5,916)	(5,599)
Total net non-operating revenues (expenses)	(2,844)	100,043	97,199	(427)	88,707	88,280
Loss before capital contributions	(20,384)	(28,924)	(49,308)	(15,702)	(41,577)	(57,279)
Capital contributions	12,446	11,264	23,710	28,004	20,406	48,410
Change in net position	(7,938)	(17,660)	(25,598)	12,302	(21,171)	(8,869)
Net position, beginning of year	241,998	223,464	465,462	229,696	244,635	474,331
Net position, end of year	\$ 234,060	\$ 205,804	\$ 439,864	\$ 241,998	\$ 223,464	\$ 465,462

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Additional Information
Combining Schedules of Cash Flows (In thousands)

For the years ended March 31,	2014			2013		
	NFTA	Metro	Total	NFTA	Metro	Total
Operating activities:						
Cash collected from customers	\$ 67,246	\$ 37,922	\$ 105,168	\$ 67,854	\$ 37,606	\$ 105,460
Cash paid for employee wages and benefits	(28,526)	(91,943)	(120,469)	(26,561)	(90,791)	(117,352)
Cash paid to vendors and suppliers	(27,652)	(31,165)	(58,817)	(22,317)	(27,451)	(49,768)
Receipts (payments) to other funds	8,430	(8,430)	-	(321)	321	-
Cash paid for insurance and injuries	(245)	(2,055)	(2,300)	(991)	(2,510)	(3,501)
Net operating activities	19,253	(95,671)	(76,418)	17,664	(82,825)	(65,161)
Non-capital financing activities:						
Operating assistance	880	100,310	101,190	1,348	94,789	96,137
Capital and related financing activities:						
Repayments of long-term debt	(13,957)	(4,981)	(18,938)	(13,441)	(225)	(13,666)
Proceeds from issuance of long-term debt	2,515	-	2,515	-	-	-
Escrow funds, net	314	-	314	214	-	214
Interest paid	(7,839)	(99)	(7,938)	(8,286)	(177)	(8,463)
Mortgage recording tax	-	464	464	-	1,134	1,134
Capital grants and contributions	14,089	4,384	18,473	25,700	20,231	45,931
Additions to capital assets	(9,315)	(13,138)	(22,453)	(24,247)	(22,775)	(47,022)
Construction retainage, net	(642)	331	(311)	33	136	169
Proceeds from sale of capital assets	14	152	166	46	65	111
Passenger facility charges	10,176	-	10,176	10,876	-	10,876
Airport noise abatement	(7,291)	-	(7,291)	(5,089)	-	(5,089)
Other	(1,111)	(181)	(1,292)	302	(5,840)	(5,538)
Net capital and related financing activities	(13,047)	(13,068)	(26,115)	(13,892)	(7,451)	(21,343)
Investing activities:						
Interest income	143	13	156	122	11	133
Net change in cash and cash equivalents	7,229	(8,416)	(1,187)	5,242	4,524	9,766
Cash and cash equivalents, beginning of year	62,585	10,593	73,178	57,343	6,069	63,412
Cash and cash equivalents, end of year	\$ 69,814	\$ 2,177	\$ 71,991	\$ 62,585	\$ 10,593	\$ 73,178
Reconciliation to Balance Sheets:						
Cash and cash equivalents						
Unrestricted	\$ 23,335	\$ 1,769	\$ 25,104	\$ 19,874	\$ 8,326	\$ 28,200
Restricted	46,479	408	46,887	42,711	2,267	44,978
Total cash and cash equivalents	\$ 69,814	\$ 2,177	\$ 71,991	\$ 62,585	\$ 10,593	\$ 73,178

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Additional Information
Combining Schedules of Cash Flows Continued (In thousands)

For the years ended March 31,	2014			2013		
	NFTA	Metro	Total	NFTA	Metro	Total
Reconciliation of operating loss to net cash used in operating activities:						
Operating loss	\$ (17,540)	\$ (128,967)	\$ (146,507)	\$ (15,275)	\$ (130,284)	\$ (145,559)
Adjustments to reconcile operating loss to net cash from operating activities:						
Depreciation	27,987	25,034	53,021	26,516	29,758	56,274
Other postemployment benefits, net	2,472	11,626	14,098	2,429	9,895	12,324
Changes in assets and liabilities						
Receivables	(598)	(130)	(728)	41	542	583
Materials and supplies inventory	13	(201)	(188)	(10)	173	163
Prepaid expenses and other	(148)	(1)	(149)	104	118	222
Accounts payable and accrued expenses	610	(474)	136	3,620	2,221	5,841
Customer deposits	(20)	578	558	150	(130)	20
Due to/from affiliate	4,400	(4,400)	-	(4,128)	4,128	-
Estimated liability for self-insured claims	728	1,264	1,992	119	754	873
Payable to NYS Retirement	1,349	-	1,349	4,098	-	4,098
Net cash from (for) operating activities	\$ 19,253	\$ (95,671)	\$ (76,418)	\$ 17,664	\$ (82,825)	\$ (65,161)

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 Directors
Niagara Frontier Transportation Authority

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 Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York) which comprise the balance sheet as of March 31, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lyndon & McCormick, LLP". The signature is written in dark ink and is positioned above the date.

June 26, 2014

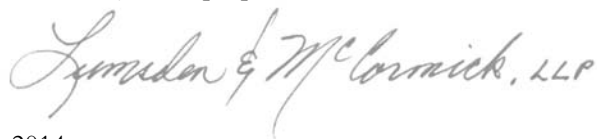
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SECTION 2925(3)(f) OF
THE NEW YORK STATE PUBLIC AUTHORITIES LAW**

The Board of Commissioners
Niagara Frontier Transportation Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Niagara Frontier Transportation Authority (the Authority) (a component unit of the State of New York), a business-type activity, as of March 31, 2014, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and we have issued our report thereon dated June 26, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with §2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended March 31, 2014. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.



June 26, 2014

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION AND THE SIXTH SUPPLEMENTAL RESOLUTION

The following is a summary of certain provisions of the Resolution. The summary does not purport to be complete or to follow the exact language of the Resolution and is subject in all respects to the detailed provisions of the Resolution, copies of which are available upon request at the office of the Authority. The capitalization of any word or phrase which is not otherwise defined in this Official Statement or under this caption or not conventionally capitalized indicates that such word or phrase is defined in the Resolution.

Definitions

“Airport Bond Reserve Fund Requirement” shall mean, with respect to the Series 2014 Bonds, the lesser of (i) the greatest amount of principal and interest payable on the Series 2014 Bonds in the then current or any future Fiscal Year, (ii) 125% of the average annual principal and interest payable on the Series 2014 Bonds (calculated by dividing the sum of principal and interest payments on the Series 2014 Bonds by the number of years to the final maturity of such Series 2014 Bonds), or (iii) 10% of the lesser of the principal amount of the Series 2014 Bonds or the issue price (less accrued interest) of the Series 2014 Bonds currently Outstanding; which amount shall be allocated between the Series 2014A Bonds and the Series 2014B Bonds on the basis of Outstanding par amount.

“Airport Consultant” means an independent person, firm or corporation (a) not under the control of the Authority or any airline or air carrier landing at the Airport on a routine basis, and (b) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport System.

“Airport Purpose” means any action or undertaking by the Authority reasonably related to the development and promotion of the Airport System as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air.

“Airport Revenues” means the total of all income and revenue from all sources collected or accrued under generally accepted accounting principles by the Authority in connection with the Airport System, including all rates, charges, rentals, fees and other compensation, regardless of form, investment income earned by the Authority, except as hereinafter provided to the contrary, and that amount on deposit in the Airport Development Fund which is transferred or credited by the Authority to the Airport Revenue Fund (and PFC Revenues to the extent specifically included in Gross Operations Income as provided under the caption “Provisions Applicable to Bonds Secured by PFC Revenues and Net Airport Revenues”). Airport Revenues shall not include: (i) proceeds from Bonds issued by the Authority or proceeds from loans obtained by the Authority; (ii) condemnation proceeds or insurance proceeds except insurance proceeds received from rental or business interruption insurance; (iii) all income and revenue collected and received by the property management department of the Authority with respect to properties and facilities which are not included in the definition of Airport; (iv) revenues (other than ground rents) derived from any Special Facility (defined in the Resolution) including amounts which are assigned as security to liquidate indebtedness incurred to finance such Special Facility; (v) grants in aid or similar payments received from any state or Federal entity; (vi) the proceeds of any passenger facility or analogous charge or fee that may hereafter be levied (whether on the use of the Airport System, on transportation, or otherwise) which are received and retained by the Authority and any investment earnings thereon; (vii) moneys or securities received by the Authority as gifts or grants; (viii) investment

income derived from moneys or securities on deposit in the Construction Fund and investment income derived from any moneys or securities which may be placed in escrow or trust to defease bonds of the Authority, including the Bonds, or to meet the Authority's obligations under any consent decree; (ix) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder; (x) the proceeds of any Support Facility; and (xi) revenues derived from any Separate Improvement, including but not limited to payments under any contract or agreement with respect to such Separate Improvement.

"Debt Service" means with respect to any Series of Bonds, the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Resolution to be deposited during such period or year in the Airport Bond Fund (i) to provide for the payment of interest on the Bonds of such Series, except to the extent that such interest is to be paid from (w) amounts credited to a Construction Interest Account in the Construction Fund, (x) amounts credited to any Airport Interest Account for such Series, or (y) any other amounts available for the payment of interest; (ii) to provide for the payment at maturity of any such Bonds of such Series issued in serial form; and (iii) to provide for the retirement of any such Bonds of such Series issued in term form. Such interest and principal installments shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of the calculation will cease to be Outstanding except by reason of the payment of principal installments for the Bonds of such Series on the due date thereof or through scheduled mandatory sinking fund redemptions. For the purposes of computing Debt Service with respect to a Series of Bonds issued as Variable Rate Bonds, or an Integrated Swap Agreement that provides for variable rate payments to be made by the Authority, the interest rate per annum thereon shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds or an Integrated Swap Agreement at the time of calculation then Outstanding or entered into, the interest rate shall be the higher of (i) the current interest rate per annum borne by or current variable rate payment payable under the Series of Variable Rate Bonds or Integrated Swap Agreement, or (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such Series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation; and (b) with respect to Variable Rate Bonds or an Integrated Swap Agreement then proposed to be issued or entered into, the interest rate per annum shall be assumed to be the higher of (i) the current interest rate per annum borne by or current variable rate payment payable under the Series of Variable Rate Bonds or Integrated Swap Agreement, (ii) the weighted average interest rate per annum borne by or the variable rate payment payable under such Series of Variable Rate Bonds or Integrated Swap Agreement (computed on an actual day basis) for the twelve month period then ended at the time of calculation, and (iii) the Revenue Bond Index; provided however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be determined as follows: (a) with respect to a Series of Variable Rate Bonds at the time of calculation then Outstanding for which the Integrated Swap Agreement in effect, the interest rate shall be the sum of (i) the fixed interest rate established under the Integrated Swap Agreement and (ii) to the extent that variable rate payments under the Integrated Swap Agreement are based on an interest index and not the Authority's actual variable rate on the Variable Rate Bonds, the greatest difference between such index and the variable interest rates actually paid during the prior twelve or three months, whichever is highest, and (b) with respect to Variable Rate Bonds then proposed to be issued, the fixed interest rate established under the Integrated Swap Agreement. If the principal and interest coming due with respect to any Series of Bonds in any fiscal year exceeds by more than 10% the amount coming due on all Bonds of such Series Outstanding in any prior fiscal year, principal and interest payments on such Series shall be calculated as if the principal of such Series matures in annual installments resulting in approximately level debt service for all Bonds of such Series Outstanding over the term of such Series to maturity. With respect to any payment under any hedge, support or other financial agreement, which payments are payable from Net Airport Revenues and

secured by a lien on the pledge of Net Airport Revenues on and secured by a lien on and a parity with a lien on and pledge of Net Airport Revenues created for the payment and security of the Bonds, “Debt Service” shall include the full amount of any such payments.

“*Hedge Agreement*” means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a Series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

“*Integrated Swap Agreement*” means any interest rate swap agreement entered into by the Authority with respect to a Series of Bonds having a notional amount equal to the principal amount of such Series of Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest, or (b) a variable rate of interest.

“*Integrated Swap Agreement Payments*” means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an integrated Swap Agreement not specifically made on the basis of interest rates.

“*Investment Securities*” means any of the following which at the time are legal investments under the laws of the State of New York for the moneys held under the Resolution then proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by the United States of America; (ii) obligations of any of the following which constitute the full faith and credit of the United States of America: Export Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration; (iii) senior debt obligations rated “AAA” by Standard & Poor’s Corporation and “Aaa” by Moody’s Investors Service, Inc. issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; (iv) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A 1” or “A 1+” by Standard & Poor’s Corporation and “P-1” by Moody’s Investors Service, Inc. and which matures not more than 360 days after the date of purchase; (v) commercial paper rated “A 1+” by Standard and Poor’s Corporation and “P 1” by Moody’s Investors Services, Inc. at the time of purchase and which matures not more than 270 days after the date of purchase; and (vi) investments in a money market fund rated “AAAm” or “AAm G” or better by Standard & Poor’s Corporation. Notwithstanding the foregoing, the Authority may amend the definition of Investment Securities or the Authority or Trustee may invest in investments or securities not included within the definition of Investment Securities without bondholder consent; provided, however, the Authority shall obtain the consent of each company or financial institution which has provided a bond insurance policy guaranteeing the payment of principal and interest on any Outstanding Bonds.

“*Maximum Annual Debt Service*” means, at the time of computation, the greatest amount of Debt Service payable on all Bonds of a Series Outstanding in the then current or any future fiscal year.

“*Net Airport Revenues*” means (i) for any period or year which has concluded at the time a calculation is made, the aggregate of the Airport Revenues minus for such past period or year the aggregate of the Operation and Maintenance Expenses; and (ii) for any future period or year, the aggregate of the Airport Revenues that is estimated for such future period or year, minus for such future

period or year the aggregate of the estimated Operation and Maintenance Expenses payable in such year or period.

“Operation and Maintenance Expenses” means the reasonable and necessary current expenses of the Authority paid or accrued (or to be paid or accrued) in administering, operating, maintaining, and repairing the Airport System. The term “Operation and Maintenance Expenses” shall include, without limitation, the following items: (a) costs of collecting Airport Revenues and making any refunds therefrom lawfully due others; (b) engineering, auditing, legal and other overhead expenses directly related to the administration, operation, maintenance, and repair of the Airport System; (c) costs of all or a portion of salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self insurance for the foregoing with respect to the officers and employees of or properly allocable to the Airport System; (d) costs of repairs, replacements, renewals and alterations occurring in the usual course of business of the Airport System; (e) taxes, assessments and other governmental charges, or payments in lieu thereof, imposed on the Airport System or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airport System or otherwise imposed on the Airport System or the operation thereof or income therefrom; (f) costs of utility services with respect to the Airport System; (g) costs and expenses of general administrative overhead of the Authority allocable to the Airport System; (h) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property allocable to the Airport System; (i) contractual services and professional services for the Airport System, including but not limited to, legal services, accounting services, and services of financial consultants and airport consultants; (j) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Airport Revenues or any other moneys held under the Resolution or required hereby to be held or deposited under the Resolution; (k) costs of carrying out the provisions of the Resolution, including paying agents’ fees and expenses; fees for remarketing Bonds and Support Facilities; costs of insurance required hereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport System or Airport Revenues; and costs of recording, mailing and publication; and (l) all other costs and expenses of administering, operating, maintaining and repairing the Airport System arising in the routine and normal course of business; provided, however, that (A) for the purpose of meeting any test described under “Additional Bonds” or of meeting the covenant described under “Covenant as to Rates, Rentals, Fees and Charges”, the term “Operation and Maintenance Expenses” shall not include: (1) any allowance for depreciation or any amount of capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (4) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (B) for all purposes of the Resolution, the term “Operation and Maintenance Expenses” shall not include any (i) operation and maintenance costs and expenses pertaining to (1) Special Facilities or expenses incurred by any lessee under a Special Facility Agreement, (2) properties or facilities financed, operated, managed or otherwise controlled by the property management department of the Authority which are not included in the definition of Airport, (3) any Separate Improvement, or (4) lands and properties not a part of the Airport System leased for industrial, governmental or other non aviation purposes, or (ii) payments under a Hedge Agreement.

“Outstanding” when used with respect to any Bond shall have the construction given to such word under “Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Resolution,” i.e., a Bond shall not be Outstanding hereunder if such Bond is at the time not deemed to be Outstanding hereunder by reason of the operation and effect of the provisions described under “Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Resolution.”

“Refunded Municipal Obligations” means noncallable obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody’s Investors Service, Inc. and Standard & Poor’s Corporation and provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

“Revenue Bond Index” means the Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such Index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index.

“Special Facility” means a hangar, overhaul, maintenance or repair building or shop, or other aviation or aerospace or airport or air navigation facility, including, without limitation, any hotel, garage or other building or facility incident or related to the Airport System.

“Support Agreement” means any agreement entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

“Support Facility” means any instrument, contract or agreement entered into or obtained in connection with an issue of Variable Rate Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Bonds delivered to the remarketing agent or any depository, tender agent or other party pursuant to a remarketing agreement or supplemental resolution and discount, if any, incurred in remarketing such Bonds; and/or (ii) principal of and interest on all Bonds becoming due and payable during the term thereof.

“Trustee” means HSBC Bank, USA, New York, New York, a banking corporation and trust company duly organized and existing under the laws of the State of New York and having its principal corporate trust office in New York, New York, in its capacity as Trustee under the Resolution, and its successors or assigns, and any successor as Trustee under the Resolution.

“Variable Rate Bonds” means any Bonds issued bearing interest at a rate or rates per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For purposes of this definition, Bonds shall not be considered to be Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed rate.

Additional Obligations of the Authority

Additional Bonds. The Authority may issue additional Bonds upon compliance with the following conditions:

- (1) A Designated Financial Officer of the Authority shall have found and determined that no event of default as defined in the Resolution exists.

(2) Either (i) a Designated Financial Officer of the Authority shall have certified that, based on the latest available audited financial statements of the Authority, the Net Airport Revenues for that fiscal year as derived from said audited financial statements shall have equaled not less than 125% of Debt Service on all Bonds Outstanding and the Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Airport Revenues to be derived in each of the three full fiscal years following the fiscal year in which (a) the Authority estimates a substantial portion of the project or projects, the project costs of which are to be financed by the issuance of such Additional Bonds, will be placed in continuous service or in commercial operation; or (b) Refunding Bonds or Bonds which are not issued to fund Project Costs are issued, shall equal not less than 125% of the Debt Service on all Bonds to be Outstanding upon the issuance of such additional Bonds and including such additional Bonds.

Completion Bonds. Without complying with the provisions under “Additional Bonds”, the Authority may at any time and from time to time issue one or more Series of additional Bonds, for the purpose of completing any project specified and described in such supplemental resolution and for which Bonds have been previously issued in an amount not to exceed 15% of the principal amount of the initial Series of Bonds issued to finance such project.

Refunding Bonds. The Authority may at any time and from time to time issue one or more Series of Bonds (herein defined and referred to as “Refunding Bonds”) upon compliance with the provisions described under “Additional Bonds”; provided the Authority need not comply with the provisions described under “Additional Bonds” with respect to Refunding Bonds issued for the purpose of (a) refunding at their maturity, or at any time within one year prior to their maturity, any of the then Outstanding Bonds for the payment of which sufficient funds are not available, and any Refunding Bonds for such purpose shall mature, or be subject to mandatory redemption from mandatory credits to the Airport Term Bond Principal Account in the Airport Bond Fund, which mandatory credits shall commence, in a year later than the latest stated maturity date of any Bond then Outstanding which shall remain Outstanding after the completion of such refunding, or (b) refunding at any time only part of the Bonds, provided that the amount required to be paid in any fiscal year after the delivery of such Refunding Bonds for the principal of, interest and premium, if any, on the Bonds shall not be greater in any fiscal year after such delivery in which any of the Bonds not refunded shall remain Outstanding, than would have been the total amount required to be paid for the principal of, interest and premium, if any, on the Bonds for such fiscal year were such Refunding Bonds not to be issued.

Subordinate Lien and Other Obligations. The Authority may issue bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Airport Revenues subject and subordinate, and secured by a lien and pledge on the Net Airport Revenues junior and inferior, to the lien and pledge on the Net Airport Revenues created for the payment and security of the Bonds.

Subject to any other contractual obligations of the Authority, nothing contained in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (ii), (iii), (v), (vi), (vii), or (x) of the definition thereof, and all income and revenues derived with respect to any Airport Purpose so financed shall constitute Airport Revenues and shall be paid into the Revenue Fund. Nothing described in this paragraph shall be deemed to preclude the Authority from financing any Separate Improvements as described in the text under the caption “Separate Improvements” contained in this Summary.

Variable Rate Bonds. The Authority may issue Variable Rate Bonds. The supplemental resolution or resolutions providing for the issuance of such Variable Rate Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into agreements in connection therewith, enter into remarketing agreements and appoint remarketing agents in accordance with standards specified in the supplemental resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such supplemental resolution, provide for the determination or establishment of rates of interest based on determinations of a remarketing agent, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Bonds, provide for the special redemption or purchase provisions for such Variable Rate Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Bonds.

Hedge, Support and Other Financial Arrangements. The Authority may enter into Hedge Agreements, Support Agreements or other financial agreements payments under which (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Airport Revenues and secured by a lien on and pledge of Net Airport Revenues on a parity with the lien on and pledge of the Net Airport Revenues created for the payment and security of the Bonds; provided such payments shall meet the requirements set forth under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds and Completion Bonds.” Integrated Swap Agreement Payments shall be treated as payment of interest on Bonds.

Application of Bond Proceeds; Construction Fund

The Resolution creates the Niagara Frontier Transportation Authority Construction Fund (the “Construction Fund”) to be held and administered by the Authority. Two accounts in the Construction Fund are to be created for the Bonds issued for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, a Construction Account and a Construction Interest Account.

From the proceeds of the Bonds issued for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, the Authority shall credit to the Construction Account for such Series such proceeds as are to be applied to the payment of such Project Costs. In the event that the interest on such Series of Bonds is to be capitalized from Bond proceeds, the Authority shall credit the amount of such interest to the Construction Interest Account. The moneys on deposit from time to time in the Construction Fund shall be used and applied solely to the payment of Project Costs of the Airport System.

“*Project Costs*” include the costs of acquisition, construction, reconstruction, purchase, establishment, development, expansion, renovating, adding to or improving of properties included or to be included in the Airport System, including the cost of acquiring any building or facility and the site thereof; the costs of acquiring such land or interest in land or other properties (real, personal, or mixed) as may be deemed necessary or convenient by the Authority for the construction or operation of the Airport System; costs of acquiring any rights, interests or franchises deemed necessary or convenient by the Authority for the construction or operation of the Airport System; costs of labor, services, material, supplies, machinery, equipment and apparatus; costs of installation of utility services or connections thereto or relocation thereof, costs of supervision and inspection; costs of builders’ risk or other insurance on the buildings and facilities being constructed; costs of indemnity and fidelity bonds and expenses of administration properly chargeable to such construction; the costs and expenses of financing, and costs incurred in issuing the Bonds; costs of the initial furnishings of any building or structure; costs of publication, advertising, filing and recording; taxes and assessments; costs or estimates of costs and

economic feasibility reports; fees, costs and expenses of accounting, clerical help and other independent contractors, agents and employees, and fiscal services, airport consultants, financial consultants and attorneys (including bond counsel); if and to the extent permitted by law and determined by the Authority, interest on the Bonds issued to finance the construction of any project during the estimated period of construction and for one year after the completion thereof; and any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the Authority.

Withdrawals of moneys on deposit in any Construction Account shall be made only in accordance with applicable law and upon a written requisition for such payment signed by a Designated Financial Officer and, with respect to certain costs, an engineer or architect supervising the construction of a project (who may be in the employ of the Authority) as to, among other things, the amounts to be paid, that the payment of such amount is a proper charge against such Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail.

Moneys deposited in each Construction Interest Account for a Series of Bonds shall be deposited in the Airport Interest Account in the Airport Bond Fund established with respect to such Series of Bonds in amounts sufficient to pay, to the extent such moneys are sufficient, the interest to become due on such Series of Bonds on each Interest Payment Date.

Application of Airport Revenues; Special Funds

The Resolution creates and establishes several special funds. Among them are the Airport Revenue Fund, the Airport Operation and Maintenance Fund, the Airport Renewal and Replacement Fund and the Airport Development Fund, all of which are held and administered by the Authority. The Resolution also creates the Airport Bond Fund and the Airport Bond Reserve Fund, which are held and administered by the Trustee. The Resolution requires that a separate Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account be established in the Airport Bond Fund, and a separate account be established in the Airport Bond Reserve Fund, with respect to the Bonds. Amounts on deposit in any account established with respect to a particular Series of Bonds in the Airport Bond Fund or the Airport Bond Reserve Fund may not be applied to the payment of Bonds of any other Series.

All Airport Revenues and certain other moneys shall be set aside as collected and, except as otherwise provided in the Resolution, shall be deposited in the Airport Revenue Fund. The moneys in the Airport Revenue Fund shall be used and applied for the following purposes and in the following order of priority.

FIRST: There shall be deposited into the Operation and Maintenance Account of the Airport Operation and Maintenance Fund, on the first business day of each month, an amount determined by the Designated Financial Officer to be necessary to pay Operation and Maintenance Expenses. In addition, to the extent such moneys are insufficient for the payment of Operation and Maintenance Expenses, the Authority shall apply amounts credited to the Operation and Maintenance Reserve Account to such payments. In each month, commencing with the first business day of the month following the date of beneficial occupancy of the new terminal building to be constructed with the proceeds of one of the first Series of Bonds issued under the Resolution, and on the first business day of each month thereafter, the Authority shall deposit to the Operations and Maintenance Reserve Account, one twenty fourth (1/24) of the amount estimated by the Designated Financial Officer to be equal to two months Operation and Maintenance Expenses (the "Operating Reserve"), until the Operating Reserve is fully funded; thereafter, in each month, commencing with the first business day of such month, the Authority shall deposit to the

Operation and Maintenance Reserve Account an amount, if any, necessary to maintain a balance equal to the Operating Reserve as estimated by the Designated Financial Officer.

SECOND: In each month, commencing with the first business day of the month which follows the last month for which interest on such Series of Bonds if any, is fully provided from moneys credited to a Construction Interest Account, (a) with respect to such Series of Bonds (other than Variable Rate Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such first business day and continuing on the last business day of each month thereafter so long as any of the Bonds of each such Series are Outstanding, the Trustee shall credit to the Airport Interest Account established for each such Series of Bonds an amount such that, if the same amount were so credited to each such Airport Interest Account on the first business day of each succeeding month thereafter, the aggregate of such amounts on credit to each such Airport Interest Account of the first business day of the month preceding an Interest Payment Date would be equal to the installment of interest falling due on the Bonds of such Series on such Interest Payment Date or the amount required to reimburse a financial institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the first business day of the month prior to each Interest Payment Date the Authority shall credit to each Airport Interest Account the amount required together with other funds available therefor in the Airport Interest Account, to pay, or to reimburse a financial institution for a draw on a Support Facility made to provide funds for the payment of, the interest payable on each Series of Outstanding Variable Rate Bonds on such Interest Payment Date.

In the event of the issuance of any Series of Bonds maturing at time customarily known as maturing serially, in order to provide for the payment of principal of such Bonds of such Series, or to reimburse a financial institution for a draw on a Support Facility made to provide funds for the payment of, such Series of Bonds maturing serially, commencing with the month which is twelve months prior to the first principal payment of any such Bond maturing serially and in each month thereafter so long as any of such Series of Bonds so maturing are Outstanding, there shall be credited to the Airport Serial Bond Principal Account established for such Series of Bonds an amount such that, if the same amount were so credited to such Account on the first business day of each succeeding month thereafter prior to the next date upon which the principal of any of said Series of Bonds maturing serially becomes due and payable, the aggregate of the amounts on credit to such Account would on each such next principal payment date be equal to the principal amount of said Series of Bonds becoming due on such principal payment date.

In the event of the issuance of any Series of Bonds pursuant to the Master Resolution in the form customarily known as “term bonds”, for the purpose of retiring such Bonds, or to reimburse a financial institution for a draw on the Support Facility made to provide funds for the payment of, such term Bonds, commencing with the month which is twelve months immediately prior to the date upon which the first sinking fund installment to provide for the retirement of such term Bonds is due, and in each month thereafter so long as any of such Bonds are Outstanding, there shall be credited to each Airport Term Bond Principal Account an amount such that, if the same amount were so credited to this Account on the first business day of each succeeding month thereafter prior to the next date upon which a sinking fund installment falls due, the aggregate of the amounts on credit to each such Account would on each such next date upon which a sinking fund installment falls due be sufficient to redeem such term Bonds in the principal amounts and at the times specified in the supplemental resolution authorizing the issuance thereof.

THIRD: Subject to the remaining provisions of this paragraph, if (a) at any time upon an optional valuation by the Trustee during a Fiscal Year the moneys on deposit in the Airport Bond Reserve Fund are less than the Airport Bond Reserve Fund Requirement, the amount of the deficiency shall be restored from the first available Net Airport Revenues; (b) at the end of any fiscal year, the moneys on deposit in

the Airport Bond Reserve Fund are less than the Airport Bond Reserve Fund Requirement, the Authority shall deposit an amount in the Airport Bond Reserve Fund from Net Airport Revenues on deposit in the Airport Revenue Fund after making the deposits "FIRST" through "THIRD" so that there shall then be on deposit in the Airport Bond Reserve Fund an amount equal to the Airport Bond Reserve Fund Requirement; (c) the deficiency in the Airport Bond Reserve Fund is due to the withdrawal of moneys on deposit therein to pay principal of or interest on a particular Series of Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from the Airport Bond Reserve Fund, the Authority shall deposit from the Net Airport Revenues on deposit in the Airport Revenue Fund after making the deposits "FIRST" through "THIRD" to the Airport Bond Reserve Fund an amount which, if the same amount were so deposited to the Airport Bond Reserve Fund in each month thereafter until the day which is thirty six (36) months from the making of the first of such deposits, there shall be on deposit in the Airport Bond Reserve Fund on such day an amount not less than the Airport Bond Reserve Requirement for such Series of Bonds; and (d) at any time and for so long as the moneys on deposit in the Airport Bond Reserve Fund are at least equal to the Airport Bond Reserve Fund Requirement, no further deposits shall be made to the Fund, and, except as otherwise provided in a supplemental resolution providing for the issuance of a particular Series of Bonds, any amounts in excess of the Airport Bond Reserve Fund Requirement may be restored to the Airport Revenue Fund for use and application as are all other moneys on deposit therein.

FOURTH: The Authority shall deposit the amount necessary to pay principal of, premium, if any, and interest on bonds, notes, certificates, warrants or other evidences of indebtedness referred to in the first paragraph under "Additional Obligations of the Authority — Subordinate Lien and Other Obligations" in the funds and accounts established therefor.

Except as otherwise provided in a supplemental resolution with respect to a Series of Bonds, the Airport Bond Reserve Fund Requirement shall be determined with respect to a Series of Bonds at the time of the issuance of such Series of Bonds, April 1 of each year and such other time or times as the Authority shall determine. The supplemental resolution providing for the issuance of a Series of Bonds shall provide for, among other things, the initial funding of an Airport Bond Reserve Account for a Series of Bonds, which may be at such time or times and from such sources as specified in such supplemental resolution.

In lieu of the deposit of moneys in the Airport Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Trustee for the benefit of the holders of the Bonds of a Series or a letter of credit in an amount equal to the difference between the Airport Bond Reserve Fund Requirement and the amounts then on deposit in the Airport Bond Reserve Fund with respect to the Bonds of a Series. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Airport Bond Reserve Fund and applied to the payment of the principal of or interest on any Bonds of such Series and such withdrawals cannot be made by amounts credited to the Airport Bond Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors, or any insurer who holds the highest policyholder rating accorded insurers by A. M. Best & Co. or any comparable service. The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category by either Standard & Poor's Corporation or Moody's Investors Service, Inc., or their successors and the letter of credit itself shall be rated in the highest category of either such rating agency. If a disbursement is made pursuant to such a surety bond, an insurance policy or a letter of credit the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the Airport Bond Reserve Fund in

accordance with clause (c) of the first paragraph under SIXTH, or a combination of such alternatives, as shall provide that the amount, credited to the Airport Bond Reserve Fund equals the Airport Bond Reserve Fund Requirement for such Series of Bonds. If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Airport Bond Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the Authority shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Airport Revenues in the Airport Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another such surety bond, insurance policy or letter of credit shall fully satisfy the Airport Bond Reserve Requirement with respect to a particular Series of Bonds notwithstanding such decrease in rating.

FIFTH: The Authority shall apply the amount required, if any, to be deposited in any reserve fund or account established with respect to the bonds, notes, certificates, warrants, or other evidences of indebtedness referred to under “Additional Obligations of the Authority Subordinate Lien and Other Obligations”.

SIXTH: In each month, commencing with the first business day of the month following the date of beneficial occupancy of the new terminal building to be constructed with the proceeds of one of the first Series of Bonds issued under the Resolution and on the first business day of each month thereafter, the Authority shall deposit to the Renewal and Replacement Fund the amount set forth in a report of the Airport Consultant so that there shall be on deposit in such fund \$750,000 by the end of the fourth year following such date of beneficial occupancy (including the year in which such beneficial occupancy occurs as a year for this purpose). Thereafter the amount on deposit in the Renewal and Replacement Fund shall be maintained in such amount as the Authority shall determine (the “Required Amount”); provided, however, such amount shall not be less than \$750,000. If any time during a Fiscal Year, the moneys on deposit in the Renewal and Replacement Fund are less than the Required Amount, the Authority, beginning with the first month of the Fiscal Year following the Fiscal Year in which said deficiency occurs and within a period of twelve months thereafter, shall deposit, on the first business day of each month, amounts into the Renewal and Replacement Fund from Net Airport Revenues on deposit in the Airport Revenue Fund, after making the deposits “FIRST” through “FOURTH” above, so that not less than the Required Amount will be on deposit in the Renewal and Replacement Fund. The moneys on deposit in the Renewal and Replacement Fund shall be used solely for non recurring capital costs related to the Airport System.

SEVENTH: The Authority shall deposit in the Airport Development Fund all remaining Net Airport Revenues on deposit in the Airport Revenue Fund after making the deposits FIRST through SIXTH above. The moneys on deposit in the Airport Development Fund shall be applied first to make up any deficiencies in any Fund or Account established under the Resolution and thereafter may be used by the Authority for any corporate purpose of the Authority.

Investment of Moneys

Moneys in the Airport Operation and Maintenance Fund, the Airport Renewal and Replacement Fund and the Airport Development Fund shall be invested and reinvested by the Authority, and moneys in the Airport Bond Fund shall be invested by the Trustee at the direction of the Authority, to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the Authority so that the payments required to be made from such Funds may be made when due. Moneys on credit to the Airport Bond Reserve Fund shall be invested by the Trustee at the direction of the Authority in Investment Securities so as to mature by no later than the earlier of eight years from the date of investment or the final maturity date of all Bonds then Outstanding. The Authority

(or the Trustee at the direction of the Authority) shall be authorized to sell any investment when necessary to make the payments to be made from such Funds. All earnings on and income from investments of moneys in such Funds shall be deposited in the Airport Revenue Fund, for use and application as are all other moneys deposited in that Fund; provided, however, that prior to the completion date of any project the Project Costs of which will be paid from the proceeds of a particular Series of Bonds, earnings amounts in any account in the Bond Reserve Fund established with respect to such Series of Bonds shall be deposited in the Construction Fund and credit either to the construction account or construction interest account established with respect to such Series of Bonds as provided in the Supplemental Resolution providing for the issuance of such Series of Bonds.

Moneys on deposit in the Construction Fund and credited to a Construction Account therein shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times as is anticipated by the Authority that such moneys will be required to pay Project Costs, and moneys on deposit in the Construction Fund and credited to a Construction Interest Account therein shall be invested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times so that the required transfers to each Airport Interest Account to be made therefrom can be made when due. The interest and income derived from all such investments shall be credited to the Account from which such investment is made, to be used and applied as are the other moneys credited to such Account.

Annual Budget

The Authority before the beginning of each Fiscal Year shall prepare and adopt an annual budget for such Fiscal Year. Such budget shall set forth in reasonable detail Airport Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year, including, without limitation, the amounts required to provide for the payment of the principal of, interest and premium, if any, on the Bonds to pay or provide for Operation and Maintenance Expenses, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide for the payment of all other claims or obligations required to be paid from Airport Revenues. A copy of the budget or of a summary thereof will be furnished to any bondholder who files a written request therefor with the Authority.

Covenants to Rates, Rentals, Fees and Charges

The Authority shall impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airport System shall be and always remain financially self sufficient and self sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Airport Revenues at least sufficient (i) to pay the principal of and interest and premium on the Bonds as and when the same become due whether at maturity or upon redemption prior to maturity or otherwise, (ii) to pay as and when the same become due all Operation and Maintenance Expenses, (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from Airport Revenues, and (iv) to carry out all provisions and covenants of the Resolution. Without limiting the foregoing provisions, at all times and in any and all events such rates, rentals, fees and charges, shall be imposed, prescribed, adjusted, enforced and collected which will yield Net Airport Revenues with respect to the immediately ensuing Fiscal Year which, after deducting Operation and Maintenance Expenses, is in an amount at least equal to 125% of Debt Service on all Bonds Outstanding.

The failure to comply with the covenant in the preceding paragraph shall not constitute an Event of Default under the Resolution if the Authority shall promptly (i) cause an Airport Consultant to make a

study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in the preceding paragraph; (ii) consider the recommendations of the Airport Consultant; and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with the preceding paragraph.

In the event that the rates, rents, fees and charges imposed by the Authority are insufficient to produce Net Airport Revenue in an amounts referred to in clause (i) in the first paragraph above, the Authority shall implement the recommendations of the Airport Consultant provided that in preparing its study and makings its recommendations, the Airport Consultant shall not make any recommendation which would require the Authority to violate or otherwise be in contravention of any state or federal law, regulation or mandate or any other agreement to which the Authority is party.

Additional Covenants

The Authority will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of any properties, the costs of which are to be paid from the proceeds of Bonds or from any other moneys held under the Resolution.

The Authority will maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airport System (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character, and will from time to time, construct additions and improvements to and extensions and betterments of said properties which are economically sound, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted in an efficient manner and at a reasonable cost.

The Authority shall operate and maintain the Airport System as a revenue producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the bondholders.

The Authority shall cause its accounts relating to the Airport System to be audited by an independent Certified Public Accountant or a firm of independent Certified Public Accountants of recognized standing. Such audit shall be made annually and shall be completed within 150 days after the close of each fiscal year. A copy of each such annual audit shall be open for public inspection, filed with the Trustee and shall be mailed to any bondholder filing with the Authority a request for the same.

The Authority shall not sell, lease or otherwise dispose of all, or substantially all, of the properties constituting the Airport System without simultaneously with such sale, lease or other disposition depositing cash or Government Obligations in an amount sufficient so that no Bonds are any longer deemed Outstanding under the Resolution; provided however, that (i) the Authority may exchange Airport System property for property of comparable value, (ii) the Authority may grant leases, licenses, easements and other agreements pertaining to the Airport System property in the normal and customary course of business, according to the Authority's policy regarding rates, rentals, fees and charges of the Airport System, properties constituting the Airport System, and the revenues from such leasing shall be part of the Airport Revenues and such properties shall remain part of the Airport System, but any such leasing shall not be inconsistent with the provisions of the Resolution and shall not impair or diminish the security of a payment for the Bonds, (iii) the Authority may enter into Special Facility Leases, and (iv) the Authority may sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport System, the disposal of which will not impede or prevent the use of the Airport or its facilities for air transportation or air commerce and which the Authority has

determined has become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue producing capability and of substantially equal utility for the conduct of air transportation or air commerce, and any moneys received by the Authority as the proceeds of any such sale, lease or any other disposition of said surplus properties shall become Airport Revenues and deposited in the Airport Revenue Fund, provided that if the original construction or acquisition of such surplus properties or facilities was financed from moneys on deposit in the Airport Development Fund, then such proceeds shall be deposited in the Airport Development Fund provided, further, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from moneys derived from grants or passenger facility charges, then such proceeds shall be deposited in the Airport Revenue Fund only to the extent that such application of proceeds is consistent with the conditions agreed to by the Authority with any governmental authority, or imposed on the Authority by law or any governmental authority, in obtaining such grants or passenger facility charges. In the event any Airport System properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Authority as a result of such taking shall be deposited in the Airport Development Fund and applied to any Airport Purpose consistent with the Airport lease as then in effect, including to the redemption or purchase of Bonds and to acquire or construct revenue producing properties to constitute a part of the Airport System.

The Authority will carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating similar properties. The Authority may create and establish special funds for self insurance. The Authority shall seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority shall take into consideration but will not be bound to follow the advice of such insurance consultant or consultants in the placement of insurance and the establishment of its self insurance fund or funds.

In the event of any loss or damage to the properties constituting the Airport System covered by insurance or by self insurance, the Authority will promptly repair and reconstruct the damaged or destroyed property, provided that to the extent permitted by the Airport Lease no such repair or reconstruction shall be required if the Authority finds that such is not in its best interest and, based on a certificate of an Airport Consultant, the failure to repair, replace or reconstruct will not (i) cause the Airport Revenues in any future fiscal year to be less than an amount sufficient to comply with the Resolution, or (ii) impair the security or the payment of the Bonds. The Authority shall apply the proceeds of any insurance policy or policies or self insurance fund or funds covering such damage or loss for that purpose to the extent required therefor.

With respect to any Series of Bonds the interest on which is excludable from gross income for federal tax purposes, so long as any of such Bonds shall be Outstanding, the Authority shall comply with all applicable provisions of Sections 103, 141 and 150 of the Internal Revenue Code of 1986, as amended, and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Amendments

The Resolution may be amended without the consent of the bondholders for the purpose of providing for the issuance of additional Bonds, to permit the Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America and for any one or more of the following purposes, if such amendment shall not materially adversely affect the rights of the holders of the Bonds then Outstanding; to make any changes or corrections in the Resolution or any supplemental resolution as to which it shall have been advised by its counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error

contained therein, or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable; to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds; to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution or any supplemental resolution; to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Resolution or any supplemental resolution; to grant to or confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; to prescribe further limitations and restrictions upon the issuance of the Bonds and the incurring of indebtedness by the Authority payable from the Airport Revenues; and to modify in any other respect any of the provisions of the Resolution, or any supplemental resolution previously adopted, provided that such modifications shall have no material adverse effect as to any Bond or Bonds which are then Outstanding.

With the consent of the holders of not less than 51% of the principal amount of the Bonds then Outstanding, the Authority may amend the provisions of the Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Resolution or any supplemental resolution, or modifying in any manner the rights of the holders of the Bonds then Outstanding, provided that without the specific consent of the holder of each Bond which would be affected thereby, no such amendment shall: (i) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or any premium payable upon the redemption thereof, (ii) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any such amendment, (iii) give to any Bond or Bonds any preference over any other Bond or Bonds, (iv) authorize the creation of any pledge of the Net Airport Revenues or any lien thereon, prior, superior or equal to the pledge and lien created by the Resolution for the payment and security of the Bonds or (v) deprive any holder of the Bonds of the security afforded by the Resolution.

Events of Default; Remedies

Defaults. Under the Resolution, the happening of one or more of the following events constitutes an Event of Default: (i) payment of the principal and premium (if any) of or interest on any Bond shall not be made when due, (ii) default in the due and punctual performance of the covenants and agreements contained in the Resolution and summarized above under “Covenants as to Rates, Rentals, Fees and Charges” except as otherwise described under such caption or in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Resolution or in any supplemental resolution on the part of the Authority to be performed after 90 days written notice to the Authority of such failure by the Trustee or to the Authority and the Trustee by the holders of not less than 20% of the principal amount of the Bonds then Outstanding or any committee therefor, (iii) certain events in connection with the bankruptcy, insolvency or reorganization of the Authority, the appointment of receivers of the Airport System and the adjustment of claims of creditors of the Authority and (iv) the Authority shall for any reason be rendered incapable of fulfilling its obligations under the Resolution.

Declaration of Principal and Interest as Due. Upon the occurrence of an Event of Default described in (i) under “Defaults” and at any time thereafter while such Event of Default shall continue, the Trustee by notice in writing to the Authority, may, and upon the written request of the holders of not less than twenty five percent (25%) in principal amount of the Outstanding Bonds, shall declare the principal of all the Outstanding Bonds, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Resolution or in the Bonds contained to the contrary notwithstanding.

Action of Trustee in Event of Default. The Trustee in case of an Event of Default may, and upon the written request of the holders of not less than twenty five percent (25%) in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, shall, proceed to protect and enforce its rights and the rights of the holders of the Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Bonds and/or the Resolution. The Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered (i) to institute any action or proceedings at law or in equity for the collection of all fees and charges, rents or sums, as the case may be, due and unpaid under any lease or other agreement to which the Authority is a party, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the other party to such lease or other agreement and collect in the manner provided by law out of the property of such party wherever situated the moneys adjudged or decreed to be payable, and (ii) to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the holders of the Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Authority or any party to a lease or agreement with the Authority.

The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Bonds to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Airport Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver shall collect and dispose of Airport Revenues in accordance with the terms and conditions of the Resolution or as the court shall direct.

Suits or Actions by Bondholders. No bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions hereof or of any remedies hereunder unless the Trustee, after a request in writing by the holders of twenty five percent (25%) in aggregate principal amount of the Outstanding Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for sixty (60) days to take such action.

Subordinate Lien Obligations

The first Series of the Bonds and Additional Bonds, Completion Bonds and Refunding Bonds may be issued hereunder upon compliance with provisions of the Resolution. Except as otherwise provided in the preceding sentence, the Authority will not create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from Net Airport Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Bonds or prior to or on a parity with the payments and credits from Airport Revenues to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund, or which will be secured as to principal or interest, or both, by a lien and charge on Net Airport Revenues superior or equal to the lien and charge of the Bonds and the interest thereon, or superior or equal to the lien and charge on Net Airport Revenues or the payments and credits therefrom to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund.

Nothing in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness which as to principal or interest, or both, are payable from Net Airport Revenues after and subordinate to the payment from Net Airport Revenues of the principal of and interest on the Bonds and after the subordinate to the payments and credits from Net Airport Revenues to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund and which are secured as to principal or interest, or both, by a lien and charge on Net Airport Revenues junior and inferior to the lien and charge on Net Airport Revenues of the Bonds and interest thereon and junior and inferior to the lien and charge on Net Airport Revenues of the payments and credits therefrom to be made pursuant to the provisions of the Resolution to the Airport Interest Account, Airport Serial Bond Principal Account and Airport Term Bond Principal Account in the Airport Bond Fund.

Special Obligation Bonds and Special Facility Agreements

The Authority may issue bonds, notes or other evidences of indebtedness (“Special Obligation Bonds”) for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a Special Facility for use, lease or sublease thereof, as provided in the Resolution, or for refunding other Special Obligation Bonds. Such Special Obligation Bonds (i) shall be payable solely from amounts payable by the user, lessee or sublessee under the Special Facility Agreement entered into with respect to such Special Facility to be financed from such Special Obligation Bonds; (ii) shall not be a charge or claim against or payable from or secured by the Airport Revenues or any other moneys held hereunder; (iii) will not result in a reduction of Net Airport Revenues; and (iv) shall mature within the term of the Special Facility Agreement entered into with respect to such Special Facility.

A Special Facility lease, loan or other agreement (“Special Facility Agreement”) shall be entered into between the Authority and the user or occupier of such Special Facility pursuant to which the user, lessee or sublessee shall agree to pay or otherwise provide for the payment of (i) installment amounts which will be sufficient to pay during such term as the same respectively becomes due the principal of and interest on all Special Obligation Bonds to be issued to pay the cost of construction or acquisition of the Special Facility; (ii) amounts necessary or required to provide or maintain all reserves required for such Special Obligation Bonds and to pay all trustees’, fiscal agents’ and paying agents’ fees and expenses in connection therewith; (iii) installment amounts equal to a properly allocable share of the administrative costs of the Authority arising out of such Special Facility Agreement and the issuance and servicing of such Special Obligation Bonds or, if the land on which the Special Facility is to be constructed constitutes a part of the Airport System, a ground rental for the ground upon which such Special Facility is to be located payable in periodic installments in amounts not less than shall be required pursuant to the Authority’s policy for rental of ground space in the Airport System as fixed from time to time by the Authority; any amount payable pursuant to clause (iii) shall be free and clear of all charges under said Special Facility Agreement; shall be in addition to the rentals required by clauses (i), (ii), and (iv); and shall constitute Airport Revenues and be paid into the Airport Revenue Fund; and (iv) all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the Special Facility (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes and assessments).

Special Obligation Bonds may be refunded by an issue of refunding Special Obligation Bonds. Special Obligation Bonds may also be refunded by an issue of Additional Bonds if (i) all Special Obligation Bonds then Outstanding and unpaid pertaining to the particular Special Facility are refunded at one time from such Additional Bonds or are then otherwise retired, and (ii) the conditions contained in the Resolution for the issuance of Additional Bonds are complied with upon such refunding, and, for the

purposes of any such refunding, such refunding shall be considered as though the Authority were acquiring such Special Facility by the issuance of such Additional Bonds.

If a Special Facility is located on land included in the Airport System, upon the retirement of the indebtedness evidenced by the Special Obligation Bonds issued therefor or evidenced by refunding Special Obligation Bonds, all rentals and other income thereafter received by the Authority from the Special Facility for which Special Obligation Bonds were issued, shall, to the extent permitted by law, constitute Airport Revenues and be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein, and if such rentals and other income shall then constitute Airport Revenue, such Special Facility shall, unless contrary to law, then constitute part of the Airport System for all purposes of the Resolution; provided, however, that if any such Special Obligation Bonds are retired through the refunding thereof from the proceeds of Additional Bonds, such Special Facility in all events shall thereafter constitute part of the Airport System for all purposes of the Resolution.

Separate Improvements

Subject to any other contractual obligations of the Authority, nothing contained in the Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, and establish reserves in connection therewith, payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Airport Revenues pursuant to clauses (ii), (iii), (v), (vi), (vii), (x), or (xi) of the definition thereof, or any combination of all or a portion of the foregoing for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating Separate Improvements. A Separate Improvement (“Separate Improvement”) shall be any facility or improvement in the Airport System acquired, constructed, renovated, remodeled or rehabilitated with the proceeds of bonds, notes, warrants, certificates or other obligations or evidences of indebtedness payable and secured in the manner prescribed in the first sentence hereof which the Authority determines will (i) not materially adversely affect the Outstanding Bonds, and (ii) so long as any Bonds are Outstanding (a) produce revenue excluded from the definition of Airport Revenue pursuant to clause (xi) of the definition thereof, or (b) have pledged or committed to the payment of all or a portion of the principal, premium, interest and other costs described below any revenues or amounts excluded from the definition of Airport Revenue pursuant to clauses (ii), (iii), (v), (vi), (vii), or (x) of the definition thereof, or any combination thereof, sufficient to pay principal of, premium, if any, and interest on the bonds, notes, warrants, certificates or other obligations or evidences of indebtedness issued with respect to any such Separate Improvement and all operation and maintenance costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of any such Separate Improvement (including, without limitation, insurance, utilities, payments in lieu of taxes and assessments) and the administrative costs of the Authority associated with any such Separate Improvement. Any amount attributable to administrative costs shall be free and clear of all charges under any agreement or obligation entered into or issued as described herein, shall be in addition to all other amounts required to be provided for as described herein; and shall constitute Airport Revenues and be paid into the Airport Revenue Fund. Nothing described under “Separate Improvements” shall be deemed to preclude the Authority from financing any Airport Purpose by the issuance of any bonds, notes, certificates, warrants or other evidences of indebtedness secured by a lien and charge on Net Airport Revenues junior and inferior to the lien and charge created for the payment and security of the Bonds.

Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Resolution

The obligations of the Authority under the Resolution, including all supplemental resolutions, and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Authority therein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be

deemed to be Outstanding thereunder, when payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with a paying agent for such Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) moneys sufficient to make such payment, (2) Governmental Obligations, or (3) any combination thereof maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the paying agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said paying agents. At such time as a Bond shall be deemed to be no longer Outstanding under the Resolution as aforesaid, such Bond shall cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Governmental Obligations, shall no longer be secured by or entitled to the benefits of the Resolution.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities and which the Authority elects to so redeem or prepay, no deposit under (b) above shall constitute such payment, discharge and satisfaction as aforesaid, until such Bonds shall have been irrevocably called or designated for redemption or prepayment and proper notice of such redemption or prepayment shall have been given or provision shall have been irrevocably made for the giving of such notice.

The term "Governmental Obligations" shall mean (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non callable or redeemable only at the option of the holder and which at the time are legal investments for the moneys proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least \$20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii) (A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under the Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two nationally recognized bond rating agencies in the highest rating category or (iv) Refunded Municipal Obligations.

The Trustee

The Resolution contains provisions regarding the appointment and removal of the Trustee. The Authority may at any time remove the Trustee; provided that such removal is subject to revocation by 10% of the holders of Bonds Outstanding and that such removal may not be effected if an Event of Default has occurred or there is any deficiency in any fund or account held under the Resolution.

Provisions Applicable to Bonds Secured by PFC Revenues and Net Airport Revenues

Notwithstanding anything in the Master Resolution to the contrary, the Authority may by supplemental resolution, upon complying with the applicable additional bonds test heretofore described,

(i) grant as additional security a pledge of and lien on, and a security interest for the benefit of bondholders in, all or a portion of those revenues specifically excluded from the definition of Airport Revenues pursuant to clause (vi) thereof (“PFC Revenues”) to a particular Series of Bonds (“PFC Bonds”) issued under the Master Resolution, and (ii) provide that, upon compliance with such terms and provisions as may be set forth in the supplemental resolution providing for the issuance thereof, such Series of PFC Bonds will be secured solely by a pledge of and lien on such PFC Revenues. In the event the supplemental resolution providing for the issuance of a Series of PFC Bonds also contains provisions as set forth in (ii), the Authority will set forth in a separate resolution (a “PFC Resolution”) adopted prior to the time such Series of PFC Bonds is issued the terms and provisions of which will apply to such Series of PFC Bonds at such time as such PFC Bonds are no longer secured by the Net Airport Revenues.

In the event the Authority issues a Series of PFC Bonds, the following provisions apply so long as such Series of PFC Bonds are Outstanding under the Master Resolution:

(i) PFC Revenues will be segregated in a separate account in the Airport Revenue Fund (the “Segregated Account”) and shall be disbursed solely as follows to the following accounts in the order of priority as set forth below and, to the extent any PFC Revenues remain in such Segregated Account at the end of a fiscal year, may be transferred to and deposited in a separate fund or account established under the PFC Resolution and may be applied to any lawful purpose:

(1) an interest account in the Airport Bond Fund in which will be deposited PFC Revenues necessary to pay interest on such Series of PFC Bonds.

(2) a principal account in the Airport Bond Fund in which will be deposited PFC Revenues necessary to pay principal of such Series of PFC Bonds.

(3) an account in the Airport Bond Reserve Fund in which will be deposited PFC Revenues necessary to maintain such account in amount established in the supplemental resolution providing for the issuance of such Series of PFC Bonds.

(ii) The PFC Revenues shall be treated as Airport Revenues for the purposes of meeting the Authority’s covenants under the rate covenant and additional bonds tests of the Master Resolution with respect to PFC Bonds provided the PFC Revenues shall not constitute Airport Revenues with respect to any other Series of Bonds for the purposes of such covenants.

(iii) PFC Revenues consisting of investment earnings will be deposited in the Revenue Fund, credited to the Segregated Account and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on the proceeds of a Series of PFC Bonds (a) on deposit in the Construction Fund will be retained therein and applied to the same purposes as the proceeds of such Series of PFC Bonds and after completion of any project financed with said Series of PFC Bonds will be deposited in the Revenue Fund for credit to the Segregated Account, and (b) on deposit in the account in the Airport Bond Reserve Fund will be deposited in the Airport Revenue Fund for credit to the Segregated Account. All excess proceeds of any Series of PFC Bonds issued, whether in the Construction Fund or the Airport Bond Reserve Fund, will be deposited in the Airport Revenue Fund for credit to the Segregated Account.

(iv) To the extent there is any deficiency in any account referred to in (i) above, PFC Revenues credited to the Segregated Account will be applied to make up any such deficiency in any such account, and in the event PFC Revenues credited to the Segregated Account are insufficient to make up such deficiency, Net Airport Revenues will be credited to said account in

an amount necessary, together with the PFC Revenues on deposit therein, to make up such deficiency. To the extent Net Airport Revenues are credited to any account to make up any deficiency and PFC Revenues subsequently become available prior to the expenditure of such Net Airport Revenues, such Net Airport Revenues will be immediately restored to the Airport Revenue Fund.

At such time as such Series of PFC Bonds is no longer secured by the Net Airport Revenues, such PFC Bonds will be deemed to be no longer Outstanding under the Master Resolution and will be Outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on credit to the Segregated Account and proceeds of the Series of PFC Bonds, whether on deposit in the Construction Fund or Airport Bond Reserve Fund, held under the Master Resolution will be transferred to and applied in the manner provided in the PFC Resolution.

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APPENDIX C

SUMMARY OF THE USE AND LEASE AGREEMENTS

The following is a summary of certain provisions of the Use and Lease Agreement (“ULA”). This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to all of the terms and provisions of the ULA, copies of which are available for inspection at the principal offices of the Authority and the Trustee. Capitalized words or phrases have the meanings given such words or phrases in the ULA and do not necessarily correspond with the definitions of similar words and phrases in the Resolution.

Scope

The Leases govern the operations of the Signatory Airlines at the Airport. The Authority has entered into substantially similar Leases with certain Signatory Airlines with respect to the Airport providing for terminal and ramp area landing fees. The Leases establish eight cost centers for the purpose of determining rates and charges payable by the Signatory Airlines and other users of Airport facilities: landing area, new terminal, general aviation, fuel farm, maintenance facility, federal services building, parking areas and roadways and general.

Term

The Lease terminates on March 31, 2019, or earlier under certain conditions. If the Airline remains in possession of the Leased Premises after the expiration of the ULA without any written renewal thereof, such holding over shall create only a tenancy from month to month terminable at any time by the Authority and subject to the same terms and conditions as set forth in the Agreement.

Airline Rent, Fees and Charges

Rates charged the Signatory Airlines for use of each cost center are determined on a compensatory basis. Each Airline must pay pursuant to invoice all rent and charges in monthly installments based upon a statement of estimated annual rent, fees and charges furnished to the Airline by the Authority prior to the beginning of each Contract Year (April 1 through March 31). Landing fees are paid monthly and must be accompanied by a report of Airline activity.

Terminal Rental

The annual rent payable to the Authority for the exclusive space, preferential use space, joint use space and common use space in the Airline’s leased premises is calculated according to formula based upon such Airline’s share of total Terminal Building costs attributable to the Airline’s use of the terminal building, exclusive of costs allocable to concession and common areas.

Landing Fees

Each Airline is also required to pay a monthly landing fee based on landings of Aircraft at the Airport. For each commercial landing by an Airline at the Airport is assumed that the weight of the Aircraft is the maximum weight in 1,000 pound units, at which the Airline is authorized by the FAA to land the Aircraft at the Airport. The total weight landing (“Total Landed Weight”) for each month is calculated for each Airline. The monthly landing fee is computed by multiplying the Total Landed Weight of the Airline during such month by the then current Landing Fee Rate.

The Landing Fee Rate is determined by the dividing cost of the landing area cost center for the current fiscal year by the total estimated maximum certified Gross Landed Weight of all Signatory Airlines. The cost of the Landing Area for each Contract Year is equal to the excess of the capital and operating requirement of the Landing Area, including, without limitation, maintenance and operating expenses, Debt Service and coverage allocable to the Landing Areas for the current Fiscal Year over the revenues of the Landing Area for the Current fiscal year. Terminal ramp fees charged to the Signatory Airlines for aircraft parking positions and 12% of the capital and operating requirement at the Landing Area are deducted from the cost of the landing area for purpose of calculating the landing fee. The 12% of the capital and operating requirement is recovered from general aviation users. The cost of the landing area is increased by 50% of the NFIA operating and capital deficit, capped for each Fiscal Year as listed below:

- Fiscal Year 2014/2015 \$1,690,859
- Fiscal Year 2015/2016 \$ 750,000
- Fiscal Year 2016/2017 \$ 750,000
- Fiscal Year 2017/2018 \$ 500,000
- Fiscal Year 2018/2019 \$ 500,000

The revenues of the landing area used as a basis for calculation of the Landing Fee included landing fees paid by non-signatory airlines and charges paid by Signatory Airlines for remote aircraft parking areas.

Airline rent, fees and charges may be adjusted midway through each Contract Year if Authority records indicate that the payment of airline rent, fees and charges by Signatory Airlines at existing rates would result in an underpayment or overpayment by ten percent (10%) or more of the amount required to be generated by the Authority through airline rent, fees and charges for that Contract Year.

Reserves

The Airline agrees to the inclusion of the Renewal and Replacement Fund (“R&R Reserve”) and the Maintenance and Operation Fund (“M&O Reserve”), hereinafter sometimes collectively referred to as “Reserves”, in the rate base. Incremental changes in the Reserves shall be regularly included in the determination of Rates and Charges each Fiscal Year.

Coverage

If in any given Fiscal Year the Authority fails to meet the coverage test prescribed in the Resolution, the Signatory Airlines operating at the Airport the subsequent Contract Year shall be obligated to makeup the deficiency through the rate base, with that portion of the rate base agreed to be income to the Authority and expense to the Signatory Airlines in the Prior Fiscal Year in which the coverage deficiency occurred. As such, the deficiency amount that is put into the following Contract Year’s rate base could not be included in revenue for determining whether coverage was met in the Current Fiscal Year.

On or before May 31st of each Fiscal Year, the Authority must recalculate and adjust airline rent, fees and charges for the Prior Fiscal Year, based on actual costs incurred therein, with credits to or payments by the Signatory Airlines required in connection with over or under payments to be reflected in the rates and charges for the subsequent Contract year. Such Fiscal Year recalculation shall also include an adjustment for the differences between rates and charges in the current and prior contract years as they apply to the affected periods of the Prior Fiscal Year.

Repair and Maintenance

The Airline shall, as its own expense, keep its Leased Premises in good repair and condition to the extent of its maintenance obligation. In addition, the Airline agrees to maintain the Leased Premises and all of its fixtures and equipment clean, neat, safe, sanitary and in good order at all times.

The Authority agrees to keep, operate and maintain the Terminal Building in good condition and repair, and to keep, operate, and maintain the public, joint use space and common use space in the Terminal Building in a neat, clean and operating condition to the extent of its obligations, under the Agreement. The Authority shall also maintain and keep in repair the Airport landing areas, including taxiways.

Damage or Destruction of Premises

If any building of the Authority in which the Airline occupies Exclusive Use Space, Preferential Use Space, Joint Use Space and Common Use Space is partially damaged by fire, the elements, the public enemy or other casualty so as to materially affect the Airline's use of such space but not render it untenable, the same shall be repaired with due diligence by the Authority and the rent payable shall be paid up to the time of such damage or destruction has inflicted on the Airline's use of such premises. If the damage renders all or a portion of such space in the building unusable, but is capable of being repaired in sixty (60) days, it shall be repaired with due diligence by the Authority and the rent payable with respect to such space in the building shall be proportionately paid up to the time of such damage and shall from that time proportionately be abated until the time as such building shall be fully restored.

In case any such building is completely destroyed or so damaged that it will or does remain untenable for more than sixty days, the Authority has the option of terminating the Agreement or of repairing or constructing the building. If the Authority elects to rebuild, the rent payable with respect to the Airline's space in said building shall be proportionately paid up to the time as such damage or destruction and shall thereafter cease until such time as said building is fully restored. If within sixty days after the time of such damage or destruction said building is not repaired or reconstructed for the Airline's use, the Airline may give the Authority written notice of its intention to cancel the Agreement in its entirety or to cancel, as of the date of such damage or destruction, such part of the Agreement as it relates only to said building.

Indemnity and Insurance

Each Airline shall defend, indemnify and hold the Authority and its agents, officers and employees harmless from and against any and all liabilities, losses, suits, claims, judgments, fines or demands arising by reason of injury or death or any person or property damage arising out of or incident to the Airline's conduct of its business under the Agreement and/or use of the Airport, or the acts of the Airline's officers, agents, employees, contractors, licensees or invitees unless such injury, death or damage is caused by the negligence of the Authority. In addition, each Airline shall indemnify the Authority against liabilities arising from (i) violation by the Airline of any federal, state or municipal law or regulation, (ii) the initiation of a civil penalty action and any resulting civil penalty or settlement related thereto arising from a breach of security by the Signatory Airlines, its officers, employees or agents, and (iii) personal injury or death or property damage arising from jet emissions, from the Airline's aircraft occurring in connection with the Airline's use of gate facilities at the Airport.

In addition, each Airline shall obtain and maintain a comprehensive public liability insurance policy with a carrier authorized to do business in the State of New York.

Assignment and Subletting

No Airline shall assign, transfer, convey, sublet or otherwise dispose of the Agreement or its right, title or interest therein, without the previous consent in writing of the Authority; provided, that each Airline shall have the right to assign the Agreement and any rights and privileges granted to it under the Agreement to any corporation with which the Airline may merge or consolidate or which may succeed to the business of the Airline. The Airline shall have the right to sublet to any code-sharing affiliate of the Airline, space in the Leased Premises now or hereafter leased to it as Exclusive Use Space. Due notice of any such assignment shall be given to the Authority within thirty (30) days after any such merger, consolidation or succession.

Cancellation of Agreement

The Authority may cancel the Agreement by giving the Airline sixty (60) days advance written notice upon or after the occurrence of any one of the following events: (i) any act that deprives the Airline permanently of the rights, power, and privileges necessary for the proper conduct and operation of its air transportation business; (ii) the Airline defaults in the performance of any covenant or agreement required to be performed by the Airline, including but not limited to failure to pay rents, fees and charges as required, failure to maintain liability insurance in the amount and form required, or failure when required to do so under the Agreement to provide or maintain a Security Deposit in the amount and form required, and does not remedy such default during a period of thirty (30) days after receipt from the Authority of written notice of default; no notice of cancellation shall take effect if the Airline remedies the default before receiving the cancellation notice or, if such default cannot reasonably be remedied within thirty (30) days, if the Airline has within that time taken all reasonable steps to remedy and diligently pursues all action thereafter necessary to remedy the default; or (iii) the Airline ceases to provide air transportation services at the Airport for a period of sixty (60) consecutive days or abandons or fails to use its Exclusive Use Space for a period of thirty (30) consecutive days, except when such cessation or abandonment is due to fire, earthquake, labor dispute, strike, governmental action, other damage or destruction of facilities, default of the Authority, or other cause beyond the Airline's control.

The Airline may cancel the Agreement and terminate all of any of its obligations under it at any time that the Airline is not in default in its payment to the Authority, by giving the Authority sixty (60) days advance written notice, upon or after the happening of any of the following events: (i) issuance by any court of competent jurisdiction of an injunction preventing or restraining the use of the Airport for Airport purposes, and the remaining in force of such injunction for a period of at least six (6) months; (ii) the inability of the Airline to use, for a period in excess of sixty (60) days, the Airport or any of the premises, facilities, rights, licenses, services or privileges leased to the Airline under the Agreement because of any law or any order, rule, regulation or other action or any non-action of any governmental authority other than the Authority, or because of fire, earthquake, other casualty or acts of God or the public enemy; (iii) default by the Authority in the performance of any covenant or agreement herein required to be performed by the Authority and failure of the Authority to remedy such default for a period of thirty (30) days after receipt from the Airline of a written notice to remedy the same or if such default cannot reasonably be remedied within thirty (30) days, if the Authority has within that time taken all reasonable steps to remedy, and diligently pursues all action thereafter necessary to remedy the default; or (iv) the assumption by the United States Government or any authorized agency thereof of the operation, control or use of the Airport and facilities, or any substantial part or parts thereof, in such a manner as substantially to restrict the Airline, for a period of at least ninety (90) days from operating thereon for the carrying of passengers, cargo, property and U.S. air mail.

Subordination to the Resolution

The Agreement and all rights granted to the Airline under it are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation or assignment made by the Authority in any prior Resolution, or any future Resolution hereafter executed by the Authority, to issue Bonds. The Authority expressly reserves the right to enter into Resolution agreements and to make such pledges and grant such liens and enter into covenants as it may deem necessary or desirable to secure and provide for the payment of Bonds, including the creation of reserves therefor.

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APPENDIX D

**PROPOSED FORM OF BOND COUNSEL OPINION
FOR SERIES 2014A BONDS**

September 3, 2014

Board of Commissioners
Niagara Frontier Transportation
Authority
Buffalo, New York 14203

Ladies and Gentlemen:

**NIAGARA FRONTIER TRANSPORTATION AUTHORITY
AIRPORT REVENUE BONDS, REFUNDING SERIES 2014A
\$65,340,000**

At your request we have examined into the validity of Sixty-Five Million Three Hundred Forty Thousand Dollars (\$65,340,000) principal amount of Airport Revenue Bonds, Refunding Series 2014A (hereinafter called the "Series 2014A Bonds"), of Niagara Frontier Transportation Authority (hereinafter called the "Authority"), a public benefit corporation duly organized and existing under the laws of the State of New York. The Series 2014A Bonds are issued in fully registered form; are dated as of the date of issuance thereof; are of the denomination of \$5,000 or any integral multiple thereof; bear interest payable April 1, 2015, and semiannually each October 1 and April 1 thereafter at the rates per annum set forth in the schedule below; and mature and become payable as to principal on April 1 in each of the years and in the principal amounts as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2015	\$2,930,000	4.00%	2023	\$5,495,000	5.00%
2016	1,090,000	5.00	2024	5,730,000	5.00
2017	1,150,000	4.00	2025	5,960,000	5.00
2018	1,205,000	3.00	2026	6,060,000	5.00
2019	1,500,000	4.00	2027	6,360,000	5.00
2020	4,930,000	5.00	2028	6,680,000	5.00
2021	5,180,000	5.00	2029	5,635,000	5.00
2022	5,435,000	4.00			

The Series 2014A Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2014A Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and statutes of the State of New York, a resolution (hereinafter called the “Bond Resolution”) duly adopted by the Board of Commissioners of the Authority under said Constitution and statutes on May 12, 1994, and a sixth supplemental resolution (the “Sixth Supplemental Resolution”) duly adopted by the Board of Commissioners under said constitution and statutes and the Bond Resolution on June 26, 2014. We have examined the Constitution and statutes of the State of New York, certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2014A Bonds (including the Bond Resolution and the Sixth Supplemental Resolution), and such other instruments and documents as we have deemed necessary and advisable and a specimen Series 2014A Bond.

In our opinion:

1. The Series 2014A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of New York, the Bond Resolution and the Sixth Supplemental Resolution and constitute valid and binding special limited obligations of the Authority enforceable in accordance with their terms payable, on a parity with all bonds heretofore or hereafter issued under the Bond Resolution, from, and secured equally and ratably with such bonds by, the Net Airport Revenues (as defined in the Bond Resolution) pledged to the payment thereof by the Bond Resolution.

2. The Bond Resolution and the Sixth Supplemental Resolution have been duly adopted by the Board of Commissioners of the Authority, the provisions of said resolutions are valid and binding upon the Authority and enforceable in accordance with their terms, and the holders of the Series 2014A Bonds are entitled to the security and benefits of said resolutions.

3. Under existing statutes, interest on the Series 2014A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York), and the Series 2014A Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2014A Bonds (a) 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2014A Bond for any period during which the Series 2014A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed or refinanced with the proceeds of the Series 2014A Bond or a “related person,” and (b) is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2014A Bonds in order that interest on the Series 2014A Bonds be and remain not includable in gross income under Section 103 of the Code. These requirements include provisions which prescribe yield and other limits relative to the investment of proceeds of the Series 2014A Bonds and other amounts and require that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2014A Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. We have examined the Bond Resolution, the Sixth Supplemental Resolution and the Authority’s Arbitrage and Use of Proceeds Certificate, which, in our opinion, establish procedures under which the pertinent Code requirements can be satisfied. In rendering our opinion, in

respect of the Federal income tax treatment of interest on the Series 2014A Bonds, we have assumed that the Authority will comply with and abide by the terms of the Bond Resolution, the Sixth Supplemental Resolution and the Authority's Arbitrage and Use of Proceeds Certificate.

In rendering our its opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2014A Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014A Bonds from gross income under Section 103 of the Code.

We express no opinion regarding Federal, state, or local tax consequences arising with respect to the Series 2014A Bonds except as stated above. We have rendered our opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express 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 2014A Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Series 2014A Bonds under the Series 2014A Bonds, the Bond Resolution and the Sixth Supplemental Resolution and the enforceability thereof under the same may be subject to the exercise of judicial discretion, the sovereign police powers of the State of New York and the Constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP

PROPOSED FORM OF BOND COUNSEL OPINION
for Series 2014B Bonds

September 3, 2014

Board of Commissioners
Niagara Frontier Transportation
Authority
Buffalo, New York 14203

Ladies and Gentlemen:

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
AIRPORT REVENUE BONDS, REFUNDING SERIES 2014B
\$12,430,000

At your request we have examined into the validity of Twelve Million Four Hundred Thirty Thousand Dollars (\$12,430,000) principal amount of Airport Revenue Bonds, Refunding Series 2014B (hereinafter called the "Series 2014B Bonds"), of Niagara Frontier Transportation Authority (hereinafter called the "Authority"), a public benefit corporation duly organized and existing under the laws of the State of New York. The Series 2014B Bonds are issued in fully registered form; are dated as of the date of issuance thereof; are of the denomination of \$5,000 or any integral multiple thereof; bear interest payable April 1, 2015, and semiannually each October 1 and April 1 thereafter at the rates per annum set forth in the schedule below; and mature and become payable as to principal on April 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2016	\$2,995,000	4.00%
2017	3,115,000	5.00
2018	3,270,000	4.00
2019	3,050,000	5.00

The Series 2014B Bonds are subject to redemption prior to maturity upon the terms and conditions and at the prices set forth therein.

The Series 2014B Bonds recite that they are issued under the authority of and pursuant to and in full compliance with the Constitution and statutes of the State of New York, a resolution (hereinafter called the "Bond Resolution") duly adopted by the Board of Commissioners of the Authority under said Constitution and statutes on May 12, 1994, and a sixth supplemental resolution (the "Sixth Supplemental Resolution") duly adopted by the Board of Commissioners under said constitution and statutes and the Bond Resolution on June 26, 2014. We have examined the Constitution and statutes of the State of New York, certified copies of proceedings of the Board of Commissioners of the Authority authorizing the issuance of the Series 2014B Bonds (including the Bond Resolution and the Sixth Supplemental Resolution), and such other instruments and documents as we have deemed necessary and advisable and a specimen Series 2014B Bond.

In our opinion:

1. The Series 2014B Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of New York, the Bond Resolution and the Sixth Supplemental Resolution and constitute valid and binding special limited obligations of the Authority enforceable in accordance with their terms payable, on a parity with all bonds heretofore or hereafter issued under the Bond Resolution, from, and secured equally and ratably with such bonds by, the Net Airport Revenues (as defined in the Bond Resolution) pledged to the payment thereof by the Bond Resolution.

2. The Bond Resolution and the Sixth Supplemental Resolution have been duly adopted by the Board of Commissioners of the Authority, the provisions of said resolutions are valid and binding upon the Authority and enforceable in accordance with their terms, and the holders of the Series 2014B Bonds are entitled to the security and benefits of said resolutions.

3. Under existing statutes, interest on the Series 2014B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York), and the Series 2014B Bonds are exempt from taxation directly imposed thereon by or under authority of said State, except for estate and gift taxes and taxes on transfers.

4. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the Series 2014B Bonds (a) 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 (b) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2014B Bonds in order that interest on the Series 2014B Bonds be and remain not includable in gross income under Section 103 of the Code. These requirements include provisions which prescribe yield and other limits relative to the investment of proceeds of the Series 2014B Bonds and other amounts and require that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2014B Bonds to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained. We have examined the Bond Resolution, the Sixth Supplemental Resolution and the Authority's Arbitrage and Use of Proceeds Certificate which, in our opinion, establish procedures under which the pertinent Code requirements can be satisfied. In rendering our opinion, in respect of the Federal income tax treatment of interest on the Series 2014B Bonds, we have assumed that the Authority will comply with and abide by the terms of the Bond Resolution, the Sixth Supplemental Resolution and the Authority's Arbitrage and Use of Proceeds Certificate.

In rendering our its opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2014B Bonds, and have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2014B Bonds from gross income under Section 103 of the Code.

We express no opinion regarding Federal, state, or local tax consequences arising with respect to the Series 2014B Bonds except as stated above. We have rendered our opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or

supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. We express 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 2014B Bonds, or under state and local tax law.

It is to be understood that the rights of the holders of the Series 2014B Bonds under the Series 2014B Bonds, the Bond Resolution and the Sixth Supplemental Resolution and the enforceability thereof under the same may be subject to the exercise of judicial discretion, the sovereign police powers of the State of New York and the Constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors.

Very truly yours,

HAWKINS DELAFIELD & WOOD LLP

APPENDIX E

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Certificate”) is being provided in connection with the issuance by the Niagara Frontier Transportation Authority (the “Authority”) of the its \$65,340,000 principal amount Airport Revenue Bonds, Refunding Series 2014A and \$12,430,000 principal amount Airport Revenue Bonds, Refunding Series 2014B (collectively, the “Bonds”) under a resolution adopted by the Board of Commissioners of the Authority on May 12, 1994 and a Sixth Supplemental Resolution (the “Sixth Supplemental Resolution”) adopted by the Board of Commissioners of the Authority on June 26, 2014 (collectively, the “Resolution”). Capitalized terms used in this Certificate which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 5.6 of the Sixth Supplemental Resolution, the Authority agrees as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Certificate is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Authority shall provide Annual Financial Information with respect to each fiscal year of the Authority, commencing with fiscal year 2016, by no later than two hundred ten (210) days after the end of the respective fiscal year, to the MSRB.

(b) The Authority shall provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Authority shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Authority shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.5. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event under the Resolution, in addition to that which is required by this Certificate. If the Authority chooses to do so, the Authority shall have no obligation under this Certificate to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event under the Resolution.

Section 1.6. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Authority and that,

under some circumstances, compliance with this Certificate without additional disclosures or other action may not fully discharge all duties and obligations of the Authority under such laws.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Authority may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Authority under this Certificate, and revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The Authority's current fiscal year is April 1 – March 31, and the Authority shall promptly notify the MSRB of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Certificate shall be effective upon the issuance of the Bonds.

(b) The Authority's obligations under this Certificate shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Certificate, or any provision hereof, shall be null and void in the event that the Authority (1) receives an opinion of Counsel, addressed to the Authority, to the effect that those portions of the Rule which require this Certificate, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, (2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have received an opinion of Counsel, addressed to the Authority, to the same effect as set forth in clause (2) above, (4) either (i) the Authority shall have received an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Authority (such as bond counsel), addressed to the Authority, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Certificate pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Authority shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Certificate may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate, (2) the Authority shall have received an opinion of Counsel, addressed to the Authority, to the effect that performance by the Authority under this Certificate as so amended will not result in a violation of the Rule and (3) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Certificate may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Authority shall have received an opinion of Counsel, addressed to the Authority, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided pursuant to this Certificate, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2 hereof relating to the accounting principles to be followed by the Authority in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third party beneficiaries of this Certificate. The provisions of this Certificate shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Authority to comply with the provisions of this Certificate shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by any holder of Outstanding Bonds. The holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Certificate. In consideration of the third party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Authority to perform in accordance with this Certificate shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Certificate shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Authority, as follows (to the extent not included in submitted Audited Financial Statements or Unaudited Financial Statements):

- (a) Table entitled "SUMMARY LICENSE PLATE SURVEY DATA" under the caption "THE AIRPORT— Canadian Passenger Traffic;"
- (b) Table entitled "AIRLINES SERVING THE AIRPORT" under the caption "THE AIRPORT—Airport Activity;"
- (c) Table entitled "TOP 10 MARKETS" under the caption "THE AIRPORT—Airport Activity;"
- (d) Table entitled "HISTORICAL ENPLANEMENTS" under the caption "THE AIRPORT— Historical Passenger Activity;"
- (e) Table entitled "HISTORICAL ENPLANEMENTS BY AIRLINE" under the caption "THE AIRPORT—Enplanements by Air Carriers;"
- (f) Table entitled "FINANCIAL SUMMARY" under the caption "FINANCIAL MATTERS— Financial Results;"
- (g) Table entitled "TOP 10 OPERATING REVENUE PROVIDERS" under the caption "FINANCIAL MATTERS—Revenue Diversity"

- (h) Table entitled “DEBT SERVICE COVERAGE” under the caption “FINANCIAL MATTERS—Debt Service Coverage;”
- (i) Table entitled “AIRLINE DERIVED REVENUE PER ENPLANED PASSENGER” under the caption “FINANCIAL MATTERS—Airline Cost Per Enplaned Passenger;”
- (j) Table entitled “AIRPORT DEVELOPMENT FUND” under the caption “OTHER AIRPORT MATTERS—Airport Development Fund;” and

(ii) the information regarding amendments to this Certificate required pursuant to Sections 3.2(d) and (e) of this Certificate. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include 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 in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Authority, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Authority may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law a regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Certificate.

(6) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Authority or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;

Note to clause (xii): For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing 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 Authority;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(7) “Official Statement” means the Official Statement dated August 20, 2014 of the Authority relating to the Bonds.

(8) “Rule” means Rule 15c2 12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2 12), as amended, as in effect on the date of this Certificate, including any official interpretations thereof issued either before or after the effective date of this Certificate which are applicable to this Certificate.

(9) “SEC” means the United States Securities and Exchange Commission.

(10) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(11) “Underwriters” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBC Capital Markets, LLC and Siebert Brandford Shank & Co., L.L.C.

IN WITNESS WHEREOF, I have hereunto set my hand as of the __th day of September, 2014.

Niagara Frontier Transportation Authority

By: _____
Title:

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APPENDIX F

DTC AND ITS BOOK-ENTRY ONLY SYSTEM

THE INFORMATION IN THIS APPENDIX F CONCERNING DTC (DEFINED HEREIN) 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 OR COMPLETENESS THEREOF. THERE CAN BE NO ASSURANCE THAT DTC WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2014 Bonds. The Series 2014 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 fully-registered Series 2014 Bond certificate will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 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 a Standard & Poor's rating of AA+. 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 Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 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 Series 2014 Bonds 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 Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 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 Series 2014 Bonds 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 Series 2014 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds 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. Beneficial Owners of Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners of Series 2014 Bonds may wish to ascertain that the nominee holding the Series 2014 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2014 Bonds of a single maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest and redemption proceeds on the Series 2014 Bonds 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 detail information from the Authority or the trustee on 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 nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest and redemption proceeds on each Series 2014 Bond 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 Series 2014 Bonds 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, Series 2014 Bond 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, Series 2014 Bond certificates will be printed and delivered. To DTC and the requirements of the Resolution with respect to certificated Series 2014 Bonds will apply.

THE AUTHORITY AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2014 BONDS (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE AUTHORITY NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.

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