

FedEx Tracking Number

8400 9339 8066

Form I.D. No.

0215 #279

SPH31

Sender's Copy

1 From Please print and press hard.

Date 6/11/04 Sender's FedEx Account Number 1281-2360-1

Sender's Name MICHAEL A. GENITO Phone (914) 967-7303

Company CITY OF RYE

Address 1051 BOSTON POST RD

City RYE State NY ZIP 10580-2945

2 Your Internal Billing Reference

First 24 characters will appear on invoice. OPTIONAL

3 To

Recipient's Name VICTORIA L. STORRS Phone (518) 402-6924

Company NEW YORK STATE ENVIRONMENTAL FACILITIES CORP

Address 625 BROADWAY

Address

City ALBANY State NY ZIP 12207-2997

Try online shipping at fedex.com

By using this Airbill you agree to the service conditions on the back of this Airbill and in our current Service Guide, including terms that limit our liability.

Questions? Visit our Web site at fedex.com
or call 1.800.Go.FedEx® 800.463.3339.

4a Express Package Service

- FedEx Priority Overnight Next business morning
 - FedEx Standard Overnight Next business afternoon
 - FedEx 2Day Second business day
 - FedEx Express Saver Third business day
- Delivery commitment may be later in some areas. Packages up to 150 lbs. Earliest next business morning delivery to select locations. FedEx First Overnight Earliest next business morning delivery to select locations. FedEx Envelope rate not available. Minimum charge: One-pound rate.

4b Express Freight Service

- FedEx 1Day Freight* Next business day
 - FedEx 2Day Freight Second business day
 - FedEx 3Day Freight Third business day
- Delivery commitment may be later in some areas. Packages over 150 lbs. * Call for Confirmation: _____ * Declared value limit \$500

5 Packaging

- FedEx Envelope*
- FedEx Pak* Includes FedEx Small Pak, FedEx Large Pak, and FedEx Sturdy Pak
- Other

6 Special Handling

- SATURDAY Delivery Available ONLY for FedEx Priority Overnight and FedEx 2Day to select ZIP codes
 - HOLD Weekday at FedEx Location NOT Available for FedEx First Overnight
 - HOLD Saturday at FedEx Location Available ONLY for FedEx Priority Overnight and FedEx 2Day to select locations
- Does this shipment contain dangerous goods? One box must be checked.

- No
 - Yes As per attached Shipper's Declaration
 - Yes Shipper's Declaration not required
 - Dry Ice Dry Ice, 9, UN 1845 _____ x _____ kg
 - Cargo Aircraft Only
- Dangerous Goods (including Dry Ice) cannot be shipped in FedEx packaging.

7 Payment Bill to:

- Sender Acct. No. in Section 1 will be billed.
 - Recipient
 - Third Party
 - Credit Card
 - Cash/Check
- Enter FedEx Acct. No. or Credit Card No. below.

Total Packages	Total Weight	Total Declared Value*
		\$.00

*Our liability is limited to \$100 unless you declare a higher value. See back for details.

8 Release Signature

Sign to authorize delivery without obtaining signature.

By signing you authorize us to deliver this shipment without obtaining a signature and agree to indemnify and hold us harmless from any resulting claims.

447

0243711747

Terms And Conditions

Definitions On this Airbill, "we," "our," and "us" refer to Federal Express Corporation, its employees, and agents. "You" and "your" refer to the sender, its employees, and agents.

Agreement To Terms By giving us your package to deliver, you agree to all the terms on this Airbill and in our current Service Guide, which is available on request. You also agree to those terms on behalf of any third party with an interest in the package. If there is a conflict between the Service Guide and this Airbill, the Service Guide will control. No one is authorized to change the terms of our Agreement.

Responsibility For Packaging And Completing Airbill You are responsible for adequately packaging your goods and properly filling out this Airbill. If you omit the number of packages and/or weight per package, our billing will be based on our best estimate of the number of packages we received and/or an estimated "default" weight per package as determined by us.

Responsibility For Payment Even if you give us different payment instructions, you will always be primarily responsible for all delivery costs, as well as any cost we incur in either returning your package to you or warehousing it pending disposition.

Limitations On Our Liability And Liabilities Not Assumed

- Our liability in connection with this shipment is limited to the lesser of your actual damages or \$100, unless you declare a higher value, pay an additional charge, and document your actual loss in a timely manner. You may pay an additional charge for each additional \$100 of declared value. The declared value does not constitute, nor do we provide, cargo liability insurance.
- In any event, we will not be liable for any damage, whether direct, incidental, special, or consequential in excess of the declared value of a shipment, whether or not Federal Express had knowledge that such damages might be incurred including but not limited to loss of income or profits.

• We won't be liable:

- for your acts or omissions, including but not limited to improper or insufficient packing, securing, marking, or addressing, or those of the recipient or anyone else with an interest in the package.
- if you or the recipient violates any of the terms of our Agreement.
- for loss or damage to shipments of prohibited items.
- for loss, damage, or delay caused by events we cannot control, including but not limited to acts of God, perils of the air, weather conditions, acts of public enemies, war, strikes, civil commotions, or acts of public authorities with actual or apparent authority.

Declared Value Limits

- The highest declared value allowed for a FedEx Envelope and FedEx Pak shipment is \$500.
- For other shipments, the highest declared value allowed is \$50,000 unless your package contains items of extraordinary value, in which case the highest declared value allowed is \$500.
- Items of extraordinary value include shipments containing such items as artwork, jewelry, furs, precious metals, negotiable instruments, and other items listed in our Service Guide.
- You may send more than one package on this Airbill and fill in the total declared value for all packages, not to exceed the \$100, \$500, or \$50,000 per package limit described above. (Example: 5 packages can have a total declared value of up to \$250,000.) In that case, our liability is limited to the actual value of the package(s) lost or damaged, but may not exceed the maximum allowable declared value(s) or the total declared value, whichever is less. You are responsible for proving the actual loss or damage.

Filing A Claim YOU MUST MAKE ALL CLAIMS IN WRITING and notify us of your claim within strict time limits set out in the current Service Guide.

You may call our Customer Service department at 1.800.Go.FedEx® 800.463.3339 to report a claim; however, you must still file a timely written claim.

Within 90 days after you notify us of your claim, you must send us all the information you have about it. We aren't obligated to act on any claim until you have paid all transportation charges, and you may not deduct the amount of your claim from those charges.

If the recipient accepts your package without noting any damage on the delivery record, we will assume the package was delivered in good condition. For us to process your claim, you must make the original shipping cartons and packing available for inspection.

Right To Inspect We may, at our option, open and inspect your packages before or after you give them to us to deliver.

Right Of Rejection We reserve the right to reject a shipment when such shipment would be likely to cause delay or damage to other shipments, equipment, or personnel; or if the shipment is prohibited by law; or if the shipment would violate any terms of our Airbill or our current Service Guide.

C.O.D. Services C.O.D. SERVICE IS NOT AVAILABLE WITH THIS AIRBILL. If C.O.D. Service is required, please use a Federal Express C.O.D. Airbill.

Air Transportation Tax Included A federal excise tax when required by the Internal Revenue Code on the air transportation portion of this service, if any, is paid by us.

Money-Back Guarantee In the event of untimely delivery, Federal Express will, at your request and with some limitations, refund or credit all transportation charges. See current Service Guide for more information.

Mary Lou McClure
Deputy Comptroller
1051 Boston Post Road
Rye, New York 10580



Tel: (914) 967-7364
Fax: (914) 967-7370
E-mail: mmcclure@ryeny.gov
<http://www.@ryeny.gov>

CITY OF RYE
Department of Finance

June 11, 2004

Victoria L. Storrs
Associate Financial Analyst
New York State Environmental Facilities Corporation
625 Broadway
Albany, NY 12207-2997

*6/16 11:30 PM
"Mary" of EFC
did receive pkg.
[Signature]*

Re: New York State Environmental Facilities Corporation
Clean Water State Revolving Fund (CWSRF)
Project No.: C3-5399-01-00
County of Westchester

Dear Ms. Storrs:

Enclosed please find two (2) signed copies of the Project Finance Agreement dated June 1, 2004 and two (2) original Opinion Letters described in your letter to Michael A. Genito dated May 28, 2004. Please note that there are no operating contracts or intermunicipal agreements with third parties due to the Environmental Facilities Corporation under item number three (3) of your letter.

Please advise me if there is any further information you require.

Sincerely,
CITY OF RYE

Mary Lou McClure
Mary Lou McClure
Deputy Comptroller

cc: Randolph J. Mayer, Esq. W/encl.
Kevin J. Plunkett, Esq.



New York State
ENVIRONMENTAL FACILITIES CORPORATION

Thomas J. Kelly, *President*

Michael A. Genito
Comptroller
City of Rye
1051 Boston Post Road
Rye, NY 10580

MAY 28 2004

Re: New York State Environmental Facilities Corporation (EFC)
Clean Water State Revolving Fund (CWSRF)
Project No.: C3-5399-01-00
County of Westchester

Dear Mr. Genito:

Under the leadership of New York State Governor George E. Pataki, the New York State Environmental Facilities Corporation (EFC) and the New York State Department of Environmental Conservation are committed to helping communities protect the environment by providing low-cost funding through EFC's State Revolving Funds (SRF). The SRFs are an indispensable tool for communities seeking to implement water quality improvement programs.

I am pleased to confirm that the Project noted above has been selected for inclusion in EFC's SRF pooled financing issue presently scheduled to close on or about July 22, 2004. The proceeds of this financing will be used to finance projects being undertaken by a number of recipients. Each recipient's project will be financed under a financing agreement ("Agreement") (which identifies among other things, the respective project, the estimated project costs, and the anticipated project timetable). The Agreement also obligates the recipient to repay its individual SRF financing for the project it is undertaking.

Signing and returning the Agreement commits you, as the recipient, to proceed with the financing with one exception. As explained more fully in paragraph # 4 on the next page, if a maximum interest rate is exceeded, any recipient may elect not to proceed.

Enclosed are three (3) copies of the Agreement with respect to your Project. Please review the entire Agreement carefully, with particular emphasis, without limitation, on the following matters:

1. Exhibit A - Project Description. Please make sure that this is accurate.
2. Exhibit B - Description of Previously Issued Indebtedness. If all or any portion of your financing is intended to be used to refinance existing indebtedness (BANs or bonds), this Exhibit will identify the indebtedness, the outstanding principal amount thereof, and the wire instructions necessary for payment of the indebtedness. Please make sure that all of this information is correct.

In addition, if you have not yet spent all of the proceeds of such indebtedness, please advise EFC immediately. In this circumstance, special arrangements will be required to insure that "unspent proceeds" are applied to costs that are eligible under the SRF program.

3. Exhibit C - Estimated Project Cost. Please make sure that this is accurate. Note, in particular, that this Exhibit reflects whether the financing covers any portion of your local bond issuance costs, and the issuance costs and administrative fees that are payable to EFC.
4. Exhibit E - Schedule of Additional Provisions. Paragraph I reflects the maximum interest rate on the proposed financing to you. As noted in our various discussions with you, your representatives or consultants and your bond counsel, we require execution of the Agreement before we distribute our Preliminary Official Statement ("POS") to potential bond purchasers. However, we establish a maximum interest rate, in the Agreement, which sets a "ceiling" for the participating recipients. If the ceiling is exceeded, a recipient is not required to proceed with the financing.
5. Exhibit F - Anticipated Principal Repayment Schedule. This is a proposed principal repayment schedule for the financing, as developed by EFC in consultation with your staff. If there are any questions or problems, please contact EFC. A final schedule will be included in the Notice of Terms provided by EFC once EFC's bonds are priced and definitive interest rates are established. Upon your receipt of the Notice of Terms, you will need to advise EFC immediately of any inconsistencies.
6. Operating Contracts or Intermunicipal Agreements - If you have operating contracts, or intermunicipal agreements that have not been previously provided to EFC, please enclose copies with your signed Agreement (see below) and arrange for your local counsel to contact Kam Wong, Esq. of Hawkins, Delafield & Wood (212-820-9410) immediately. Ms. Wong will need to review the contracts or intermunicipal agreements (if any) in order to confirm that they will not affect the tax status of EFC's bonds.

This letter, together with the enclosed material, has also been provided to your respective bond and local counsel for review. If you need to contact EFC to correct or confirm any of the matters noted above, please do not hesitate to call us at our toll-free number: 1-800-882-9721. If your question or concern is of a Legal nature you may contact Judith Avent, Corporate Counsel, directly at the same number.

After your review is complete, we would appreciate your doing the following:

1. Please arrange for **two (2) copies of the Agreement to be signed on the signature page**, which appears just before Exhibit A.

The person signing this document must be the authorized signatory named in your enabling resolution(s).

2. Please arrange for your local counsel to execute and deliver **two (2) original opinion letters** in the form of Exhibit I to the Agreement.

3. If you have operating contracts or intermunicipal agreements with third parties that have not been previously provided to EFC, enclose copies of any such agreements.
4. Please return **two (2)** signed copies of the Agreement, the **two (2)** original opinion letters described above, and any applicable operating contracts, or intermunicipal agreements to me at the following address: New York State Environmental Facilities Corporation, 625 Broadway, Albany, New York, 12207-2997. The remaining copy of each Agreement may be retained for your records.

IN ORDER TO MEET THE FINANCING SCHEDULE, WE REQUIRE THAT YOU RETURN THESE DOCUMENTS TO US NO LATER THAN THE MORNING OF JUNE 11, 2004.

A FULLY SIGNED ORIGINAL OF THE AGREEMENT WILL BE RETURNED TO YOUR ATTENTION.

Under Governor Pataki, New York State is leading the nation in water quality protection with programs such as the SRF. Once again, we appreciate your interest in the SRF program, and look forward to closing your financing on July 22, 2004. If you have any questions, or require additional assistance, please call me at the number shown above.

Sincerely,



Victoria L. Storrs
Associate Financial Analyst

VLS:mf

cc w/enc.: Randolph J. Mayer, Esq.
 Kevin J. Plunkett, Esq.
 Judith A. Avent, Esq.



CITY OF RYE

1051 BOSTON POST ROAD RYE, NY 10580-2996
TEL: (914) 967-5400 FAX: (914) 967-4604

June 10, 2004

Mr. Thomas J. Kelly
President
New York State Environmental Facilities Corporation
625 Broadway
Albany, NY 12207-2997

Re: New York State Environmental Facilities Corporation
Opinion of Local Counsel, City of Rye

Dear Mr. Kelly:

I am an attorney admitted to practice in the State of New York and Corporation Counsel to the recipient, City of Rye (the "Recipient"), which has entered into a Project Finance Agreement (as hereinafter defined) with the New York State Environmental Facilities Corporation (the "Corporation"). Terms used but not otherwise defined herein shall have the respective meanings set forth in such Project Finance Agreement.

I have examined originals, or copies certified or otherwise identified to my satisfaction, of the following:

(A) the Project Finance Agreement, dated as of June 1, 2004 (the "Project Finance Agreement"), by and between the Corporation and the Recipient, in the form executed by the Recipient; and

(B) proceedings of the governing members of the Recipient relating to the approval of the Project Finance Agreement and the execution, issuance and delivery thereof and of the Recipient Bonds on behalf of the Recipient, and the authorization of the undertaking and completion of the Project (as defined in the Project Finance Agreement).

I have also examined and relied upon originals, or copies certified or otherwise authenticated to my satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in my judgment I have deemed necessary or appropriate to enable me to deliver this opinion.

Based upon the foregoing, I hereby certify as follows:

1. There is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Project Finance Agreement, the Recipient Bonds or any of the proceedings taken with respect to the issuance and sale of the Recipient Bonds, the application of monies to the payment of the Recipient Bonds or in any manner questioning the proceedings and authority under which the Recipient Bonds were authorized or affecting the validity of the Recipient Bonds, the existence or boundaries of the Recipient or the title of officials of the Recipient who have acted with respect to the proceedings for the issuance and sale of the Recipient Bonds to their respective offices, and no authority or proceedings for the issuance and sale of the Recipient Bonds have been repealed, revoked or rescinded.

2. The execution and delivery by the Recipient of the Project Finance Agreement, the issuance, sale and delivery of the Recipient Bonds, the adoption of the bond resolution by the Recipient and compliance with the provisions thereof will not conflict with or constitute a breach of or a default under any local law or administrative regulation, or any judgment, decree or any agreement or other instrument known to me to which the Recipient is a party or otherwise subject.

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first set forth above.

Very truly yours,



Kevin J. Plunkett

KJP/pl

cc: Mr. Michael Genito

STATE WATER POLLUTION CONTROL REVOLVING FUND

CITY OF RYE

and

NEW YORK STATE ENVIRONMENTAL
FACILITIES CORPORATION

PROJECT FINANCE AGREEMENT
(LEVERAGED FINANCING PROGRAM)

STATE CLEAN WATER REVOLVING FUND PROJECT NO.: C3-5399-01-00

Dated as of June 1, 2004

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS

Section 1.1. Definitions.....2
Section 1.2. Rules of Construction.....6
Section 1.3. Exhibits and Appendices Incorporated7

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations of the Recipient.....7
Section 2.2. Representations of the Corporation.....10

ARTICLE III

PURCHASE OF RECIPIENT BONDS

Section 3.1. Purchase of Recipient Bonds.11
Section 3.2. Other Amounts Payable.13
Section 3.3. Redemption of Recipient Bonds.14
Section 3.4. Deposit of Proceeds from the Sale of Recipient Bonds.....14
Section 3.5. Disbursement of Proceeds from the Sale of Recipient
Bonds.....14
Section 3.6. Reimbursement of Revolving Fund15
Section 3.7. Effective Date and Term16
Section 3.8. Execution and Delivery of Recipient Bonds and Other
Documents.....16
Section 3.9. Depository Bank; Investment of Leveraged Financing
Proceeds and Recipient Bonds Prepayments17
Section 3.10. Commitment to Proceed; Agreement to Pay
Proportionate Share of Certain Expenses.....18

ARTICLE IV

GENERAL PROJECT CONDITIONS, COVENANTS AND REPRESENTATIONS

Section 4.1. Compliance with Laws and Agreements.....19
Section 4.2. Plans and Specifications.....20
Section 4.3. Construction of Project21
Section 4.4. Ownership, Operation and Maintenance.....22
Section 4.5. Accounting and Records23
Section 4.6. Payment of Additional Project Costs.23
Section 4.7. Remediation23

ARTICLE V
COVENANTS

Section 5.1.	Application of Proceeds	23
Section 5.2.	Tax Covenant.	23
Section 5.3.	Payment of Recipient Bonds	24

ARTICLE VI
REMEDIES

Section 6.1.	Remedies	24
--------------	----------------	----

ARTICLE VII
MISCELLANEOUS

Section 7.1.	Notices.....	25
Section 7.2.	Binding Effect.....	26
Section 7.3.	Severability.....	26
Section 7.4.	Amendments, Supplements and Modifications.....	26
Section 7.5.	Execution in Counterparts.....	26
Section 7.6.	Applicable Law.....	26
Section 7.7.	Captions.....	26
Section 7.8.	Benefit of Project Finance Agreement.....	26
Section 7.9.	Further Assurances; Disclosure of Financial Information, Operating Data and Other Information.....	26
Section 7.10.	Assignment of Project Finance Agreement or Recipient Bonds.....	27
Section 7.11.	Covenant Against Discrimination.....	27
Section 7.12.	Agreements of the Corporation.....	28
Section 7.13.	Project Finance Agreement Supersedes Prior Agreements.....	28
Section 7.14.	Conversion of Financing.....	28
Section 7.15.	Signs.....	28

EXHIBITS

Exhibit A	Project Description
Exhibit B	Description of Previously Issued Indebtedness Used to Finance the Project; Payment Instructions
Exhibit C	Estimated Project Costs; Reserve Allocation
Exhibit D	Estimated Construction Schedule
Exhibit E	Schedule of Additional Provisions
Exhibit F	Anticipated Principal Payment Schedule
Exhibit G	Form of Recipient Bonds
Exhibit H	Form of Opinion of Nationally Recognized Bond Counsel
Exhibit I	Form of Opinion of Local Counsel
Exhibit J	Form of Recipient Closing Certificate
Exhibit K	Requisition Procedures
Exhibit L	Form of Notice of Terms

This PROJECT FINANCE AGREEMENT, dated as of the date set forth on the cover page hereof, between the municipal corporation set forth on the cover page of this Project Finance Agreement, a municipal corporation duly organized and existing under the laws of the State of New York (the "Recipient"), and the New York State Environmental Facilities Corporation, a body corporate and politic, constituting a public benefit corporation, established and existing under and by virtue of the laws of the State of New York (the "Corporation"),

WITNESSETH:

WHEREAS, the United States of America, pursuant to the federal Water Pollution Control Act (as such has been and may be amended from time to time, the "Clean Water Act") requires each State to establish a water pollution control revolving fund to be administered by an instrumentality of the State as a condition to receipt of capitalization grants under the Clean Water Act; and

WHEREAS, the State of New York (the "State") has, pursuant to Chapter 565 of the Laws of New York of 1989, as amended (the "State Act"), established a water pollution control revolving fund (the "Revolving Fund") to be used for purposes of the Clean Water Act; and

WHEREAS, the Corporation has the responsibility, together with the New York State Department of Environmental Conservation ("DEC"), to administer the Revolving Fund and to provide financial assistance from the Revolving Fund to recipients for the construction of eligible projects, as provided in the State Act; and

WHEREAS, the Corporation and DEC are responsible under the Clean Water Act and the State Act for determining the eligibility of projects for financial assistance from the Revolving Fund, determining a reasonable schedule for financing and construction of projects, and for ensuring compliance with the Clean Water Act and the terms and conditions of an applicable Project Finance Agreement; and

WHEREAS, the Recipient has submitted to the Corporation an application for financial assistance from the Revolving Fund, for the purpose of financing or refinancing the Project described below, and the Corporation has reviewed and approved said application; and

WHEREAS, on the basis of such application and the representations and warranties set forth herein, the Corporation proposes to finance through the purchase of a local governmental obligation pursuant to Article III hereof (as hereinafter defined, the "Recipient Bonds") from the Recipient to finance, or to reimburse the Recipient for costs incurred in connection with, the planning, design, acquisition, construction and installation of the project or projects described in **Exhibit A** hereto (such projects being herein collectively referred to as the "Project"), and/or to refund outstanding bonds or notes of the Recipient, if any, issued to finance the Project (such outstanding bonds or notes, if any, being described in **Exhibit B** hereto and hereinafter referred to as the "Existing Indebtedness"), and the Recipient desires to sell such Recipient Bonds to the Corporation upon the terms and conditions as hereinafter set forth in this Project Finance Agreement; and

WHEREAS, any approval of engineering or facilities plans or reports required as of this date with respect to the Project has been obtained by the Recipient from DEC, or from the Corporation on its behalf, subject to the provisions of applicable State environmental standards set forth in law, rules and regulations; and

WHEREAS, the Corporation has authorized the issuance of its bonds pursuant to the Indenture (as hereinafter defined), a portion of the proceeds of which are to be applied for purposes of purchasing the Recipient Bonds from the Recipient; and

WHEREAS, such bonds shall be special obligations of the Corporation payable solely from the revenues or other receipts, funds or moneys to be derived by the Corporation under or pursuant to this Project Finance Agreement and from other revenues pledged and available therefore under the Indenture and under the Master Trust Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual representations, covenants and agreements herein set forth (including but not limited to the Corporation's agreement, subject to the conditions herein set forth, to purchase the Recipient Bonds), the Corporation and the Recipient, each binding itself, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless another meaning is specified in **Exhibit E** hereto, each capitalized term as used in this Project Finance Agreement (including the Exhibits hereto) shall have the following meanings:

"Act" means the New York State Environmental Facilities Corporation Act, constituting Title 12 of Article 5 of the Public Authorities Law and Chapter 43-A of the Consolidated Laws of the State of New York, as it may be from time to time amended and supplemented.

"Application" means the respective applications for financing assistance for the Project from the Revolving Fund submitted by the Recipient to the Corporation, as such may be amended from time to time.

"Arbitrage and Use of Proceeds Certificate" means the certificate of the Recipient to be delivered pursuant to Section 3.8(B)(ii) hereof and to be dated the date of delivery of the Corporation Bonds.

"Authorized Investments" shall mean: (a) obligations of the State or the United States of America; (b) obligations, the principal and interest of which are guaranteed by the State or the United States of America; (c) deposits with banks or trust companies, provided that such bank or trust company deposit shall be continuously and fully secured by direct obligations of the State or the United States of America or by obligations of any municipality, school district or district corporation of the State of a market value equal at all times to an amount no less than the amount of the deposit; (d) investment agreements (including repurchase agreements) continuously secured by obligations with any insurance or reinsurance company or corporate affiliate thereof rated by a nationally recognized rating agency in one of its two highest categories, any bank, trust company or broker or dealer, as defined by the securities exchange act of 1934, which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by a federal reserve bank and is a member of the securities investors protection corporation, if, such investment agreements are continuously secured by obligations of the State or the United States of America, or obligations the principal and interest of which are guaranteed by the State or the United States of America; or (e) obligations the interest on which is excludable from gross income under section one hundred three of the internal revenue code, provided that such obligations are rated by a nationally recognized rating agency in one of its two highest rating categories. To the extent that amounts held for the Recipient are held and invested separate and apart from any other moneys held by the Corporation or the Depository Bank Authorized Investments shall also include "Eligible Securities"

as defined in Section 10 of the General Municipal Law. In connection with proceeds of the Recipient Bonds described in Section 3.9 herein, authorized investments shall include any investments permitted by the applicable provisions of the General Municipal Law or the Local Finance Law governing the investment of municipal funds.

"Business Day" means any day on which State offices are open to conduct business.

"Clean Water Act" means the federal Water Pollution Control Act, as amended.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor provisions and the regulations of the U.S. Department of the Treasury promulgated thereunder.

"Commencement of Construction" means, with respect to the Project, the date that: (i) a notice to proceed is issued by the Recipient to the contractor following the execution of the construction contract between the contracting parties, or (ii), in the event that the Project will be built by municipal employees (force account) in lieu of a contractor, the first day that a work crew occupies the Project, or (iii), in the event that the Project is a contract to purchase supplies, material or equipment, a binding purchase agreement is executed between the contracting parties; provided, however, that the Recipient shall have provided evidence satisfactory to the Corporation of such Commencement of Construction.

"Commissioner" means the Commissioner of DEC.

"Corporation" means the New York State Environmental Facilities Corporation established under the Act, and any entity which may succeed to its rights and duties respecting the Revolving Fund.

"Corporation Bonds" means the series of bonds of the Corporation issued to finance the purchase of Recipient Bonds made hereunder, together with any bonds of the Corporation issued to refinance such bonds.

"DEC" means the New York State Department of Environmental Conservation and any entity which may succeed to its rights and duties respecting the Revolving Fund.

"Depository Bank" means the same institution appointed to act as Depository Bank by the Recipient pursuant to Section 3.9 hereof.

"Earnings on Reserve Allocation" means net earnings derived from investment of the Reserve Allocation on deposit in any payment fund established under the Indenture or in the Enhanced Subsidy Fund relating to the Recipient Bonds, as and when such earnings are received. If an investment is purchased at a premium above par, net earnings on such investment shall be deemed to be reduced by the straight-line amortization of such premium over the remaining term of such investment. If an investment is purchased at a discount, net earnings are deemed to include the amount paid in excess of the discounted purchase price upon maturity or redemption of such investment at the time such principal amount is received. The term "net earnings" means aggregate earnings less aggregate losses from investments during the applicable period, less any transaction fees incurred in purchasing or selling investments.

"Eligible Project" means a Water Pollution Control Project including (i) any devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature, or any devices and systems necessary to recycle or reuse water at the most economical cost over the estimated life of the works, including intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment, and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process (including land used for the

storage of treated wastewater in land treatment systems prior to land application) or used for ultimate disposal of residues resulting from such treatment; (ii) any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste, including storm water runoff, or industrial waste, including waste in combined storm water and sanitary sewer systems; or (iii) any device, system, program, facility, equipment or method constructed or installed in connection with a landfill closure program for the purpose of controlling pollution from nonpoint sources to the navigable waters within the State or for the purpose of protecting the quality of groundwater within the State.

"Enhanced Subsidy Fund" means, with respect to the purchase of the Recipient Bonds, the fund designated as such and established within the related Subaccount pursuant to Section 401-B of the Master Trust Agreement in order to hold, on or prior to Commencement of Construction of the Project, any Reserve Allocation in excess of 1/3 of the outstanding principal amount of the Recipient Bonds.

"EPA" means the United States Environmental Protection Agency or any entity that may succeed to the administration of the program established by Section 212 of the Water Quality Act.

"EPA-ASAP" means the Automated Standard Application for Payments system established by EPA to make capitalization grant payments to the State under the Water Quality Act, which payments are allocated by the Corporation as a source of Reserve Allocation for any financing made from the proceeds of the Corporation Bonds.

"Estimated Project Costs" means the Recipient's projected costs that are eligible for financing by the Corporation under the State Act, that are allowable costs under the Regulations and that are reasonable, necessary and allocable by the Recipient to the Project under generally accepted government accounting standards, as set forth in the Application, which projections are set forth in **Exhibit C** hereto. Such Estimated Project costs may include costs of refunding outstanding bonds or notes issued by the Recipient to finance Project Costs, which Project Costs meet the requirements of the preceding sentence; provided, however, that in no event shall the principal amount of any Recipient Bonds exceed the total Project Costs financed by the sale of the Recipient Bonds or by the outstanding bonds or notes refunded by such sale, as applicable.

"Existing Indebtedness" means the bonds or notes of the Recipient, if any, described in **Exhibit B** hereto, which bonds or notes have financed the Project and which are to be refinanced with proceeds of the sale of the Recipient Bonds.

"Indenture" means the Financing Indenture of Trust between the Corporation and the Trustee pursuant to which the Corporation Bonds are to be issued, as the same may be amended and supplemented from time to time.

"Intended Use Plan" shall have the meaning set forth in the Regulations.

"Leveraged Financing" means a financing made pursuant to this agreement from monies deposited in the New York State Water Pollution Control Revolving Fund created by the State Act that is made available through the issuance of bonds or notes of the Corporation.

"Master Trust Agreement" means a Master Trust Agreement between the Corporation and a trustee and a custodian thereunder, relating to establishment of certain funds and accounts and procedures relating to administration of the Revolving Fund with respect to a series of bonds, as such agreement has been and may be amended and supplemented from time to time.

"Maximum Rate" means the interest rate per annum identified as such in **Exhibit E** hereto.

"Minimum NPV", with respect to Refunded Bonds, means NPV expressed as a percentage of the principal amount of the Refunded Bonds, which percentage shall not be less than 3%; except that, if (i) the Recipient so elects on the signature page of this Project Finance Agreement or (ii) the purchase of the Recipient Bonds hereunder will replace a long-term direct loan or financing from the Revolving Fund for the Project, the Minimum NPV for purposes of Section 3.1 hereof shall be one dollar.

"Notice of Terms" means a notice substantially in the form of **Exhibit L** hereto, setting forth and confirming the definitive principal amounts, maturity dates and interest rates of the Recipient Bonds and certain other terms of the Leveraged Financing which, to the extent such terms shall be inconsistent with the parameters set forth in this Project Finance Agreement, shall be subject to the approval of the Recipient.

"NPV" or "net present value" means, with respect to Refunded Bonds, the excess of the present value of debt service payments remaining on the Refunded Bonds (as calculated pursuant to Section 90.10 of the Local Finance Law) over the present value of debt service payments on the Recipient Bonds net of earnings on applicable reserve allocation.

"Principal Amount" means the original aggregate principal amount of the Leveraged Financing which shall be an amount equal to the total principal amount shown as payable in **Exhibit F** hereto; provided that, in the case of any Leveraged Financing made for the purpose of refunding outstanding bonds of the Recipient, such Leveraged Financing amount may be revised to an amount not greater than the maximum amount shown in **Exhibit F** by the Corporation delivering a Notice of Terms to the Recipient to reflect the final sizing of the escrow to be established to provide for the payment of the bonds to be refunded.

"Project" means the Project being financed with the Corporation Bonds and described in **Exhibit A** hereto as such exhibit may be amended in accordance herewith.

"Project Costs" means the incurred costs of the Recipient which are eligible for financial assistance from the Revolving Fund under the State Act, which are allowable costs as defined under the Regulations and which are reasonable, necessary and allocable by the Recipient to the Project under generally accepted government accounting standards. Such Project Costs may include costs of refunding Existing Indebtedness, if any, provided that such costs meet the requirements of the preceding sentence; provided, however, that in no event shall the principal amount of the Leveraged Financing exceed the total Project Costs financed hereunder or by the outstanding bonds or notes refunded with such Recipient Bonds, as applicable.

"Project Finance Agreement" means this Project Finance Agreement.

"Proportionate Share" means the proportion that the outstanding principal amount of the Recipient Bonds bears to the outstanding principal amount of all recipient bonds financed with the Corporation Bonds.

"Recipient" means the entity identified on the cover page of this Project Finance Agreement.

"Recipient Bonds" means the bonds or notes issued and delivered by the Recipient in a principal amount equal to the Principal Amount and, purchased by the Corporation, the form of which is set forth as **Exhibit G** hereto.

"Refunded Bonds" means bonds previously issued by the Recipient and described in **Exhibit B** which are to be advance refunded out of the proceeds of the Corporation Bonds.

"Regulations" means the regulations of DEC or the Corporation, promulgated pursuant to the State Act, as either of such may be amended from time to time.

"Reserve Allocation" means the amount from the Revolving Fund allocated to provide financial assistance to reduce a Recipient's total financing costs for one or more eligible projects.

"Reserve Allocation Certificate" means the certificate of the Corporation delivered pursuant to Section 202(a) of the Master Trust Agreement with respect to the purchase of the Recipient Bonds.

"Resolution" means, collectively, the ordinances and resolutions of the Recipient authorizing the execution and delivery of this Project Finance Agreement and the sale of the Recipient Bonds to the Corporation.

"Revolving Fund" means the New York State Water Pollution Control Revolving Fund established pursuant to the State Act.

"Sewer Use Ordinance" has the meaning set forth in the Regulations.

"State" means the State of New York.

"State Act" means Chapter 565 of the Laws of New York of 1989, as amended.

"State Approvals" means the approvals (i) by the State Public Authorities Control Board of the issuance of Corporation Bonds and the execution of this Project Finance Agreement and (ii) by the State Comptroller of the terms of sale of Corporation Bonds, if required.

"State Matching Share" means State funds in an amount equal to twenty percent (20%) of amounts appropriated and allotted to the State by the federal government for deposit in the Revolving Fund.

"Trustee" means Manufacturers and Traders Trust Company, in its capacity as Trustee under the Indenture, and any successor trustee in such capacity.

"User Charge System" means a charge levied on users of treatment works, or that portion of the ad valorem taxes paid by a user, for the user's proportionate share of the cost of the operation and maintenance (including replacement) of such works.

"User Fees" means sewer district ad valorem taxes levied or to be levied or fees charged or to be charged to users of the Project or the system of which the Project is a part pursuant to a User Charge System or otherwise.

"Water Quality Act" means the federal Water Quality Act of 1987, as amended.

Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Regulations.

Section 1.2. Rules of Construction Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of the Project Finance Agreement:

(A) Number. Words importing the singular number shall include the plural number and vice versa.

(B) Gender. Words importing the feminine, masculine and neuter genders shall each include correlative words of the other genders.

(C) Approvals and Consents. All approvals, consents and acceptances required to be given or made by any person or party hereunder shall be at the sole discretion of the person or party whose approval, consent or acceptance is required.

(D) References. All references herein to particular articles, sections or exhibits without reference to a specific document are references to articles or sections of or exhibits to this Project Finance Agreement.

(E) Headings. The captions and headings and table of contents herein are solely for convenience of reference and shall not constitute part of the Project Finance Agreement, nor shall they affect its meaning, construction or effect.

(F) Terms. The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Project Finance Agreement, refer to the Project Finance Agreement in its entirety and not the particular article or section of the Project Finance Agreement in which they appear, and the term "hereafter" means after, and the term "heretofore" means before, the date set forth on the cover page of the Project Finance Agreement.

Section 1.3. Exhibits and Appendices Incorporated. All exhibits and appendices to this Project Finance Agreement, including any amendments and supplements hereto, are hereby incorporated herein and made a part of this Project Finance Agreement.

ARTICLE II REPRESENTATIONS

Section 2.1. Representations of the Recipient. The Recipient represents and warrants as follows:

(A) Existence and Authority; Legal Power. The Recipient is a municipal corporation duly created and existing under the laws of the State and has full legal right, power and authority to (i) conduct its business and own its properties, (ii) enter into this Project Finance Agreement, (iii) adopt the Resolution, (iv) issue and deliver the Recipient Bonds to the Corporation as provided herein, and (v) carry out and consummate all other transactions contemplated by each of the aforesaid documents.

(B) Compliance. With respect to the issuance of the Recipient Bonds, the Recipient has complied and will comply with the Resolution and with all applicable laws of the State.

(C) Authorization. The Recipient has, or will have at the time of the closing of the purchase and sale of the Recipient Bonds, duly approved the execution and delivery of this Project Finance Agreement, the Arbitrage and Use of Proceeds Certificate and the issuance and delivery of the Recipient Bonds in the Principal Amount and has authorized the taking of any and all action as may be required on the part of the Recipient to carry out, give effect to and consummate the transactions contemplated by each of the foregoing.

(D) Binding Obligation. This Project Finance Agreement has been duly authorized, executed and delivered by the Recipient and, assuming due authorization and execution by the Corporation, constitutes a legal, valid and binding obligation of the Recipient enforceable in accordance with its terms, and, upon issuance and delivery thereof, the Recipient Bonds each will have been duly executed and delivered and will constitute legal, valid and binding obligations of the Recipient. The

Recipient acknowledges and agrees that the defense of sovereign immunity is not available to the Recipient in any proceedings by the Corporation or the Trustee to enforce any of the obligations of the Recipient under this Project Finance Agreement or the Recipient Bonds and, to the fullest extent permitted by law, the Recipient consents to the initiation of any such proceedings in any court of competent jurisdiction and agrees not to assert the defense of sovereign immunity in any such proceedings. The enforceability (but not the validity) of rights or remedies with respect to the Project Finance Agreement or the Recipient Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

(E) No Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Recipient, threatened against the Recipient, nor is there any basis therefor, (i) affecting the creation, organization or existence of the Recipient or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the execution of this Project Finance Agreement, the Arbitrage and Use of Proceeds Certificate or the issuance or delivery of the Recipient Bonds, (iii) in any way contesting or affecting the validity or enforceability of the Resolution, the Recipient Bonds, this Project Finance Agreement or any agreement or instrument relating to any of the foregoing or used or contemplated for use in the consummation of the transactions contemplated by any of the foregoing.

(F) No Violation. The Recipient is not in any material respect in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any agreement or other instrument to which the Recipient is a party or by which it or any of its properties is bound, and no event has occurred which with the passage of time, the giving of notice or both would constitute such a breach or default; and the execution and delivery of this Project Finance Agreement and the issuance and delivery of the Recipient Bonds and the adoption of the Resolution and compliance with the respective provisions thereof will not conflict with or constitute a breach of or default under any applicable law, administrative regulation or executive order of the State or the United States of America or any applicable judgment or decree or any agreement or other instrument to which the Recipient is a party or by which it or any of its property is bound.

(G) Recipient Bonds. When issued and delivered, the Recipient Bonds will constitute validly issued, legally binding general obligations of the Recipient secured by a pledge of the faith and credit of the Recipient, and all the real property within the Recipient which is subject to taxation by the Recipient is subject to the levy of ad valorem taxes (without limitation as to rate or amount) to pay the principal of and interest on the Recipient Bonds; provided, however, that the enforceability (but not the validity) of the Recipient Bonds may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

(H) Resolution. The Resolution has been duly adopted by the Recipient and remains in full force and effect as of the date of execution hereof.

(I) Authority to Act. The Recipient has full legal right and authority and all necessary licenses and permits required as of the date hereof to own the Project, to carry on its activities relating thereto, to undertake and complete the Project, to refund the Existing Indebtedness, if any, and to carry out and consummate all transactions contemplated by this Project Finance Agreement.

(J) Project. The description of the Project set forth in **Exhibit A** is an accurate description of the Project. Each of the facilities comprising a part of the Project constitutes an Eligible Project. The Recipient intends to continue to use the Project as an Eligible Project during the term of this Project Finance Agreement

(K) Project Costs. The estimated or actual costs of the Project as shown in **Exhibit C** are equal to or in excess of the amount of the principal amount of the Leveraged Financing and represent a reasonable estimate of the costs actually incurred or expected to be incurred for the Project or Existing Indebtedness.

(L) Project Compliance and Completion. The Project is in compliance with all applicable federal, State and local laws and ordinances (including rules and regulations) relating without limitation to zoning, building, safety and environmental quality. To the extent that the Project is not yet complete, the Recipient intends to proceed with due diligence to complete the Project pursuant to Section 4.1 hereof. The Recipient has complied with and completed all requirements of the State Environmental Quality Review Act and of the State Environmental Review Process approved by EPA for Revolving Fund projects necessary to commence construction of the Project.

(M) Project Use. The Recipient has not leased and does not intend to lease the Project or enter into a contract for operation of the Project except as previously disclosed to the Corporation.

(N) Proceeds Compliance. The Recipient will not take or omit to take any action which action or omission will in any way cause the proceeds of the Corporation Bonds used to purchase the Recipient Bonds to be applied in a manner contrary to that provided in the Indenture and the Arbitrage and Use of Proceeds Certificate as each are in force from time to time.

(O) Tax Compliance. The Recipient has not taken and will not take any action, and knows of no action that any other person, firm or corporation has taken or intends to take, which would cause interest on the Recipient Bonds or the Corporation Bonds to be includable in the gross income of owners thereof for federal income tax purposes.

(P) No Default. The Recipient is not in default under any finance agreement, note, bond, mortgage or other instrument evidencing or securing indebtedness.

(Q) Refunding. Except as specified at **Exhibit B** hereto, the Existing Indebtedness, if any, may be refunded without payment of any premium or penalty.

(R) Refunding Approvals. All consents, authorizations and approvals of any third party with respect to the refunding of the Existing Indebtedness, if any, have been duly obtained except for any approval of the State Comptroller required pursuant to Section 90.10 of the Local Finance Law, which, if required, will be obtained pursuant to the provisions of such Section 90.10.

(S) Existing Indebtedness. Except as otherwise provided in **Exhibit E** hereto, as of the date of delivery of this Project Finance Agreement to the Corporation, the Recipient has applied the full amount of the proceeds of Existing Indebtedness, if any, to the costs of the Projects, as reflected in **Exhibit C** hereto.

(T) External Financing. Except for any Existing Indebtedness and for any grants described in **Exhibit E** hereto, no grants or other source of external financing of the Project Costs expected to be financed with the Leveraged Financing as described herein have been applied for or are expected to be received by the Recipient.

(U) Representations Complete. Except as the Recipient otherwise notifies the Corporation in writing, all representations made herein by the Recipient are true, complete and accurate as of the execution date of this Project Finance Agreement and will be true, complete and accurate as of the date of the Leveraged Financing hereunder.

(V) Procurement and Suspension Debarment. The Recipient shall ensure that no subaward, contract or agreement for purchases of goods or services shall be made with any debarred or suspended party under Executive Order 12549 pursuant to the requirements of the Office of Management and Budget compliance supplement number A-133 as revised from time to time.

Section 2.2. Representations of the Corporation. The Corporation represents and warrants as follows:

(A) Existence and Authority. The Corporation is a body corporate and politic, constituting a public benefit corporation, established and existing under the laws of the State, including the Act. The Corporation is authorized to issue the Corporation Bonds in accordance with the Act and to use the proceeds thereof to provide funds for the purchase of the Recipient Bonds the proceeds of which are to be used to undertake and complete the Project and/or to refund the Existing Indebtedness.

(B) Legal Power. The Corporation has complied with the provisions of the Act and has full power and authority to execute and deliver this Project Finance Agreement and, subject to the receipt of the State Approvals, to consummate the transactions contemplated hereby and to perform its obligations hereunder.

(C) No Default. The Corporation is not in default under any of the provisions of the laws of the State that would affect its existence or its powers referred to in the preceding paragraph (B).

(D) Approvals. By resolution duly adopted by the Corporation and still in full force and effect, the Corporation has authorized the execution, delivery and due performance of the Project Finance Agreement, the Corporation Bonds, and the Indenture, and the taking of any and all action as may be required on the part of the Corporation to carry out, give effect to and consummate the transactions contemplated by each of the foregoing, and the Corporation will take all actions within its reasonable control to obtain all approvals necessary in connection with the foregoing that have not been obtained as of the date hereof.

(E) Binding Obligation. This Project Finance Agreement has been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the Recipient, constitutes a legal, valid and binding special obligation of the Corporation. The Corporation Bonds, when duly executed, issued and delivered, will constitute legal, valid and binding special obligations of the Corporation and will be payable solely from revenues or other receipts, funds or moneys pledged therefor under the Indenture and under the Master Trust Agreement and from any amounts otherwise available under the Indenture, and will be entitled to the benefit of the Indenture and the Master Trust Agreement. The State is not obligated to pay the Corporation Bonds or the interest thereon. Neither the faith and credit nor the taxing power of the State is pledged for the payment of the principal and premium, if any, of and interest on the Corporation Bonds.

(F) No Violation. The execution and delivery by the Corporation of this Project Finance Agreement, the Corporation Bonds, and the Indenture and the consummation of the transactions contemplated in each of the foregoing will not violate any indenture, mortgage, deed of trust, note, financing agreement or other contract or instrument to which the Corporation is a party or by which it is bound or, to the best of the Corporation's knowledge, any judgment, decree, order, statute, rule or regulation applicable to the Corporation, and the Corporation will take all actions within its reasonable control to obtain all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby that have not been obtained as of the date hereof.

(G) Application of Proceeds. The Corporation will apply the proceeds of the Corporation Bonds in accordance with the Indenture and the Project Finance Agreement.

(H) No Litigation. There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the Corporation, or to the best knowledge of the Corporation, any basis therefor, wherein an unfavorable decision, ruling, or finding would adversely affect the transactions contemplated hereby or by the Indenture or the Corporation Bonds or which, in any way, would adversely affect the validity of this Project Finance Agreement, the Corporation Bonds, the Indenture or any agreement or instrument to which the Corporation is a party and which is used or contemplated for use in consummation of the transactions contemplated by each of the foregoing.

(I) Eligibility. The Project is included in the Intended Use Plan and the Commissioner has determined that the Project, subject to final review of the Project plans and specifications by DEC or by the Corporation on its behalf, and subject to any special conditions included in **Exhibit E**, is eligible for financial assistance from the Revolving Fund in an amount equal to the Principal Amount.

(J) Investment. Notwithstanding the provisions of any other general law, special law or local law, inconsistent with the provisions of this Project Finance Agreement, the Corporation shall invest proceeds of the Corporation's Bonds, including proceeds of bonds of the Recipient as provided in the State Act and Act. Such right shall include the right to invest such moneys together with any other moneys held by the Corporation pursuant to the provisions of the Public Authorities Law of the State.

ARTICLE III

PURCHASE OF RECIPIENT BONDS

Section 3.1. Purchase of Recipient Bonds.

(A) Purchase of Recipient Bonds. Subject to the conditions and in accordance with the terms of this Project Finance Agreement, the Corporation hereby agrees to purchase the Recipient Bonds in the Principal Amount from the Recipient and the Recipient hereby agrees to sell such Recipient Bonds and accept the proceeds of such purchase and pay the principal of and interest on the Recipient Bonds, such interest or rate of return on such principal amount not to exceed the Maximum Rate (such stated Maximum Rate is exclusive of any financial assistance in the form of an interest subsidy provided to the Recipient) and, if applicable, such sale shall result in a net present value savings on Refunded Bonds not less than the Minimum NPV (inclusive of any such financial assistance). Pursuant to Section 3.8, the Recipient hereby agrees to sell to or upon the order of the Corporation, and to deliver to or upon the order of the Corporation, its Recipient Bonds in an aggregate principal amount of up to the Principal Amount, bearing interest at rates not exceeding the Maximum Rate and expected to mature at the times and in the amounts set forth in **Exhibit F** hereto. The purchase price of the Recipient Bonds shall be the Principal Amount as set forth in **Exhibit C**. Subject to the provisions of this Article III, the definitive terms of the purchase contemplated hereby and the Recipient Bonds shall be as set forth in the Notice of Terms (a form of which is attached hereto as **Exhibit L**) delivered by the Corporation to the Recipient.

(B) Payment with Depository Bank. The Recipient on or before the fifteenth (15th) day next preceding each payment date for the Recipient Bonds shall deposit or cause to be deposited the full amount of the return of the principal amount due on such payment date with the Depository Bank. The Recipient hereby irrevocably instructs the Depository Bank to hold such amounts on behalf of the Recipient as part of the payment fund established under the Indenture until the respective payment dates of the Recipient Bonds and on such payment dates the amounts so held shall be applied to the return on the Corporation's investment then due on the Recipient Bonds on such payment dates. Thereupon, such amounts shall be applied by the Trustee in accordance with the Indenture. Amounts so deposited by the Recipient prior to the payment date for the Recipient Bonds shall be invested by the Depository Bank at the direction of the Corporation. Investment earnings on such amounts shall accrue to the benefit of the

Recipient and shall be credited against future Recipient Bonds payments at the direction of the Corporation in accordance with the Indenture.

(C) Reserve Allocation. The Corporation shall establish a Reserve Allocation for the Recipient Bonds in an amount equal to the applicable portion of the principal amount of the Recipient Bonds outstanding at any time, which portion shall be determined by the Corporation and set forth as the applicable Reserve Allocation in **Exhibit C** hereto, to the extent reasonably practicable and subject to such deviation as may be necessary in connection with the administration and investment of moneys in the Revolving Fund. The Reserve Allocation for the Recipient Bonds shall be, from time to time, funded in the amounts and from the sources more fully set forth in the Reserve Allocation Certificate of the Corporation delivered to the Trustee upon original issuance of the Corporation Bonds. As funds represented by the EPA-ASAP and allocable as Reserve Allocation for the Recipient Bonds become available to be drawn on for the benefit of the Revolving Fund, the Corporation shall cause DEC to request the State to draw on the EPA-ASAP and deposit such funds allocable to the Recipient Bonds in an account designated as being for the benefit of the Recipient Bonds at the times and in the amounts specified in the Reserve Allocation Certificate relating to the Corporation Bonds until the total amounts of such funds so drawn and deposited equals the amounts allocated to the purchase of the Recipient Bonds by the Corporation as set forth in **Exhibit C** hereto. As the State Matching Share allocable as Reserve Allocation becomes available for deposit in the Revolving Fund and allocation to the Recipient Bonds, the Corporation shall take all action within its reasonable control as may be required to cause DEC to request the State to deposit such funds in an account designated as being for the benefit of the Recipient Bonds until the total amount of such funds so deposited equals the amounts allocated to the Recipient Bonds by the Corporation as set forth in **Exhibit C** hereto. The Recipient acknowledges that the Reserve Allocation established for the Recipient Bonds will be reduced by any unreimbursed portion of Reserve Allocation used to make payments on Corporation Bonds due to a Recipient payment default and that the Corporation has no obligation to replenish the Reserve Allocation in such event. The Recipient further acknowledges, in accordance with Section 3.9 hereof, that the Corporation shall not be liable or responsible for any loss, direct or indirect, resulting from any investment of such Reserve Allocation made in accordance with the Indenture.

(D) Investment and Payment. Any portions of the Reserve Allocation for the Recipient Bonds on deposit in the account relating to the Recipient Bonds in any payment fund established under the Indenture and in the Enhanced Subsidy Fund shall be invested at the direction of the Corporation and, subject to applicable tax law, this paragraph and Section 3.6 hereof. Earnings on Reserve Allocation so deposited and invested shall be applied as a credit against interest payments due or to become due under the Recipient Bonds, as and when such Earnings on Reserve Allocation are received. In the event the Recipient fails to pay when due any sum owing to the Corporation pursuant to Section 3.2 hereof, the Corporation may, in addition to all rights and remedies provided in or permitted by Section 6.1 hereof, deduct such sum from any Earnings on Reserve Allocation otherwise payable to the Recipient pursuant to Section 3.1, until such sum has been paid in full to the Corporation. In the event that the Recipient fails to make any payment on the Recipient Bonds when due but thereafter the Recipient pays in full all amounts then due or past due and the Corporation waives such payment default, then Earnings on Reserve Allocation shall be credited to the Recipient on the Business Day next succeeding such payment-in-full or as soon thereafter as shall be practicable; provided, however, that such Earnings on Reserve Allocation shall be reduced in the amount of any Corporation expenses (including but not limited to any investment losses and the reasonable fees and expenses of the Corporation, the Trustee, the owners of Corporation Bonds and attorneys representing any of the foregoing) incurred as a result of the Recipient's failure to make any payment on the Recipient Bonds when due.

(E) No Obligation of State. The Corporation Bonds and any other obligation of the Corporation herein contained shall not be an obligation, debt or liability of the State and the State shall not be liable on the Corporation Bonds or on any other obligation of the Corporation herein contained, but any such obligation shall be payable solely out of the revenues or other receipts, funds or moneys to be

derived by the Corporation under or pursuant to this Project Finance Agreement, and from other revenues pledged and available therefore under the Indenture and under the Master Trust Agreement.

Section 3.2. Other Amounts Payable.

(A) The Recipient hereby expressly further agrees to pay to the Corporation:

(i) Upon the issuance and sale of the Corporation Bonds, (i) the Corporation's initial financing fee and (ii) the Recipient's Proportionate Share of the State Bond Issuance charge, as specified in the Notice of Terms. The initial financing fee shall include: (a) the Recipient's Proportionate Share of the direct costs and expenses of the Corporation and (b) the program administrative expenses of the Corporation and DEC, in the preparation, sale and delivery of the Corporation Bonds, the preparation and delivery of any legal instruments and documents necessary in connection herewith and therewith and their filing and recording, if required, and all taxes and charges payable in connection with any of the foregoing. Such costs shall be payable from the sources identified in **Exhibit E** hereto and shall be in the amount specified in the Notice of Terms subject to the limit set forth in **Exhibit E**;

(ii) The Corporation's annual administrative fee in the amount and on the dates specified in the Notice of Terms and in **Exhibit E** hereto; and

(iii) As such expenses are incurred, the amount of any Corporation expenses (including but not limited to investment losses and the reasonable fees and expenses of the Corporation, the Trustee, the owners of Corporation Bonds, and attorneys representing any of the foregoing) incurred as a result of the Recipient's failure to make any payment on the Recipient Bonds when due or failure to otherwise comply with the terms of this Project Finance Agreement or the Recipient Bonds.

(B) Payment of Corporation Bonds. The Recipient acknowledges that payment of the Corporation Bonds by the Corporation in accordance with the terms of the Indenture, including but not limited to payment from moneys drawn under the EPA-ASAP, from State Matching Share or from the related Leveraged Financing subaccount, the deficiency reserve subaccount, the general reserve fund or the related account of the debt service reserve fund (as such terms are defined in the Indenture), will not constitute payment of the amounts due under this Project Finance Agreement or the Recipient Bonds.

(C) Indemnification. To the extent permitted by law, the Recipient agrees to indemnify, defend and hold harmless the Corporation against any loss or liability arising out of any claim or action brought against the Corporation for death, injury or damage to persons or property occurring in connection with the construction, operation or maintenance of the Project. Such obligation of the Recipient shall in each case be conditioned upon (i) prompt written notice, by the Corporation to the Recipient, of the institution of any such claim or action, and (ii) the assignment, by the Corporation to the Recipient, of the right to conduct the defense of any such claim or action, provided that such defense shall be undertaken by counsel reasonably satisfactory to the Corporation, and provided further that no settlement, compromise or other voluntary resolution may be entered into, which would impose any liability or obligation on the Corporation, without the Corporation's prior written consent. To the fullest extent permitted by law, the Recipient agrees to pay and discharge any judgment or award entered or made against the Corporation with respect to any such claim or action, and any settlement, compromise or other voluntary resolution.

Section 3.3. Redemption of Recipient Bonds.

(A) Redemption Provisions. The Recipient Bonds sold to the Corporation shall be subject to redemption prior to maturity in accordance with **Exhibit E** hereto and the Notice of Terms. The Recipient shall not, without the prior written consent of the Corporation, redeem prior to maturity any of the Recipient Bonds prior to the date on which any corresponding outstanding Corporation Bonds are redeemable.

The Recipient shall give notice of redemption of any Recipient Bonds to the Corporation and the Trustee at least sixty (60) days and not more than seventy-five (75) days prior to the date fixed for redemption of the Recipient Bonds.

(B) Application of Excess Proceeds. If the amount of the Leveraged Financing exceeds the actual Project Costs, excess proceeds shall be applied to the payment or prepayment of the principal amount of, and/or interest due the Corporation on, the Recipient Bonds, in accordance with the instructions of the Corporation. Within six (6) months following the scheduled completion date of the Project (as set forth in the estimated construction schedule most recently provided by the Recipient and approved by the Corporation), the Recipient shall apply Leveraged Financing proceeds not actually required for Project Costs to a payment or prepayment of principal of, and/or interest on, the Recipient Bonds, in accordance with the instructions of the Corporation. (Such construction schedule as of the date of this Project Finance Agreement is appended hereto as **Exhibit D**). This Project Finance Agreement may be amended with the written consent of the Corporation in accordance with the terms hereof to permit application of excess Leveraged Financing funds to finance additional projects of the Recipient included in an Intended Use Plan or to finance other portions of the Project.

(C) Costs. The Recipient shall pay all costs and expenses of the Corporation in effecting the redemption of any Corporation Bonds prior to maturity that are so redeemed due to the redemption prior to maturity of any Recipient Bonds.

Section 3.4. Deposit of Proceeds From the Sale of Recipient Bonds.

(A) To the extent the proceeds of the Leveraged Financing are to be used to finance the acquisition, construction and installation of any portion of the Project not yet completed or to pay costs of issuance of Corporation Bonds or Recipient Bonds or any amounts payable to the Corporation under this Project Finance Agreement, the Corporation shall deposit the portion of the proceeds to be so used with the Depository Bank for the account of the Recipient. Amounts so deposited shall be invested in accordance with Section 3.9, prior to disbursement. Such portion of the proceeds shall be disbursed in accordance with Section 3.5(A), to the Recipient for Project Costs or to the Corporation, all as set forth in this Project Finance Agreement.

(B) To the extent the proceeds of the Leveraged Financing are to be used to refund Existing Indebtedness, the Corporation shall deposit the portion of the proceeds to be so used with the Depository Bank or with an escrow holder approved by the Corporation, as appropriate, from which disbursements shall be made in accordance with Section 3.5(B), to refund such Existing Indebtedness.

Section 3.5. Disbursement of Proceeds From the Sale of the Recipient Bonds.

(A) Disbursements from the proceeds of the Leveraged Financing shall be used to finance the acquisition, construction and installation of any portion of the Project not yet completed and shall be made pursuant to requisitions submitted by the Recipient to, and approved by, the Corporation pursuant to the provisions of **Exhibit K** to this Project Finance Agreement. Notwithstanding the foregoing, the Depository Bank is hereby authorized and directed to pay amounts payable to the Corporation pursuant to this Project Finance Agreement upon requisition by the Corporation. The

Recipient hereby directs the Depository Bank (and authorizes the Depository Bank to accept this Section 3.5 as the Recipient's direction) to make payments of Leveraged Financing proceeds to the Recipient solely in accordance with the terms and provisions of **Exhibit K** hereto.

(B) Disbursements of Leveraged Financing proceeds to refund Existing Indebtedness shall be made as follows:

(i) Where the subject refunding constitutes an "advance refunding" of bonds of the Recipient prior to their maturity pursuant to Section 90.10 of the Local Finance Law of the State, such proceeds will be disbursed to the escrow holder on the date of delivery of the Corporation Bonds, or such other date as may be specified in the Arbitrage and Use of Proceeds Certificate, and such proceeds shall be disbursed by the escrow holder to refund such notes or bonds at the times and in the manner specified in an escrow agreement between the Recipient and the escrow holder, such agreement to be executed at or prior to the issuance of the Corporation's Bonds and to be in form and substance satisfactory to the Corporation. With respect to any amounts disbursed or to be disbursed by the escrow holder to pay expenses, the Recipient shall provide to the Corporation copies of the related professional services agreement and invoices.

(ii) Where the subject refunding constitutes a refunding of notes or bonds of the Recipient other than an "advance refunding" pursuant to Section 90.10 of the Local Finance Law, such proceeds will be disbursed by the Depository Bank to refund such notes or bonds upon direction of the Corporation.

(iii) Except as otherwise provided in **Exhibit E** hereto, with respect to any refunding of Existing Indebtedness, the Recipient expressly acknowledges and agrees that (a) the Corporation will not disburse Leveraged Financing proceeds to refund Existing Indebtedness in excess of the amount of Existing Indebtedness identified in **Exhibit B** hereto, or such lesser amount as has been reviewed and approved by DEC, or by the Corporation on its behalf, as eligible costs of an Eligible Project; (b) if, on the maturity or prepayment date of Existing Indebtedness, the amount of the Leveraged Financing proceeds to be disbursed by the Corporation, pursuant to clause (a), is less than the full principal and interest payment necessary to pay off and discharge on such date any series of bonds or notes of which the Existing Indebtedness constitutes a part, the Recipient shall be obligated to (and hereby agrees) to pay the difference in its own funds on such date so as to fully pay off and discharge such bonds or notes to the extent that the difference is due on such date; and (c) any Leveraged Financing proceeds remaining after all transfers to pay off and discharge Existing Indebtedness shall remain on deposit with the Depository Bank for disbursement pursuant to Section 3.5(A) hereof.

(iv) The Recipient expressly acknowledges and agrees that, with respect to any refunding of Existing Indebtedness, it will, prior to closing, on or before the date specified by the Corporation transfer the remaining unspent proceeds of such Existing Indebtedness to the Depository Bank prior to the closing on or before the date specified for such transfer by the Corporation. Such unspent proceeds shall be held by the Depository Bank for the account of the Recipient and disbursed pursuant to Section 3.5(A) hereof.

Section 3.6. Reimbursement of Revolving Fund. If the Corporation determines that funds disbursed pursuant to this Project Finance Agreement have been expended by the Recipient for costs that are not permissible Project Costs, the Recipient shall promptly reimburse the account from which such amounts were disbursed in an amount equal to the amount of those funds improperly applied, together with interest on such amounts for the period during which such amounts were improperly applied, at a rate equal to the interest rate of the Leveraged Financing as set forth in the Notice of Terms. The Corporation shall apply the credit granted to the Recipient pursuant to Section 3.1(C) hereof to reimburse the

Revolving Fund or shall reduce such credit until the Revolving Fund is reimbursed for amounts misapplied as set forth in this paragraph.

Section 3.7. Effective Date and Term. The date of this Project Finance Agreement is for reference purposes only, and this Project Finance Agreement shall become effective upon the date of execution and delivery hereof by the parties hereto, shall remain in full force and effect from such date and shall expire on such date as all Corporation Bonds shall be discharged and satisfied in accordance with the provisions thereof and all obligations of the Recipient to the Corporation hereunder are satisfied.

Section 3.8. Execution and Delivery of Recipient Bonds and Other Documents.

(A) Execution and Delivery of Recipient Bonds. Concurrently with the authentication by the Trustee and delivery of Corporation Bonds and in order to evidence the obligation of the Recipient to pay the Corporation for the Recipient Bonds purchased with proceeds of the Corporation Bonds, the Corporation and the Recipient agree that the Recipient will execute and deliver to the Trustee its Recipient Bonds. Such Recipient Bonds shall be substantially in the form of **Exhibit G** hereto, with such changes, deletions and additions as are necessary to conform with the terms of the Corporation Bonds and as have been agreed to by the Corporation, and shall:

(i) provide for payments of principal, premium, if any, and interest sufficient in the aggregate to make all payments of principal, premium, if any, and interest on the related portion of the Corporation Bonds due on any date;

(ii) contain redemption provisions, including premium, if any, or provisions with respect to amortization of principal, together with premium, if any, consistent with the provisions contained in **Exhibit E** and the Notice of Terms and provided that the Recipient Bonds may contain redemption provisions that are more restrictive than Corporation Bond redemption provisions; and

(iii) require that all payments of principal of or premium, if any, and interest on the Recipient Bonds be made to the Trustee in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, and that each payment be made in funds available on or before the due date for the corresponding payment on the related Corporation Bonds.

(B) Execution and Delivery of Closing Documents. The Recipient further agrees to deliver to the Corporation, concurrently with the sale and purchase of such Recipient Bonds:

(i) an unqualified opinion of nationally recognized bond counsel to the Recipient, substantially to the effect of **Exhibit H** hereto and addressed as provided in **Exhibit H**, or accompanied by a reliance letter or letters addressed as provided in **Exhibit H** hereto;

(ii) an Arbitrage and Use of Proceeds Certificate in a form acceptable to the Corporation and its bond counsel;

(iii) if the Recipient Bonds are authenticated, a certificate as to authentication of the Recipient Bonds (authenticated Recipient Bonds are not required by the Corporation unless the Resolution or local law requires authentication);

(iv) a closing certificate substantially to the effect of **Exhibit J** hereof as to confirmation of certain matters set forth in this Project Finance Agreement, signatures and incumbency of authorized signatories, delivery and payment under the Recipient Bonds and certain other matters;

(v) if Leveraged Financing proceeds are to be used to refinance Existing Indebtedness in a manner constituting an "advance refunding" under Section 90.10 of the Local Finance Law of the State:

(a) a certificate of the chief fiscal officer pursuant to Section 90.10(g) of the Local Finance Law of the State; and

(b) State Comptroller approval required pursuant to Section 90.10 of the Local Finance Law; and

(vi) such additional certificates, documents and opinions as may be reasonably requested by the Corporation.

The obligation of the Corporation to issue, deliver and sell the Corporation Bonds and to make the Leveraged Financing are conditioned upon the delivery of the opinions, certificates and documents required by this Section 3.8, in form and substance satisfactory to the Corporation, concurrently with the Corporation's performance. With respect to such opinions, certificates and documents the forms of which are appended hereto, the Recipient hereby acknowledges that it and its bond counsel have reviewed such forms and the Recipient hereby agrees to deliver or cause to be delivered such items in substantially the forms appended hereto (except for the insertion of the appropriate names and titles).

(C) Corporation's Obligation to Purchase the Recipient Bonds. The Recipient acknowledges that the Corporation's commitment to purchase the Recipient Bonds will be solely from the proceeds of the Corporation Bonds. In accordance therewith, the obligation of the Corporation to purchase the Recipient Bonds is subject to purchase of the Corporation Bonds (i) in the case of a negotiated sale, by the Underwriters (hereinafter defined) pursuant to a bond purchase agreement between the Corporation and certain underwriters identified therein (the "Underwriters) and (ii) in the case of a competitive sale, pursuant to a notice of sale and the winning bid submitted pursuant thereto by the purchasers identified in such winning bid (also the "Underwriters"). In the event that the Underwriters do not purchase the Corporation Bonds, then upon written notice delivered to the Recipient by the Corporation, the Corporation may terminate both its obligation to purchase the Recipient Bonds and the obligation of the Recipient to sell and deliver the Recipient Bonds upon the terms set forth in this Project Finance Agreement; provided that the Recipient's obligation to pay its Proportionate Share of costs and expenses related to preparation of the preliminary and/or final official statement(s) relating to the Corporation Bonds shall survive any such termination.

(D) Execution and Delivery of Documents with Project Finance Agreement. The Corporation and the Recipient hereby acknowledge that the Recipient has delivered or caused to be delivered to the Corporation on the date of delivery of this Project Finance Agreement, an opinion of local counsel to the Recipient, substantially to the effect of **Exhibit I** hereto.

Section 3.9. Depository Bank; Investment of Leveraged Financing Proceeds and Recipient Bonds Prepayments. The Recipient hereby (i) appoints the institution serving as Trustee as the Depository Bank with which Leveraged Financing proceeds will be deposited and to which prepayments pursuant to Section 3.1(B) hereof shall be made, (ii) directs the Depository Bank to hold the Leveraged Financing proceeds for the account of the Recipient in accordance with Section 5.06 of the Indenture, (iii) irrevocably directs the Depository Bank to release such sale proceeds solely in accordance with Section 3.5 hereof, (iv) authorizes the Depository Bank to invest, in accordance with instructions of an Authorized Corporation Representative, amounts on deposit as prepayments made in accordance with Section 3.1(B) hereof and any Leveraged Financing proceeds that are held by the Depository Bank for the account of the Recipient in accordance with the provisions of Article VII of the Indenture, and (v) authorizes the Depository Bank to make transfers pursuant to Sections 5.06(e) and 5.06(f) of the Indenture. The

Recipient hereby acknowledges that (a) seeking disbursements in advance of the anticipated construction schedule provided to the Corporation prior to the making of investments may result in investment losses, and (b) the Corporation, the Trustee and the Depository Bank shall not be liable or responsible for any loss, direct or indirect, resulting from any investment authorized by the Indenture and this Project Finance Agreement or from the redemption, sale or maturity of any such investment as therein authorized or from any depreciation in value of any such investment.

Without limiting the generality of the foregoing, the Recipient hereby authorizes the Depository Bank and the Corporation to invest the sale proceeds of the Recipient Bonds deposited with the Depository Bank and any prepayments of the Recipient Bonds, together with any other moneys of the Corporation held within the State Water Pollution Control Revolving Fund and any other moneys constituting the proceeds or prepayments of the bonds of other recipients deposited with the Depository Bank or the Corporation, in Authorized Investments. All investments hereunder shall be held on behalf of any recipients and the Corporation (each an "Investing Participant") by the Corporation or by the Depository Bank, or another bank or trust company designated by the Corporation following notice to the Recipient. The institution holding any joint investment is hereinafter referred as the "Designated Institution." Each Investing Participant shall have an undivided interest in any moneys or investments jointly made in the proportion that the total amount of contributions made by such investing participant bears to the total amount of contributions made by all investing participants.

The Recipient acknowledges that the Corporation and the Designated Institution may incur fees to brokers, dealers, financial advisors, custodians, attorneys, auditors or others in connection with any investment made for the benefit of the Investing Participants. Any expenses incurred by the Designated Institution and by the Corporation in connection with any investment of moneys pursuant to this Section shall, to the extent determined by the Corporation to be practicable, be netted against investment earnings on amounts invested. To the extent that it shall be determined to be impractical to do, such expenses shall be billed to the investing participants during the applicable time period.

Any joint investment hereunder shall be made and administered in accordance with the Corporation's investment guidelines, as in effect from time to time. Copies of such guidelines and reports with respect to the market value of amounts held for the benefit of the Recipient will be available to the Recipient upon written request.

Section 3.10. Commitment to Proceed; Agreement to Pay Proportionate Share of Certain Expenses. The Recipient hereby confirms its commitment to participate in the Leveraged Financing and shall receive the proceeds of the sale of such Recipient Bonds to the Corporation, which proceeds shall be raised from the sale of the Corporation Bonds. The terms of the Recipient Bonds issued, sold and delivered to the Corporation by the Recipient are to be as set forth in this Project Finance Agreement and in the Notice of Terms.

In order to induce the Corporation to include the Recipient in the group of recipients expected to sell Recipient Bonds to the Corporation and receive the proceeds of the Corporation Bonds, the Recipient hereby:

(1) represents that (i) it has provided the information concerning the Recipient contained in the Application for financing from the Revolving Fund submitted to the Corporation, including any supplemental information provided to the Corporation on or before the date of this Project Finance Agreement, (ii) such information was true and complete in all material respects as of its date, (iii) there have been no material adverse changes in such information, and (iv) this information may be relied upon by the Corporation and its underwriters in connection with the issuance of the Corporation Bonds.

(2) agrees that it will accept the financing hereunder in accordance with the terms to be specified by the Corporation in the Notice of Terms; provided that such Notice of Terms shall include terms to the following effect:

- (i) except to the extent that the Recipient otherwise agrees (as evidenced by its acceptance of a Notice of Terms containing different maturity dates and principal amounts), maturity dates and principal amounts as set forth in **Exhibit F** to the Project Finance Agreement with only such changes, if any, as are required to attain compliance with amortization provisions of the Local Finance Law (and, in the case of any portion of a Leveraged Financing made for the purpose of refunding outstanding obligations, as may be required to reflect the final size of any required escrow);
- (ii) a net interest cost not to exceed the Maximum Rate;
- (iii) the amount of the initial financing fee, which shall not exceed the amount set forth in **Exhibit E** hereto;
- (iv) redemption provisions for the Recipient Bonds consistent with the terms described in **Exhibit E** hereto; and
- (v) no term that would require the delivery of Recipient Bonds that are in conflict with the laws of the State.
- (3) agrees that, notwithstanding any other circumstance, the Recipient will pay an amount equal to what would have been such Recipient's Proportionate Share (had it delivered the Recipient Bonds) of the costs of preparing the Preliminary Official Statement and the Official Statement and any supplements thereto.
- (4) agrees that it will pay an amount equal to the payment that would have been its Proportionate Share (had it delivered the Recipient Bonds) of the costs and expenses incurred by the Corporation in connection with the proposed Corporation Bonds, including without limitation the preparation and delivery of any legal instruments and documents necessary in connection therewith and their filing and recording, if required, and all taxes and charges payable in connection with any of the foregoing; provided, however, that the Recipient shall not be obligated to pay any such amounts other than pursuant to paragraph (3) of this Section if the pricing of the Corporation Bonds does not result in terms of this Leveraged Financing meeting the requirements of paragraph (2) of this Section.

ARTICLE IV

GENERAL PROJECT CONDITIONS, COVENANTS AND REPRESENTATIONS

Section 4.1. Compliance with Laws and Agreements.

(A) Compliance. The Recipient agrees that the Project will at all times during the term of any financing be in compliance with applicable federal and State laws and regulations. The Recipient will at all times construct and operate (or cause to be constructed and operated) the Project, in compliance with all applicable federal, State and local laws (including, without limitation, the Act, the State Act, the Water Quality Act and Sections 204(d)(2) and 513 of the Clean Water Act), ordinances, rules, regulations, Executive Orders and this Project Finance Agreement, and with all other applicable laws and regulations to the extent necessary to ensure the availability of the Project for its intended purposes and to ensure the safety of the public. The Recipient agrees to ensure that the Project shall effectively protect water quality, employ good management practices and fulfill all federal and State requirements, all requirements of the Project Finance Agreement and all applicable instructions issued by the Commissioner to ensure that these requirements are met.

The Recipient further agrees that if its Project is determined to be an equivalency project (a Tier I project under the State Environmental Review Process), then it will comply with the federal audit requirements of the Single Audit Act of 1984 (31 USC 7501 et seq.) and all laws and regulations implementing same including without limitation 40 CFR Part 31, all as amended from time to time.

(B) Capacity. The Recipient certifies that it has the legal, institutional, managerial, technical, contractual and financial capability to ensure adequate and timely construction, operation, and maintenance of the Project.

(C) Enforcement. The Recipient agrees that acceptance by DEC or the Corporation of a certification by the Recipient that a Project requirement has been met shall not prevent DEC or the Corporation from performing any actions necessary to ensure the accuracy of such certification.

(D) SEQRA/SERP. The Recipient certifies with respect to the Project that it has complied, and agrees to continue to comply, with all requirements of the State Environmental Quality Review Act ("SEQRA") and the State Environmental Review Process ("SERP"), and if the Commissioner determines that, in addition to all such requirements of SEQRA and SERP, there are additional requirements associated with a National Environmental Protection Act ("NEPA") environmental review, to comply with those additional requirements. The Recipient agrees to provide all environmental documents as may be required by DEC and the Corporation and the Recipient certifies that it has notified, and agrees that it shall continue to notify, DEC of all actions proposed for complying with the environmental review requirements imposed by SERP approved by EPA for Revolving Fund projects.

(E) S/M/WBE/AA. The Recipient agrees that it, its authorized representatives and all contractors and subcontractors providing services for the Project shall comply with all federal and State laws (including Article 15-A of the Executive Law), regulations, and executive orders applicable to the Project regarding affirmative action, equal employment opportunity, and small, minority and women's business enterprises.

(F) Prevailing Wage Requirements. The Recipient agrees to comply, in all applicable respects, with the prevailing wage requirements under Article 8 of the Labor Law.

(G) Clean Water Act. The Recipient certifies that the Project is consistent with any plans developed under Sections 205(j), 208, 303(e), 319 or 320 of the Clean Water Act, to the extent applicable.

(H) Special Project Conditions. The Recipient agrees to comply with any special Project conditions set forth in **Exhibit E**.

Section 4.2. Plans and Specifications.

(A) Design and Construction. The Recipient has caused or will cause the Project to be designed and constructed in accordance with plans and specifications delivered to the Corporation and DEC and consistent with **Exhibit A** hereto, and has proceeded or will proceed with the acquisition and construction of the Project in conformity with law, with the Project Finance Agreement and with all applicable requirements of governmental authorities having jurisdiction with respect thereto, subject to such modifications of plans and specifications as may be approved by the Corporation and DEC as necessary or advisable to effectuate the purposes of the Act and the State Act.

(B) No Warranty Regarding Condition, Suitability or Cost of Project. Neither the Corporation nor DEC makes any warranty, either express or implied, as to the Project or its condition or that it will be suitable for the Recipient's purposes or needs, or that the proceeds from the purchase of the Recipient Bonds will be sufficient to pay the costs of the Project. Review or approval of engineering

reports, facilities plans, design drawings and specifications or other documents or the inspection of Project Construction by DEC or the Corporation does not relieve the Recipient of its responsibility to properly plan, design, build and effectively operate and maintain the Project as required by laws, regulations, permits and good management practices. The Recipient acknowledges and agrees that DEC and the Corporation or their representatives are not responsible for increased costs resulting from defects in the plans, design drawings and specifications or other Project documents. Nothing in this section prohibits the Recipient from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing Project work.

(C) Performance Standards. The Recipient agrees to take corrective action necessary to bring the Project into compliance with the Project performance standards contained in the approved Engineering Report or Facilities Plan for the Project. The Corporation agrees to consider additional Revolving Fund assistance to finance the costs of such corrective action.

Section 4.3. Construction of Project.

(A) Construction. To the extent, if any, that the Project is not yet complete, the Recipient agrees to ensure that the Project will be constructed expeditiously and in accordance with the construction schedule most recently provided by the Recipient and approved by the Corporation. (Such construction schedule as of the date of this Project Finance Agreement is appended hereto as **Exhibit D**).

(B) Contracts and Security Bonds. The Recipient agrees to the right of DEC and the Corporation to review all contracts for services and construction funded pursuant to the Project Finance Agreement in order to determine eligibility for financing hereunder and to determine compliance with all relevant plans and terms of the Project Finance Agreement. Whenever a security bond is posted by a successful bidder for the faithful performance of a contract funded pursuant hereto, the name and address of the bonding company or person issuing the security bond, the number of such bond, and such other information as may be required by DEC and/or the Corporation, shall be transmitted to the requesting party, where it shall be reviewed to determine its authenticity prior to award of such contract. The original of such bond shall remain in the office of the Recipient.

(C) Inspection. The Recipient agrees to provide competent and adequate inspection of all Project construction under the direction of a professional engineer licensed in the State. The Recipient shall direct such engineer to inspect work necessary for the construction of the Project and to determine whether the construction conforms to the approved plans and specifications. The engineer shall be required to certify to the Recipient, DEC, and the Corporation at the completion of construction that the construction is in accordance with the approved plans and specifications or approved amendments thereto. Any work not in accordance with approved plans and specifications shall be remedied, unless such noncompliance is waived in writing by the Corporation and DEC.

(D) Change Orders. The Recipient agrees to submit all change orders to the Corporation within thirty (30) days following the date they are ordered. The Recipient agrees that changes that in the opinion of DEC and the Corporation, will significantly alter any treatment process incorporated in the Project will not be carried out without prior approval by DEC or the Corporation. The Recipient agrees that, if Revolving Fund assistance is to be requested for such increase, changes that will increase the estimated cost of the Project shown in **Exhibit C** hereto shall require approval by the Corporation and formal amendment to the Project Finance Agreement. Revolving Fund assistance for Project Cost increases is subject to the availability of Revolving Fund moneys in accordance with the Intended Use Plan.

(E) Completion Certificate. To the extent, if any, that the Project is not yet complete, the Recipient shall deliver to the Corporation a certificate of the supervising engineer stating that the Project has been completed in accordance with this Project Finance Agreement **within seven (7) Business Days following such completion.**

(F) Required Approvals and Permits. The Recipient has obtained or shall obtain all necessary approvals from any and all governmental agencies requisite to the completion of the Project and compliance with all federal, State and local laws, ordinances and regulations applicable thereto. Upon completion of the Project, the Recipient has obtained or shall obtain all required permits and authorizations from appropriate authorities, if required, for operation and use of the Project as contemplated by the Project Finance Agreement.

Section 4.4. Ownership, Operation and Maintenance.

(A) Notice of Beginning Operation. The Recipient agrees to notify DEC and the Corporation in writing within thirty (30) days following the actual date of initiation of operation of the Project.

(B) Operation and Maintenance. The Recipient agrees to ensure proper and efficient operation and maintenance of the Project satisfactory to DEC including, but not limited to, retaining a sufficient number of qualified staff and insuring performance of required tests and requirements. After completion of the Project, the Recipient shall at all times operate the Project or otherwise cause the Project to be operated properly and in a sound and economical manner and shall maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be properly conducted in a manner that is consistent with the project performance standards contained in the Engineering Report or Facilities Plan (each as defined in the Regulations) for the Project, with the Project Finance Agreement and with the requirements of any related State Pollutant Discharge Elimination System Permit.

(C) Continued Ownership and Operation. The Recipient agrees to own, operate and maintain the Project unless authorized to cease operation or dispose of the Project according to the provisions of Section 17-1909(4)(g)(ii) and (vii) of the Environmental Conservation Law. The Recipient shall not discontinue operation of or sell or otherwise dispose of the Project, except for portions of the Project sold or otherwise disposed of in the course of ordinary repair and replacement of obsolete or worn out parts, without the advance written approval of the Commissioner so long as the Leveraged Financing is outstanding.

(D) Access to Project and Work. The Recipient will permit representatives of DEC, the Comptroller of the State and the Corporation to have access to the Project at all reasonable times, and all contracts of the Recipient for construction or operation of all or a portion of the Project will contain provisions that permit such access to the Project or work relating to the Project, wherever it is in preparation or progress, and that the contractor will provide proper facilities for such access and inspection and will permit extracts and copies of Project records to be made by the foregoing persons.

(E) User Fee Covenant. The Recipient will, from time to time, revise and charge User Fees with respect to the Project in accordance with the State Act and in amounts such that revenues of the Recipient with respect to the Project shall be sufficient, together with other funds available to the Recipient for such purposes, to pay all costs of operating and maintaining the Project.

(F) Title. The Recipient certifies that it has or will obtain such title, estate or interest in the site of the Project, including necessary easements and rights-of-way, to ensure undisturbed use and possession for the purposes of construction and operation for the estimated life of the Project.

Section 4.5. Accounting and Records.

(A) Establishment of Project Accounts. The Recipient agrees to maintain Project accounts in accordance with generally accepted government accounting standards and any instructions issued by the Commissioner or the Corporation.

(B) Access to Records. The Recipient agrees: (i) to permit DEC, the State Comptroller, or the Corporation, or their authorized representatives to review or audit all records relative to the Project; (ii) to produce or cause to be produced all records relating to any work performed under the terms of the Project Finance Agreement for examination at such times as may be designated by any of them or their authorized representatives; (iii) to permit extracts and copies of Project records to be made by them or their authorized representatives; and (iv) to promptly fulfill information requests by any of them or their authorized representatives.

(C) Record Retention. The Recipient agrees to retain all files and records relating to the construction of the Project for at least six (6) years after Project completion and to retain all other Project files and records until the final payment of debt service on the financing described in the Project Finance Agreement has been made to the Corporation. As-built plans and specifications for the Project shall be retained for the useful life of the Project. The Recipient further agrees to make available to the Administrator of the United States Environmental Protection Agency or representatives of the Administrator any files or records necessary to determine compliance with the Clean Water Act.

Section 4.6. Payment of Additional Project Costs. In the event that the Leveraged Financing proceeds are not sufficient to pay the costs of the Project in full, the Recipient shall nonetheless complete the Project and pay that portion of the Project Costs as may be in excess of such available sale proceeds, and shall not be entitled to any reimbursement therefor from the Corporation.

Section 4.7. Remediation. The Recipient agrees to rectify promptly any breach of this Article IV with or without notice from the Corporation.

ARTICLE V

COVENANTS

Section 5.1. Application of Proceeds. The Recipient shall apply the Leveraged Financing proceeds solely for Project Costs and to refund the Existing Indebtedness, as the case may be.

Section 5.2. Tax Covenant. Notwithstanding any other provision hereof, the Recipient covenants and agrees that it will not take or authorize any action or permit any action within its reasonable control to be taken, or fail to take any action within its reasonable control, with respect to the Project, or the portion of the proceeds of the Corporation Bonds made available to it as part of the financing contemplated hereby including any amounts treated as proceeds of the Corporation Bonds for any purpose of Section 103 of the Code, which will result in the loss of the exclusion of interest on the Corporation Bonds from gross income for federal income tax purposes under Section 103 of the Code. This provision will control in case of conflict or ambiguity with any other provision of this Project Finance Agreement. Without limiting the generality of the foregoing, the Recipient will not take any action or omit to take any action within its reasonable control, which, assuming the Recipient Bonds were issued as bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, would cause the Recipient Bonds to be "private activity bonds" or "arbitrage bonds" within the

meaning of Sections 141(a) or 148 of the Code as in effect upon the issuance of the Recipient Bonds. In furtherance of such covenants and agreements, the Recipient agrees to deliver on or prior to the date of delivery of the Corporation Bonds an Arbitrage and Use of Proceeds Certificate, in form and substance satisfactory to bond counsel to the Corporation, and the Recipient hereby agrees to comply with the provisions thereof.

Section 5.3. Payment of Recipient Bonds.

(A) The Recipient covenants and agrees that it shall duly and punctually pay or cause to be paid the principal installments or redemption price of its Recipient Bonds that have been sold to the Corporation and the interest thereon, at the dates and places and in the manner stated in such Recipient Bonds and in accordance with Section 3.1 hereof and that such obligation shall not be subject to any defense (other than payment) or any rights of setoff, recoupment, abatement, counterclaim or deduction and shall be without any rights of suspension, deferment, diminution or reduction (including but not limited to any defenses or rights relating to Earnings on the Reserve Allocation) it might otherwise have against the Corporation, DEC, the Trustee or the owner of any Corporation Bond.

(B) Without in any way limiting the general and unconditional obligation of the Recipient to make timely payments of principal, redemption price and interest on the Recipient Bonds as and when due, as provided in paragraph (A) above, the Corporation agrees that the amount of the interest payment required to be made by the Recipient to the Corporation, on each interest payment date specified in the Recipient Bonds, shall be reduced by the amount of Earnings on Reserve Allocation received and available for crediting against such payment pursuant to, and in accordance with, Section 3.1(C) hereof, subject only to use of such Earnings on Reserve Allocation to pay any principal, premium or interest on the Recipient Bonds, or any other sum owing to the Corporation under Section 3.2 hereof, not paid when due, certain related expenses incurred by the Corporation, and reimbursement to the Revolving Fund for Leveraged Financing proceeds improperly applied, all as more fully provided in Section 3.1(C) hereof, Section 5.05 of the Indenture, and Section 3.6 hereof.

ARTICLE VI

REMEDIES

Section 6.1. Remedies.

(A) The Corporation shall have the right to reject, correct, adjust or withhold requests for disbursements of the sale proceeds described in this Project Finance Agreement and take such actions in the circumstances and in the manner set forth in **Exhibit K** hereto.

(B) If the Corporation or DEC determines that the Recipient or any authorized representative is not complying with federal or State laws, regulations or requirements or instructions of the Corporation or DEC relating to the Project or terms of the Project Finance Agreement the Corporation may, and at the direction of the Commissioner shall, in addition to exercising any or all of the remedies described herein, exercise any or all the remedies otherwise provided by federal or State law or regulations executed subsequent hereto, at law or in equity, including but not limited to rights to seek injunctive relief or specific performance with respect to the obligations hereunder.

(C) Nothing in the Project Finance Agreement affects the right of DEC or the Corporation to take remedial action including but not limited to administrative enforcement action and actions for breach of contract if the Recipient fails to carry out its obligations under the Project Finance Agreement or if any other violation of this Project Finance Agreement occurs.

(D) Pursuant to Section 1285-j(11) of the Act, if the Recipient fails to make any payment due the Corporation pursuant to the Project Finance Agreement or pursuant to any other undertaking of the Recipient (including without limitation the Recipient Bonds) issued as security for this Leveraged Financing, the Corporation shall certify to the New York State Comptroller, and notify the Chairman of the Assembly Ways & Means Committee, the Chairman of the Senate Finance Committee, the Director of the Division of the Budget and the governing body of the Recipient that the Recipient has failed to make such payment. Such certificate shall specify the exact amount of debt service and surcharge, if applicable, required to satisfy the Recipient's unpaid obligation. Any amounts received by the Corporation from the State Comptroller relating to such unpaid amounts shall be applied promptly by the Corporation to the payment of such unpaid amounts or to reimburse any fund used to make such payments on behalf of the Recipient or, if all such payments and reimbursements have been made, such amounts received from the State Comptroller may be applied to pay any fees then owed to the Corporation by the Recipient.

ARTICLE VII

MISCELLANEOUS

Section 7.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given, and shall be deemed given, when delivered in writing to the address or telecopier number (if expressly permitted in the provision requiring such communication) of the identified party or parties set forth below:

(A) Corporation:
New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207-2997
Attn.: Chief Financial Officer
Telecopier No.: (518) 402-7086

with a copy of such communication being delivered to the attention of the General Counsel at the address set forth above.

(B) DEC: to the address specified in **Exhibit E** hereto.

(C) Trustee:
Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, New York 14203
Attn.: Corporate Trust Department
Telecopier No.: (716) 842-4474

(D) Depository Bank:
Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, New York 14203
Attn.: Corporate Trust Department
Telecopier No.: (716) 842-4474

(E) Recipient: to the address specified in **Exhibit E** hereto.

Any of the foregoing parties may designate any further or different addresses or telecopier numbers to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

Section 7.2. Binding Effect. Upon execution and delivery by the Recipient and the Corporation, this Project Finance Agreement shall inure to the benefit of and shall be binding upon the Corporation and the Recipient and their respective successors and assigns.

Section 7.3. Severability. In the event that any provision of this Project Finance Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 7.4. Amendments, Supplements and Modifications. This Project Finance Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Corporation and the Recipient and, if such amendment occurs after the issuance of the Corporation Bonds, upon compliance with the provisions of Sections 4.01 and 4.02 of the Indenture.

Section 7.5. Execution in Counterparts. This Project Finance Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6. Applicable Law. This Project Finance Agreement shall be governed by and construed in accordance with the laws of the State, including the Act and the State Act.

Section 7.7. Captions. The captions or headings in this Project Finance Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Project Finance Agreement.

Section 7.8. Benefit of Project Finance Agreement. This Project Finance Agreement is executed, among other reasons, to induce the purchase of the Recipient Bonds by the Corporation and, to the extent that the Corporation may so determine from time to time in accordance with Section 7.10 hereof, to secure the Corporation Bonds. Accordingly, those rights of the Corporation to enforce the duties, covenants, obligations and agreements of the Recipient set forth in clause (i) of the first sentence of Section 7.10 hereof may at any time, in whole or in part, be assigned and pledged by the Corporation to the Trustee for the benefit of the owners of the Corporation Bonds and thereafter such duties, covenants, obligations and agreements so assigned and pledged shall be for the benefit of and enforceable by the Trustee and the Corporation except that beneficial owners of bonds hereafter under the Indenture shall be third-party beneficiaries of Section 7.9(B) of this Agreement.

Section 7.9. Further Assurances; Disclosure of Financial Information, Operating Data and Other Information.

(A) The Recipient shall, at the request of the Corporation, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be deemed necessary or desirable by the Corporation, in its sole discretion, for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Project Finance Agreement and the Recipient Bonds. The Recipient also agrees to furnish to the Corporation such additional information concerning the financial condition of the Recipient as the Corporation may from time to time reasonably request.

(B) Without limiting the generality of the foregoing, as and to the extent that the Corporation shall determine that disclosure of such information is necessary (i) in order to comply with any undertakings made by the Corporation pursuant to Rule 15c2-12 of the Securities and Exchange Commission or with any other applicable legal requirements or (ii) in connection with the offering of its

bonds to the public, the Recipient shall timely furnish to the Corporation and to such information repositories or other persons as the Corporation shall specify such financial information, operating data and other information relating to the Recipient (including, but not limited to, audited or unaudited financial statements and notices of material events or other material changes in financial condition) as the Corporation shall determine to be necessary for such purposes. The Corporation presently expects to enter into one or more secondary market disclosure undertakings pursuant to such Rule 15c2-12, which will require disclosure of financial and operating information relating to the Recipient only if the aggregate outstanding principal amount of the loans or other financing made available by the Corporation to the Recipient with the proceeds of bonds issued under the Indenture equals or exceeds twenty percent (20%) of the aggregate outstanding principal amount of all such recipient bonds purchased or other financing made available to all recipients, including the Recipient. In the event that the Corporation shall determine that disclosure of information relating to the Recipient is required pursuant to this paragraph, the Corporation shall so advise the Recipient in writing and shall specify in reasonable detail the information required to be furnished and the timetable for furnishing such information, as well as the place or places such information is to be furnished.

(C) If and so long as the offering of the Corporation Bonds continues (a) the Recipient will furnish such information with respect to itself as the underwriters of the Corporation Bonds may from time to time reasonably request and (b) if any event relating to the Recipient shall occur as a result of which it is necessary, in the opinion of Bond Counsel to the Corporation, General Counsel of the Corporation or counsel for such underwriters, to amend or supplement the Official Statement of the Corporation used in connection with the offering of the Corporation Bonds in order to make such information not misleading in light of the circumstances then existing, the Recipient will forthwith prepare and furnish to the Corporation and the underwriters such information relating to the Recipient as may be necessary to permit the preparation of an amendment of or supplement to such Official Statement (in form and substance satisfactory to the Bond Counsel to the Corporation and counsel for the underwriters) which will amend or supplement such Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make statements therein, in light of the circumstances then existing, not misleading. Unless the Recipient shall have been notified to the contrary in writing by the Corporation or the underwriters, the Recipient shall be entitled to presume that the offering by the Corporation and that its obligations under this paragraph shall have ceased twenty-five (25) days after the date of delivery of the Corporation Bonds.

Section 7.10. Assignment of Project Finance Agreement or Recipient Bonds. The Recipient consents to the pledge and assignment at any time of (i) any portion of the Corporation's estate, right, title and interest and claim in, to and under this Project Finance Agreement and the right to make all related waivers and agreements in the name and on behalf of the Corporation, as agent and attorney-in-fact, and to perform all other related acts which are necessary and appropriate under this Project Finance Agreement, if any, and (ii) the Corporation's estate, right, title and interest and claim in, to and under the Recipient Bonds and payments under the Recipient Bonds, to the Trustee. The Indenture shall provide that, except during the continuance of a default hereunder or an Event of Default under the Indenture, the Trustee shall not sell, assign, transfer, convey or otherwise dispose of its interest in this Project Finance Agreement, if any, or in the Recipient Bonds during the term hereof without the express written consent of the Corporation and the Recipient. Except as provided in this Section 7.10, the Corporation shall not sell, assign, transfer, convey or otherwise dispose of its interest in this Project Finance Agreement during the term hereof.

Section 7.11. Covenant Against Discrimination. The Recipient in the performance of this Project Finance Agreement will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religion, national origin, age, sex, marital status, physical handicap, political beliefs, mental retardation or history of mental disorder in any manner prohibited by the laws of the United States of America or of the State.

Section 7.12. Agreements of the Corporation. The Corporation shall make reimbursements for the administrative and management costs of DEC and the Corporation in accordance with subdivisions 5 and 7 of Section 1285-j of the Act.

Section 7.13. Project Finance Agreement Supersedes Prior Agreements. This Project Finance Agreement supersedes any other prior or contemporaneous agreements or understandings, written or oral, between the parties relating to this financing of the Project.

Section 7.14. Conversion of Financing. Notwithstanding anything herein to the contrary, the Corporation reserves the right, and the Recipient agrees that the Corporation may, but shall not be obligated to, alter the source of the funding of the Recipient Bonds from the proceeds of the Corporation Bonds to non-proceeds held within the Fund upon the occurrence, but not limited to, any situation that might cause the Corporation Bonds to become taxable, or upon a payment default of the Recipient. In such event, unless the Corporation and the Recipient otherwise agree, the principal of the Recipient Bonds shall be due on the same dates as they would otherwise have been due and interest shall be payable at a fixed rate of interest equal to the effective interest rate of the Recipient Bonds taking into account the actual earnings on the Reserve Allocation theretofore set aside. Such effective interest rate shall be specified to the Recipient by a written notice of the Corporation. The Corporation and the Recipient agree to enter into such further agreements and amendments to this agreement as shall be necessary to effectuate the foregoing.

Section 7.15. Signs. In recognition of the financing provided hereunder for the Project, the Recipient agrees that any identifying signs that relate to this Project shall be in a form acceptable to the Corporation and the DEC.

IN WITNESS WHEREOF, the Recipient and the Corporation have each caused this Project Finance Agreement to be executed and delivered as of the date first above written.

CITY OF RYE

By: *Michael A. Genito*
Name: Michael A. Genito
Title: City Comptroller

NEW YORK STATE ENVIRONMENTAL
FACILITIES CORPORATION

By: _____
Name: Thomas J. Kelly
Title: President



THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT A

PROJECT DESCRIPTION

CWSRF Project No.: C3-5399-01-00

Recipient: City of Rye

County: Westchester

This action consists of financing costs associated with the acquisition of three parcels of land in the City of Rye. The parcels being purchased are consistent with the activities "Conserve and Enhance Natural Resources and Open Spaces" and "Increase Public Access" included in the recommendations contained in The Comprehensive Conservation and Management Plan for The Long Island Sound" (An Approved National Estuary Plan) dated March 1994. This action is also in accordance with recommendations by the Westchester County Executive's Citizens Committee on Non-point Source Pollution in Long Island Sound, July 1993; City of Rye Local Waterfront Revitalization Plan, 1991; and Rye City Development Plan, 1985.

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT B
2004D

Recipient: City of Rye
County: Westchester
CWSRF Project No.: C3-5399-01-00

DESCRIPTION OF PREVIOUSLY ISSUED INDEBTEDNESS
USED TO FINANCE THE PROJECT

<u>Project Number</u>	<u>Type of Obligation</u>	<u>Issue Date</u>	<u>Original Principal Amount</u>	<u>Maturity Date</u>	<u>Redemption Amount (if any)</u>	<u>Redemption Date (if any)</u>	<u>Amount to be Refinanced</u>
C3-5399-01-00	EFC STF	11/15/2001	\$ 3,100,000	11/15/2004	\$ 150,000	11/19/2003	
					\$ 150,000	11/1/2004	* \$ 2,800,000

* \$150,000 will remain in the short term financing until November 1, 2004.

The recipient hereby directs the Corporation to transfer the amount to be refinanced as listed above on the date specified above in accordance with the following payment instructions.

Name of Bank: NA
Contact Person:
Phone #:
Account Name:
Redemption Account #:
Bank ABA #:
Borrower Federal Tx ID #:

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT C

ESTIMATED PROJECT COSTS; RESERVE ALLOCATION

CWSRF Project No.: C3-5399-01-00

Recipient: City of Rye

County: Westchester

A. ESTIMATED PROJECT COSTS

<u>AVAILABLE FOR DISBURSEMENT</u>	<u>Long-Term Financing</u>
<u>Land Acquisition</u>	
Rye Nursery Acquisition (Purchased August 2001)	\$ 2,300,000.00
Friends Meeting House (Purchased March 12, 2002)	550,000.00
8 Belmont Avenue (Purchased January 11, 2003)	250,000.00
<u>Other Costs</u>	
Bond Counsel*	4,045.00
Miscellaneous Costs (Appraisals, Legal Ads, Postage, etc.)*	79,964.00
<u>SUB TOTAL OF PROJECT COSTS</u>	\$ 3,184,009.00
<u>Less Municipal Contribution</u>	(84,009.00)
<u>Less Principal Payment made on November 19, 2003**</u>	(150,000.00)
<u>Less Principal Payment to be made on November 1, 2004***</u>	(150,000.00)
<u>TOTAL OF PROJECT COSTS</u>	\$ 2,800,000.00
<u>Costs of Issuance:</u>	
Direct Expenses 1.2%	33,600.00
Bond Issuance Fee .28%	7,935.00
<u>SRF AMOUNT REQUESTED - LONG-TERM LEVERAGED FINANCING****</u>	\$ 2,841,535.00

B. RESERVE ALLOCATION PERCENTAGE: 50%

*Costs paid by municipal contribution

** Principal payment paid by grant money received from the NYS Parks and Recreation Agency

*** \$150,000 will remain in the short term financing until November 1, 2004.

****Includes the refinancing of short term funding issued November 15, 2001.
Amount to be refinanced equals \$2,800,000.00 as of March 07, 2002.

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT D

ESTIMATED CONSTRUCTION SCHEDULE

CWSRF Project No.: C3-5399-01-00

Recipient: City of Rye

County: Westchester

<u>Work Description</u>	<u>Construction Start</u>	<u>Construction Complete</u>
Land Acquisition – 3 Properties	December 1, 2001	April 1, 2002*

* Per Construction Contract Documents

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT E

SCHEDULE OF ADDITIONAL PROVISIONS

CWSRF Project No.: C3-5399-01-00

Recipient: City of Rye

County: Westchester

I. Definitions.

"Maximum Rate" means the maximum interest rate per annum on the Leveraged Financing and the Recipient Bonds agreed to pursuant to Section 3.1(A) of the Project Finance Agreement, which shall be 6.75% per annum.

II. Other Amounts Payable.

The Recipient agrees to pay the following additional amounts in connection with the Leveraged Financing:

(A) The initial financing fee payable by the Recipient to the Corporation pursuant to Section 3.2(A), which shall not exceed (i) 1.2 % of Project Costs, plus (ii) the Recipient's share of the State bond issuance charge calculated pursuant to Section 2976(2) of the Public Authorities Law of the State. Such amounts shall be payable from the proceeds of the Recipient Bonds, or if shown in **Exhibit C** to be paid by the Recipient, by wire transfer to the Corporation delivered prior to delivery of the Recipient Bonds; and

(B) The Corporation's annual administrative fee, payable pursuant to Section 3.2(A), which shall be 0.25% of the outstanding principal amount of the Leveraged Financing and shall be payable annually as set forth in the Notice of Terms. In addition, the annual administration fee shall be pro-rated for periods less than a full year upon reduction in or payment of the then outstanding principal amount.

III. Notice Addresses.

1. For purposes of Section 7.1(B) of the Project Finance Agreement, the address of the applicable DEC regional office shall be:

New York State Department of Environmental Conservation
Region 3 Office
21 South Putt Corners Road
New Paltz, New York 12561-1696

2. For purposes of Section 7.1(E) of the Project Finance Agreement, the address of the Recipient shall be:

City of Rye
1051 Boston Post Road
Rye, New York 10580

IV. Additional Provisions regarding Grant, Loan or Other Funds.

The Recipient hereby (i) acknowledges that it has applied for or intends to apply for, but has not yet received or been awarded, or that it may apply for in the future, a grant, loan or other funds which, if received, would provide financing for a portion of the Project being financed by the Corporation, (ii) agrees to keep the Corporation apprised of the status of any such grant, loan or other funds application and to immediately notify the Corporation of any awarding of such a grant, loan or other funds and the expected timing and amount of any such assistance in the event of such an award, (iii) authorizes the grantor to release any information respecting such assistance to the Corporation, and (iv) agrees that, except to the extent that the Corporation shall otherwise agree in writing, such grant, loan or other funds shall be paid over to the Corporation immediately upon receipt to be applied to the redemption of the Recipient Bonds in accordance with their terms.

V. Disbursement Requests.

The person or persons from time to time holding the offices or other positions set forth below are each authorized to execute requests for disbursement of proceeds on behalf of the Recipient:

1. TITLE: CITY COMPTROLLER

In addition to the foregoing, the Recipient may, by written notice given hereunder, designate any further or different person or persons authorized to execute requests for disbursement of proceeds.

VI. Redemption of Recipient Bonds.

The first optional redemption date (the "First Optional Redemption Date") shall be no later than 10 years after the first principal payment date following the delivery of the Corporation Bonds.¹ At the option of the Recipient, the Recipient Bonds maturing after the First Optional Redemption Date shall be subject to redemption prior to maturity, in whole at any time or in part in principal amounts of \$5,000 or integral multiples thereof on any interest payment date, from any moneys available therefor, at a redemption price, in either case, equal to the principal amount of such Recipient Bonds to be redeemed, together with (i) the Applicable Redemption Premium and (ii) the accrued and unpaid interest on the principal amount to be redeemed to the date fixed for redemption. In the event that the Corporation refunds the Corporation Bonds and the Recipient Bonds are assigned to such refunding bonds, Recipient consents to the assignment of the Recipient Bonds and agrees that the First Optional Redemption Date shall then be the redemption date as provided in such refunding bonds. In the event of any partial redemption, the Recipient Bonds shall be redeemed in such order of maturities as shall be determined by the Recipient. As used herein "Applicable Redemption Premium" with respect to any maturity of the Recipient Bonds to be redeemed means the redemption premium specified in the Notice of Terms for such maturity for such date, provided that such redemption premium shall not exceed 4% of the principal amount of the Recipient Bonds proposed to be redeemed. Pursuant to Section 3.3(C) of the Project Finance Agreement, the Recipient shall also pay all costs and expenses of the Corporation in effecting the redemption or defeasance of any Corporation Bonds that are redeemed due to the redemption of any Recipient Bonds.

¹ The actual date of the First Optional Redemption Date shall be as detailed in the Notice of Terms.

Notwithstanding the foregoing, no Recipient Bond or portion of a Recipient Bond that is not in an amount, which is an integral multiple of \$5,000 shall be subject to such redemption at the option of the Recipient without the express written consent of the Corporation.

Any such redemption, either as a whole or in part, shall be made upon at least sixty (60) days and no more than seventy-five (75) days prior written notice to (i) the Corporation and to the Trustee during any period when the Recipient Bonds are held by or for the benefit of the Corporation or of holders of its bonds or (ii) any successor holders of the Recipient Bonds at any time thereafter.

The moneys necessary for any redemption of Recipient Bonds shall be paid to or deposited with (i) the Trustee during any period when the Recipient Bonds are held for the benefit of the holders of the Corporation Bonds and (ii) with any fiscal agent during any period when the Recipient Bonds are otherwise held, in either case on or prior to the redemption date. All Recipient Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Recipient Bonds are on deposit with the Trustee or fiscal agent, as appropriate. If such moneys are not available on the redemption date, the Recipient Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

VII. Existing Indebtedness Provision. (if applicable)

As of the date hereof, the Recipient has submitted documentation supporting, and the Corporation has approved, the amount as shown in **Exhibit B** as proceeds of Existing Indebtedness expended for eligible costs of the Project. The Recipient may submit additional documentation to the Corporation up to the tenth (10th) day preceding the maturity or prepayment date of any Existing Indebtedness, as appropriate (the "Determination Date"), to support a claim of additional proceeds of such Existing Indebtedness as having been expended for eligible costs of the Project.

Notwithstanding anything herein to the contrary, while the Recipient has requested that the Corporation approve the application of the amount shown in **Exhibit B** from the proceeds of the financing to refund the Existing Indebtedness, the Recipient expressly acknowledges and agrees that (a) the Corporation will not advance financing proceeds to refund any Existing Indebtedness in excess of the total amount of proceeds of such Existing Indebtedness approved by the Corporation, as of the Determination Date, as having been expended for eligible costs of the Project; (b) if, on the maturity or prepayment date of such Existing Indebtedness, the amount of financing proceeds to be disbursed by the Corporation, pursuant to clause (a), is less than the full principal and interest payment necessary to pay off and discharge such Existing Indebtedness on such date, the Recipient shall be obligated to (and hereby agrees) to either (i) pay the difference in its own funds on such date so as to fully pay off and discharge such Existing Indebtedness, or (ii) arrange for that portion of the Existing Indebtedness which is in excess of the financing proceeds to be disbursed by the Corporation to refund such Existing Indebtedness, to be renewed or "rolled over"; and (c) the remaining financing proceeds other than (i) those disbursed by the Corporation to refund such Existing Indebtedness, and (ii) the proceeds to be applied towards the Corporation's financing fee and costs of issuance of the Bonds, shall remain on deposit with the Depository Bank in accordance with Section 3.5(A) of the Project Finance Agreement and will be disbursed by the Corporation to the Recipient pursuant to such Section 3.5(A), as further expenditures are incurred by this Recipient in connection with the Project (i.e., all such proceeds shall be treated as if they were originally intended to finance the acquisition, construction and installation of portions of the Project not yet completed).

The Recipient shall be responsible for ensuring that it complies with Treasury Regulation Section 1.150-2 in connection with any disbursement of financing proceeds pursuant to clause (c) in the preceding sentence, to the extent required to preserve the tax-exempt status of the Corporation Bonds.

VIII. Transferred Proceeds. (if applicable)

The Recipient agrees to transfer the balance of any unspent proceeds of the Existing Indebtedness to the Depository Bank no later than the date specified by the Corporation, prior to the delivery of the Corporation Bonds, to be held, together with Leveraged Financing proceeds, for the account of the Recipient and further agrees to comply with applicable yield restrictions with respect to any unspent proceeds of the Existing Indebtedness as further described in the Arbitrage and Use of Proceeds Certificate.

IX. Project Completion. (if applicable)

The Recipient hereby represents that it has completed the Project and that each Project is in operation.

X. Reaffirmation of Representations, Warranties and Covenants. (as applicable)

The Recipient hereby reaffirms the representations and warranties, and hereby agrees to the covenants contained in the prior agreement relating to the acquisition of land, specifically referred to as the Project Financing and Loan Agreement dated November 15, 2001 (including but not limited to those provided in **Exhibit K** of said prior agreement). Such representations and warranties are true, correct and materially accurate as of the date of issuance of the Bonds and are by this reference incorporated in this Project Finance Agreement as though fully set herein.

XI. Special Project Conditions

None.

New York State Environmental Facilities Corporation*State Clean Water and Drinking Water Revolving Funds Revenue Bonds Series 2004 D**Recipient Name: City of Rye**CWSRF Number: C3-5399-01-00***Exhibit F**

Anticipated Principal Repayment Schedule (1)

Principal Payment Date	Principal
August 15, 2005	125,000.00
August 15, 2006	125,000.00
August 15, 2007	121,535.00
August 15, 2008	125,000.00
August 15, 2009	125,000.00
August 15, 2010	125,000.00
August 15, 2011	130,000.00
August 15, 2012	130,000.00
August 15, 2013	135,000.00
August 15, 2014	135,000.00
August 15, 2015	140,000.00
August 15, 2016	145,000.00
August 15, 2017	145,000.00
August 15, 2018	150,000.00
August 15, 2019	155,000.00
August 15, 2020	160,000.00
August 15, 2021	160,000.00
August 15, 2022	165,000.00
August 15, 2023	170,000.00
August 15, 2024	175,000.00
TOTAL	\$2,841,535.00

(1) Final interest rates (excluding subsidy), maturity dates and final principal amounts shall be as set forth in the Notice of Terms (Form of Notice of Terms set forth in Exhibit L).

(2) The annual administrative fee of 0.25% is due on April 1 of each year. For Semi-Annual Net Debt Service the fee is included on August 15

CW Rye 5399-01-00 | 5/26/2004 | 11:46 AM

THIS PAGE INTENTIONALLY LEFT BLANK

**EXHIBIT G
FORM OF RECIPIENT BONDS**

REGISTERED
No. R-

REGISTERED
\$

UNITED STATES OF AMERICA
STATE OF NEW YORK
[NAME OF RECIPIENT]
[DESIGNATION OF BOND]

MATURITY DATE

INTEREST RATE

DATE OF ORIGINAL ISSUE

REGISTERED OWNER: TICE & CO.

PRINCIPAL SUM: DOLLARS AND NO CENTS

The [NAME OF RECIPIENT] (hereinafter sometimes called the "Recipient"), a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the REGISTERED OWNER named above, or registered assigns, on the MATURITY DATE (stated above), the PRINCIPAL SUM (stated above) upon presentation and surrender of this bond (i) for so long as this bond is held by or for the benefit of New York State Environmental Facilities Corporation (the "Corporation") or of holders of its bonds, at either of the principal corporate trust office in Buffalo, New York or at the paying agency office in New York, New York of Manufacturers and Traders Trust Company as depository bank (herein called "Depository Bank"), or at the principal corporate trust office of any successor thereto or (ii) at any time thereafter, at the fiscal agent office designated by [NAME OF RECIPIENT] for such purpose, and to pay interest on such principal sum from [date] or from the most recent interest payment date to which interest has been paid, or unless interest on this bond shall be in default, in which event this bond shall bear interest from the date to which interest has been paid in full, at the INTEREST RATE (stated above), payable on [date] and semi-annually thereafter on [date] and [date] of each year until maturity. Interest hereon shall be payable at said offices of the Depository Bank or at said fiscal agent office, as appropriate, on each interest payment date. The principal of and interest on this bond are payable in any coin or currency of the United States of America which at the date of payment is legal tender for the payment of public and private debts.

The faith and credit of the Recipient are hereby irrevocably pledged to the punctual payment of the principal of and interest on this bond according to its terms.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of the Recipient is within every debt and other limit prescribed by the Constitution and laws of such State.

IN WITNESS WHEREOF, the Recipient has caused this bond to be executed in its name by the manual or facsimile signature of its [authorized officer of Recipient and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved, or otherwise reproduced hereon and attested by the manual or facsimile signature of its [authorized officer of Recipient].

[NAME OF RECIPIENT]

BY: _____
[Title]

ATTEST:

[Title]

[Recipient], New York
[Name of Bond]

This bond is one of an authorized issue, the principal amount of which is \$_____, the bonds of which are of like tenor, except as to number, maturity, redemption privilege and denomination, and is issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State of New York (the "Law"), a bond resolution duly adopted by the [insert governing board of Recipient] on [date], authorizing the issuance of not to exceed \$_____ serial bonds of the Recipient to provide funds required by the Recipient to [purpose of issue] (the "Resolution") and a Certificate of Determination executed by [title of officer] on [date] determining the terms, form and details of issuance of said [name of bonds] bonds (the "Recipient Bonds") and providing for their private sale (the "Certificate of Determination").

This bond is transferable or exchangeable, solely in accordance with the terms of the Project Finance Agreement dated as of June 1, 2004 between the Recipient and the New York State Environmental Facilities Corporation, only upon the books of the Recipient kept for that purpose, by the registered owner hereof in person, or by his attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer or exchange satisfactory to the Recipient duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new bond or bonds, in the same aggregate principal amount and of the same maturity, shall be issued to the transferee or the registered owner in exchange therefore as provided in the Certificate of Determination and upon the payment of the charges, if any, therein prescribed.

On or after [February or August 15, 20__] (the "First Optional Redemption Date"), at the option of the Recipient, the Recipient Bonds maturing after the First Optional Redemption Date shall be subject to redemption prior to maturity, in whole at any time or in part in principal amounts of \$5,000 or integral multiples thereof, on any interest payment date, from any moneys available therefor, at a redemption price, in either case, equal to the principal amount of such Recipient Bonds to be redeemed, together with (i) the Applicable Redemption Premium and (ii) the accrued and unpaid interest on the principal amount to be redeemed to the date fixed for redemption. In the event that the Corporation refunds the Corporation Bonds (as defined hereafter) and the Recipient Bonds are assigned to such refunding bonds, Recipient consents to the assignment of the Recipient Bonds and agrees that the First Optional Redemption Date shall then be the redemption date as provided in such refunding bonds. In the event of any partial redemption, the Recipient Bonds shall be redeemed in such order of maturities as shall be determined by the Recipient. As used herein, "Applicable Redemption Premium", with respect to any maturity of the Recipient Bonds to be redeemed, means four percent (4%) of the principal amount of the Recipient Bonds to be redeemed or such lesser redemption premium as is specified in the Notice of Terms (as defined in the Project Finance Agreement) for such maturity and redemption date. Pursuant to Section 3.3(C) of the Project Finance Agreement, the Recipient shall also pay all costs and expenses of the Corporation in effecting the redemption or defeasance of any Corporation Bonds that are redeemed due to the redemption of any Recipient Bonds.

Notwithstanding the foregoing, no Recipient Bond or portion of a Recipient Bond that is not in an amount, which is an integral multiple of \$5,000, shall be subject to such redemption at the option of the Recipient without the express written consent of the Corporation.

Any such redemption, either as a whole or in part, shall be made upon at least sixty (60) days and no more than seventy-five (75) days prior written notice to (i) the Corporation and to the

Trustee for the Corporation's New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds, Series 2004 D (the "Corporation Bonds") during any period when the Recipient Bonds are held by or for the benefit of the Corporation or of holders of its bonds or (ii) any successor holders of the Recipient Bonds at any time thereafter.

The moneys necessary for any redemption of Recipient Bonds shall be paid to or deposited with (i) the Trustee during any period when the Recipient Bonds are held for the benefit of the holders of Corporation Bonds and (ii) with any fiscal agent designated by the Recipient during any period when the Recipient Bonds are otherwise held, in either case on or prior to the redemption date. All Recipient Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Recipient Bonds are on deposit with the Trustee or fiscal agent, as appropriate. If such moneys are not available on the redemption date, the Recipient Bonds or portions thereof will continue to bear interest until paid at the same rate, as they would have borne had they not been called for redemption.

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the Undersigned hereby sells, assigns and transfers unto

(Please Insert Social Security or other identifying number of Assignee(s)):

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____ attorney to transfer the within bond on the
books kept for registration thereof with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

t^o
7

EXHIBIT H
[FORM OF OPINION OF NATIONALLY RECOGNIZED BOND COUNSEL]

[Letterhead of Bond Counsel to
Recipient]

[Date of delivery of Corporation Bonds]

City of Rye
1051 Boston Post Road
Rye, New York 10580

New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207-2997

Hawkins Delafield & Wood LLP
67 Wall Street
New York, New York 10005

Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, New York 14203

[Underwriter]
acting on behalf of themselves and the
other underwriters named in the Bond Purchase
Agreement relating to the Corporation Bonds
(defined herein) between the New York State
Environmental Facilities Corporation and such underwriters

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of [\$ identify the Bonds] (the "Recipient Bonds") of the [Name of Recipient] (the "Recipient").

The Recipient Bonds are issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of the State of New York, and a bond resolution duly adopted by the [Recipient's governing body]. The Recipient Bonds are delivered to evidence the obligation of the Recipient with regards to the purchase and sale made pursuant to a project finance agreement, dated as of June 1, 2004 (the "Project Finance Agreement"), between the New York State Environmental Facilities Corporation (the "Corporation") and the Recipient. Terms used but not otherwise defined herein shall have the respective meanings set forth in the Project Finance Agreement.

The Recipient Bonds are dated _____, mature on [_____ and/or _____] in the principal amounts, on each of the following dates, and bear interest at the rates per annum payable on and _____ and semi-annually thereafter on _____ and _____ in each year to maturity, as set forth in the Notice of Terms relating to the Project Finance Agreement delivered to the Recipient by the Corporation, a copy of which is attached hereto.

The Recipient Bonds are issued only in fully registered form without interest coupons, not exceeding the aggregate principal amount of Recipient Bonds maturing in any year. The Recipient Bonds are lettered R and numbered from one consecutively upward.

The Recipient Bonds are subject to redemption prior to maturity upon the terms set forth in the Notice of Terms.

In our opinion, the Project Finance Agreement has been duly authorized, executed and delivered by the Recipient; and, assuming the due authorization, execution and delivery thereof by the Corporation, the Project Finance Agreement together with the Notice of Terms constitute a legal, valid and binding obligation of the Recipient, enforceable in accordance with the terms thereof.

In our opinion, the Recipient Bonds (i) conform to the descriptions thereof in the Project Finance Agreement and (ii) are valid and legally binding general obligations of the Recipient for which the Recipient has validly pledged its faith and credit; and, unless paid from other sources, all the taxable real property within the Recipient is subject to the levy of ad valorem real estate taxes to pay the Recipient Bonds and interest thereon without limitation of rate or amount. The enforceability of rights or remedies with respect to the Project Finance Agreement or the Recipient Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

The financial assistance being made available to the Recipient under the terms of the Project Finance Agreement is being made with a portion of the proceeds of State Clean Water and Drinking Water Revolving Funds Revenue Bonds, Series 2004 D being issued by the Corporation (the "Corporation Bonds"), the interest on which is intended to be and remain excluded from gross income pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In connection with the delivery of the Recipient Bonds, the Recipient has executed and delivered an Arbitrage and Use of Proceeds Certificate. Pursuant to such Arbitrage and Use of Proceeds Certificate and the Project Finance Agreement the Recipient has certified and agreed that the Recipient will comply with the provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate and that it will not take any action or omit any action within its reasonable control which, assuming the Recipient Bonds were issued as bonds the interest on which is excluded from gross income for federal income tax purposes under Section 103(a) of the Code, would cause the Recipient Bonds to be "private activity bonds" or "arbitrage bonds" within the meaning of Sections 141(a) or 148 of the Code. Based on the foregoing and assuming compliance with the Arbitrage and Use of Proceeds Certificate and with the covenants contained in Section 5.2 of the Project Finance Agreement, we are of the opinion that the application of the proceeds of the Recipient Bonds to the purposes contemplated by the Project Finance Agreement will not cause the Recipient Bonds (a) to meet either (i) the "private business" tests of Section 141(b) of the Code or (ii) the "private loan financing" test of Section 141(c) of the Code or (b) to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Further, in our opinion, under existing statutes, interest on the Recipient Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We have examined the executed first numbered Recipient Bond of said issue and, in our opinion, the form of said Recipient Bond and its execution are regular and proper.

Very truly yours,

[Bond Counsel to Recipient]

EXHIBIT I
[FORM OF OPINION OF LOCAL COUNSEL]

OPINION OF LOCAL COUNSEL
CITY OF RYE

dated June 1, 2004

I am an attorney admitted to practice in the State of New York and have acted as counsel to the municipality or public benefit corporation referred to above (the "Recipient"), which has entered into a Project Finance Agreement (as hereinafter defined) with the New York State Environmental Facilities Corporation (the "Corporation"). Terms used but not otherwise defined herein shall have the respective meanings set forth in such Project Finance Agreement.

I have examined originals, or copies certified or otherwise identified to my satisfaction, of the following:

(A) the Project Finance Agreement, dated as of June 1, 2004 (the "Project Finance Agreement"), by and between the Corporation and the Recipient, in the form executed by the Recipient; and

(B) proceedings of the governing members of the Recipient relating to the approval of the Project Finance Agreement and the execution, issuance and delivery thereof and of the Recipient Bonds on behalf of the Recipient, and the authorization of the undertaking and completion of the Project (as defined in the Project Finance Agreement).

I have also examined and relied upon originals, or copies certified or otherwise authenticated to my satisfaction, of such other records, documents, certificates and other instruments, and made such investigation of law as in my judgment I have deemed necessary or appropriate to enable me to deliver this opinion.

Based upon the foregoing, I hereby certify as follows:

1. There is no litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Project Finance Agreement, the Recipient Bonds or any of the proceedings taken with respect to the issuance and sale of the Recipient Bonds, the application of moneys to the payment of the Recipient Bonds or in any manner questioning the proceedings and authority under which the Recipient Bonds were authorized or affecting the validity of the Recipient Bonds, the existence or boundaries of the Recipient or the title of officials of the Recipient who have acted with respect to the proceedings for the issuance and sale of the Recipient Bonds to their respective offices, and no authority or proceedings for the issuance and sale of the Recipient Bonds have been repealed, revoked or rescinded.

2. The execution and delivery by the Recipient of the Project Finance Agreement, the issuance, sale and delivery of the Recipient Bonds, the adoption of the bond resolution by the Recipient and compliance with the provisions thereof will not conflict with or constitute a breach of or a default under any local law or administrative regulation, or any judgment, decree or any agreement or other instrument known to me to which the Recipient is a party or otherwise subject.

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first set forth above.

Name:

EXHIBIT J

[FORM OF RECIPIENT CLOSING CERTIFICATE]

**CITY OF RYE
CLOSING CERTIFICATE
dated July 22, 2004**

as to (i) Confirmation of Certain Matters set forth in the Project Finance Agreement, (ii) Signatures and Incumbency of Authorized Signatories, (iii) Delivery and Payment of Recipient Bonds, and (iv) Certain Other Matters

I, the officer identified below of the municipality or other government body named above (the "Recipient"), hereby certify that:

1. This Certificate has been executed in connection with the issuance and sale by the New York State Environmental Facilities Corporation (the "Corporation") of its \$_____ principal amount of [Insert designation of Corporation Bonds] (the "Corporation Bonds"). A portion of the proceeds of said Corporation Bonds has been provided to the Recipient for the purchase of the Recipient's bonds, which has issued its general obligation bonds (the "Recipient Bonds") to the Corporation.

2. The representations and warranties relating to the Recipient set forth in the Project Finance Agreement between the Corporation and the Recipient dated as of June 1, 2004 are true and correct as of the date hereof as if made on and as of the date hereof, the Project Finance Agreement remains in full force and effect as of the date hereof, and the Recipient has complied with and performed and will continue to comply with and perform all of its covenants and agreements in the Project Finance Agreement.

3. The Recipient Bonds conform to the description thereof in the related Project Finance Agreement as supplemented and amended by the related Notice of Terms delivered to the Recipient, receipt of which is hereby acknowledged, and constitute validly issued and legally binding general obligations of the Recipient.

4. On the date hereof, the Recipient delivered or caused to be delivered to the Corporation \$[Financed Amount] principal amount of Recipient Bonds, each duly and completely executed by or on behalf of the Recipient and all as described in the Project Finance Agreement and as set forth in Part I of Schedule A of the Notice of Terms, delivered by the Corporation to the Recipient in connection with the Project Finance Agreement, and by this reference made a part hereof, and that at or before the time of such delivery of said bonds, I received from said purchaser the amount of \$ being full payment for said bonds in accordance with the Project Finance Agreement and the Notice of Terms.

5. The Recipient Bonds were duly and completely executed in the name and on behalf of the Recipient by the imprinting thereon of the manual or facsimile signature of the undersigned officer of the Recipient, who did and does hereby adopt such signature, and the impressing or imprinting thereon of the official seal of the Recipient, and that on the date hereof, I am the duly chosen, qualified and acting officer of the Recipient holding the office indicated by the official title set opposite my signature hereto, for a term expiring on the date set opposite such title.

6. No litigation of any nature is now pending or, to our knowledge, threatened (a) to restrain or enjoin the issuance or delivery of the Recipient Bonds or the levy and collection of taxes or assessments to pay the same, (b) in any manner questioning or affecting, directly or indirectly, the validity of the Recipient Bonds or the proceedings or authority for the issuance thereof, or (c) contesting the corporate existence or boundaries of the Recipient or the title of the undersigned officers to their respective offices.

7. No authority or proceedings for the issuance of the Recipient Bonds has been repealed, revoked or rescinded, and compliance with the covenants contained in the Arbitrage and Use of Proceeds Certificate of the Recipient executed the date hereof with respect to the Recipient Bonds is not prohibited by or violative of any provision of local or special law, regulation or resolution applicable to the Recipient.

8. The seal (or facsimile thereof) which has been imprinted or impressed upon each of the Recipient Bonds is the legally adopted, proper and only official corporate seal of the Recipient.

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

<u>SIGNATURE</u>	<u>NAME OF OFFICER</u>	<u>OFFICIAL TITLE</u>	<u>TERM OF OFFICE EXPIRES</u>
------------------	------------------------	-----------------------	-------------------------------

_____	_____ (Print)	_____	_____
-------	---------------	-------	-------

[PLEASE HAVE THE SIGNATURE ON THE PREVIOUS PAGE EITHER NOTARIZED OR GUARANTEED BY A BANK OFFICER (BOTH FORMS ARE BELOW)

I HEREBY CERTIFY that the signature of the officer of the above named Recipient which appears above, is true and genuine and that I know said officer and know said officer to hold the office set opposite his or her signature.

_____ of _____
(Signature) (Title) (Name of Bank)

OR

STATE OF NEW YORK)
 : ss.:
COUNTY OF)

Before me personally came _____, to me known, who being by me duly sworn, did depose and say that he or she is _____ of the Recipient described in and which executed the above instrument; and that he or she signed his or her name thereto by authority of the duly constituted governing body of said Recipient.

Notary Public

EXHIBIT K
REQUISITION PROCEDURES

PART A
DISBURSEMENT REQUEST PROCEDURES
FOR RECIPIENTS

Part A of this **Exhibit K** sets out the procedures which the Recipient agrees to follow in submitting disbursement requests (requisitions) for the disbursement of proceeds to finance the acquisition, construction and installation of any portion of the Project not yet completed. Section 1 sets out the manner in which disbursement requests are to be submitted and reviewed. Section 2 sets out the documentation that must be submitted in support of the costs claimed in such requests.

Section 1. General Requirements. All requests by the Recipient for the disbursement of proceeds shall be made by submission to the Corporation (Attention: Finance Loan Servicing Unit) of a requisition, in form and substance satisfactory to the Corporation and in each case completed and executed by a duly authorized representative of the Recipient, and accompanied by the documentation required pursuant to Section 2 of this Part A captioned "Documentation Submission." The Recipient shall use the form of requisition attached as Appendix One to **Exhibit K** to the Project Finance Agreement unless another form is required or approved by the Corporation. The Recipient shall simultaneously submit copies of such forms, without the accompanying documentation, to the Depository Bank.

The Corporation agrees to certify disbursement requests for proceeds to the Recipient up to the difference between (a) the amount of the actual allowable costs (including costs of issuance relating to the Recipient Bonds or Corporation Bonds) incurred by the Recipient on or before the date of submission of the disbursement request, and (b) any proceeds already disbursed (including any proceeds disbursed according to the terms of this Project Finance Agreement to refund Existing Indebtedness). The Corporation retains the right to refuse to certify disbursement requests in accordance with Part B of this **Exhibit K**.

The Corporation agrees to promptly send to the Recipient and the Depository Bank by hand delivery, by telecopy, by first class mail, by electronic mail, or by overnight delivery service (the choice of method of delivery to be at the discretion of the Corporation), an acknowledgment of receipt of each such disbursement request setting forth the date of receipt by the Corporation of such disbursement request and setting forth the tenth Business Day and the eleventh Business Day next succeeding such date of receipt. The date of receipt by the Corporation of a disbursement request shall be the date on which the Corporation receives such request, if received by the Corporation at or before 12:00 noon on that date, or, the Business Day next succeeding such date, if received by the Corporation after 12:00 noon on that date. If the Corporation approves a disbursement request, the Corporation will notify the Recipient and the Depository Bank of such approval and the amount so approved, which notice may be given by telefacsimile at the Corporation's election.

With respect to each disbursement request submitted by the Recipient in accordance with the terms hereof, the Depository Bank shall be authorized to disburse the amount requested therein as of 9 A.M. on the eleventh Business Day next succeeding the date of the Corporation's receipt of the request if the Depository Bank has not received an express denial of such request from the Corporation within ten

Business Days of receipt by the Corporation of such request. For purposes of this **Exhibit K**, the term Business Day shall mean any day on which New York State offices are open to conduct business.

Section 2. Documentation Submission.

(a) Unless otherwise agreed to in writing by the Corporation or required pursuant to the agreement between EPA and DEC relating to the Revolving Fund, documentation evidencing Project Costs claimed for disbursement, in form and substance satisfactory to the Corporation and in full compliance with the Regulations, must be submitted with each reimbursement request.

(b) All submissions of documentation shall contain cross references by date and amount to the relevant disbursement requests, so that the documentation, and the amounts stated therein, can be reconciled with such disbursement requests.

PART B

WITHHOLDING DISBURSEMENT

Part B of this **Exhibit K** sets out the circumstances in which the Corporation may reject, correct, adjust, or withhold any disbursement request submitted by the Recipient. The Recipient expressly agrees to the terms hereof, and further agrees that (i) the rights of the Corporation contained herein are in addition to (and not in lieu of) any other rights or remedies available to DEC and the Corporation under the Project Finance Agreement, and (ii) nothing contained herein shall be construed to limit the rights of DEC or the Corporation to take actions including, but not limited to, administrative enforcement action and actions for breach of contract against the Recipient if it fails to carry out its obligations under the Regulations, or under the Project Finance Agreement during the term thereof.

Section 1. Rejection. A disbursement request may be rejected by the Corporation if it is:

- (a) submitted without signature;
- (b) submitted under signature of a person other than the Recipient's duly authorized representative; or
- (c) submitted after prior disbursement of all proceeds of a financing.

The Corporation will notify the Recipient and the Depository Bank of any disbursement request so rejected, and the reasons therefore. Any disbursement request so rejected must be resubmitted in proper form in order to be considered for approval. If a disbursement request exceeds the balance of the proceeds remaining to be disbursed, the request will be treated as if submitted in the amount of the balance so remaining, and the Corporation will so notify the Recipient.

Section 2. Correction. A disbursement request containing an apparent mathematical error will be corrected by the Corporation, after telephonic notification to the Recipient, and will thereafter be treated as if submitted in the corrected amount. The Corporation will confirm correction of the error, to the Recipient, in writing.

Section 3. Adjustment.

(a) If, upon review of a disbursement request, the Corporation determines that any portion of the costs claimed:

(i) are ineligible under federal or State law to be financed by the Revolving Fund, or

(ii) do not constitute costs associated with the Project approved for financing with the proceeds of the subject financing, under the terms of the Project Finance Agreement, the Corporation will notify the Recipient of its determination in writing. The Recipient shall, within thirty (30) days of the date of receipt of such notice, submit additional documentation or evidence to the Corporation substantiating the eligibility or approval of such costs.

(b) If, upon review of such additional documentation and evidence, the Corporation affirms its original determination, the Corporation shall be entitled to make adjustments as provided in paragraph (c) below. If, upon review of such additional documentation and evidence, the Corporation reverses its determination with respect to any such costs, the Corporation shall (as applicable) either disburse the appropriate additional sum to the Recipient (if, pursuant to paragraph (c), an adjustment was taken out of the then-pending disbursement request), or revise (as required) the adjustment to be made to succeeding disbursement requests (if, pursuant to paragraph (c), an adjustment was to be taken out of succeeding disbursement requests).

(c) If the amount of the costs so determined to be ineligible, or unapproved, is less than the balance of the undisbursed proceeds of the related financing (after deducting therefrom the full amount of the pending disbursement request), the Corporation shall accept the pending disbursement and make an adjustment in the amount of the ineligible/unapproved costs out of succeeding disbursements. If the amount of the costs so determined to be ineligible, or unapproved, is greater than the balance of undisbursed proceeds of the related financing (after deducting therefrom the full amount of the pending disbursement request), the Corporation shall be entitled to make an immediate adjustment, and treat the pending disbursement request as if submitted in the adjusted amount.

Section 4. Withholding.

(a) If the Recipient

(i) fails to pay any principal, premium, if any, or interest on a financing when the same is due and payable; or

(ii) applies proceeds for purposes other than payment of, or reimbursement for, Project Costs which have been the subject of an approved disbursement request hereunder; or

(iii) knowingly takes any action, or omits to take any action, amounting to fraud or violation of any applicable federal, State or local criminal law, in connection with the transactions contemplated hereby;

then the Corporation shall be entitled to immediately withhold approval on all pending and subsequent requests for the disbursement of proceeds.

(b) If the Recipient

(i) fails to construct the Project in a manner consistent with plans, specifications, Engineering Reports or Facilities Plans previously submitted to and approved by DEC and/or the Corporation, or with good engineering practices, where such inconsistency prevents or materially impairs the Project from fulfilling its intended purpose, or prevents or materially impairs the ability of DEC and

the Corporation to monitor compliance by the Recipient with applicable federal or State law pertaining to the Project, or with the terms and conditions of the Project Finance Agreement;

(ii) fails to observe or comply with any applicable federal, State or local law, or any term or condition of the Project Finance Agreement, concerning affirmative action, equal employment opportunity, or small, minority and women's business enterprises;

(iii) fails to provide the level of construction inspection for the Project approved as adequate by DEC and/or the Corporation in the review of the Recipient's engineering agreement or subagreement for the Project; or

(iv) fails to deliver documentation evidencing Project costs claimed for disbursement at the times and in the manner specified by the Project Finance Agreement;

and such failure continues for a period of more than thirty (30) days following written notice from the Corporation to the Recipient, the Corporation shall be entitled to withhold, from any requests for the disbursement of proceeds received after such thirty (30) day period has expired, and until such failure is cured or corrected, an amount determined by the Corporation (in its sole discretion) as adequate for the cure or correction of such failure, which amount shall be stated in such notice; provided, that if the nature of the failure is such that it cannot reasonably be cured or corrected within such thirty (30) day period, the Corporation shall not withhold any disbursement by reason of such failure if the Recipient commences cure or correction within such thirty (30) day period and thereafter diligently completes such cure or correction within a further reasonable time period.

The foregoing notwithstanding, if, as of the date of such notice from the Corporation, the balance of the proceeds remaining to be disbursed is less than the amount determined by the Corporation to be adequate for the cure or correction of such failure, the Corporation may immediately withhold all further disbursement of proceeds until such failure is cured or corrected within the time period specified by the preceding paragraph.

(c) Any determination, action or failure to act by the Corporation with respect to this Section 4, including but not limited to the withholding of a disbursement, shall be at the Corporation's sole discretion, and in no event shall the Corporation be responsible for or liable to the Recipient for any and/or all consequences which are the result thereof.

Section 5. Special Provisions. Notwithstanding the foregoing, the disbursement of proceeds shall be subject to any special provisions set forth at **Exhibit E.**

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX ONE TO EXHIBIT K
FORM OF REQUISITION

New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207-2997
Attention: Finance Loan Servicing Unit

Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, New York 14203

Re: CWSRF Project No.: C3-5399-01-00
City of Rye
Series 2004 D

Ladies and Gentlemen:

Pursuant to Section 3.5 of the Project Finance Agreement dated as of June 1, 2004, between the New York State Environmental Facilities Corporation and the City of Rye (the "Project Finance Agreement"), the undersigned on behalf of the Recipient hereby requests disbursement in the amount of \$ _____ for Project Costs. Capitalized terms used but not defined herein have the meaning set forth in the Project Finance Agreement. In connection with this requisition the undersigned does hereby represent and certify the following:

1. This requisition is requisition number _____.
2. Payments aggregating \$ _____ have been incurred by the Recipient for Project Costs constituting an "eligible project" under the State Act as shown on the attached Disbursement Request.
3. Such costs have not previously been paid with the proceeds of any grant, loan or other funds, except as specifically described herein:

_____.
4. The amount of this requisition, together with all prior requisitions, does not exceed the amount of the financing.
5. A copy of this requisition has been delivered to each of the above named addressees.
6. All amounts requisitioned hereunder are for eligible Project Costs, which have not been included in any previous disbursement from proceeds.
7. All Minority/Women Business Enterprise and Equal Employment Opportunity issues have been satisfied or are being effectively addressed to resolve outstanding issues.

THIS PAGE INTENTIONALLY LEFT BLANK

8. The Recipient hereby represents and warrants that it has not made any award, contract or agreement for purchases of goods or services with any debarred or suspended party under Executive Order 12549 pursuant to the requirements of the Office of Management and Budget compliance supplement number A-133 as revised from time to time.

9. The undersigned is duly authorized to execute and deliver this requisition on behalf of the Recipient.

Date: _____

Signature and Title of Authorized Representative for
Recipient

THIS PAGE INTENTIONALLY LEFT BLANK

COST SUMMARY

Name and Address of Recipient: City of Rye 1051 Boston Post Road Rye, New York 10580		Project No. <u>C3-5399-01-00</u> Series No. <u>2004D</u>			Request No. _____
Description of Costs	Estimated Project Budget	Costs Incurred Prior to Closing	Costs Requested For This Disbursement	Cumulative Costs Incurred To Date	Adjusted Disbursement (For EFC Use)
1. Construction Costs					
Rye Nursery Acquisition (Purchased August 2000)	\$ 2,300,000.00	\$ 2,300,000.00	\$	\$	\$
Friends Meeting House (Purchased March 12, 2000)	\$ 550,000.00	\$ 550,000.00			
8 Belmont Avenue (Purchased January 11, 2000)	\$ 250,000.00	\$ 250,000.00			
3. Other Expenses					
Bond Counsel	\$ 4,045.00	\$ 4,045.00			
Miscellaneous	\$ 79,964.00	\$ 79,964.00			
Total Project Amount	\$ 3,184,009.00	\$ 3,184,009.00			
Less Municipal Contribution	\$ (84,009.00)	\$ (84,009.00)			
Less Principal Payment made 11/19/03	\$ (150,000.00)	\$ (150,000.00)			
Less Principal Payment to be made on 11/1/04	\$ (150,000.00)	\$ (150,000.00)			
Total Long Term Financing	\$ 2,800,000.00	\$ 2,800,000.00			
Total Costs Requested for Disbursement		\$		\$	\$
Less Costs Incurred Prior to Closing				()	()
Less Costs Previously Requested				()	()
Costs of this Disbursement Request			\$	\$	\$

THIS PAGE INTENTIONALLY LEFT BLANK

EXHIBIT L
[FORM OF NOTICE OF TERMS]

NOTICE OF TERMS

delivered by the New York State Environmental Facilities Corporation
relating to
Project Finance Agreement
dated as of June 1, 2004, between
New York State Environmental Facilities Corporation
and
CITY OF RYE

1. This Notice of Terms is being delivered pursuant to the Project Finance Agreement referred to above (the "Project Finance Agreement"). All capitalized terms used but not defined herein shall have the respective meanings set forth in the Project Finance Agreement.

2. The terms of the Leveraged Financing, in addition to those set forth in the Project Finance Agreement, are as set forth below (including **Schedule A** attached hereto). In accordance with the Project Finance Agreement, the Recipient Bonds shall be in conformity with such terms. The maturity date(s), principal amount(s), interest rate(s) and aggregate debt service on the Leveraged Financing are as set forth in **Schedule A**.

3. The Recipient Bonds shall be subject to optional redemption prior to maturity, pursuant to paragraph VI of **Exhibit E** to the Project Finance Agreement, as follows:

On or after [February or August 15, 20__] (the "First Optional Redemption Date"), at the option of the Recipient, the Recipient Bonds maturing after the First Optional Redemption Date shall be subject to redemption prior to maturity, in whole at any time or in part in principal amounts of \$5,000 or integral multiples thereof on any interest payment date, from any moneys available therefor, at a redemption price, in either case, equal to the principal amount of such Recipient Bonds to be redeemed, together with (i) the Applicable Redemption Premium and (ii) the accrued and unpaid interest on the principal amount to be redeemed to the date fixed for redemption. In the event that the Corporation refunds the Corporation Bonds and the Recipient Bonds are assigned to such refunding bonds, Recipient consents to the assignment of the Recipient Bonds and agrees that the First Optional Redemption Date shall then be the redemption date as provided in such refunding bonds. In the event of any partial redemption, the Recipient Bonds shall be redeemed in such order of maturities as shall be determined by the Recipient. The term "Applicable Redemption Premium" as used in Part VI of **Exhibit E** of the Project Finance Agreement with respect to any maturity of the Recipient Bonds to be redeemed shall be the redemption premium specified in **Schedule B** for such maturity for such date.

Pursuant to Section 3.3(C) of the Project Finance Agreement the Recipient shall pay all costs and expenses of the Corporation in effecting the redemption or defeasance of any Corporation Bonds that are redeemed due to the redemption of any Recipient Bonds.

4. The Recipient's Proportionate Share of costs and expenses specified in Section 3.2(A) of the Project Finance Agreement, shall be in the amount set forth in **Schedule A** hereto.

5. The Recipient's Annual Administrative Fee shall be due annually on April 1, commencing April 1, 2005.

CITY OF RYE

Schedule A

Terms of the Leveraged Financing and Recipient Bond(s)

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service-Fiscal Year ()</u>
----------------------	-------------------------	----------------------	-----------------	---------------------------------	--

TOTAL =====

Amount payable pursuant to paragraph 4 of the Notice of Terms.

Genito, Michael A.

From: Genito, Michael A.
Sent: Wednesday, June 02, 2004 9:47 AM
To: Plunkett, Kevin J.
Cc: Nodarse, Dawn; Shew, Paul; Morison, Susan A.; Randy Mayer (E-mail); McClure, Mary Lou (mmcclure@ryeny.gov); Ottly, Carolyn (cottly@ryeny.gov)
Subject: EFC Land Acquisition Long-Term Financing due June 11, 2004

Kevin, just a follow-up to my voicemail to your office (421-4155) that we received copies of the EFC documents for the long-term financing of the land acquisition (Rye Nursery, etc.).

The documents must be returned to the EFC by June 11, 2004.

Randy Mayer and yourself should each have received a copy of the documents. I have reviewed them and the Exhibits and other information unique to the City of Rye appear to be correct. I spoke with Tom Rothman this morning and he will follow-up with Randy to ensure that the information needed from bond counsel is forthcoming.

There are certain documents needed from yourself as Corporation Counsel that must also be included in the documents to be filed with the EFC by June 11, 2004.

If you have any questions or want to discuss feel free to contact me. We would like to file these documents with the EFC as soon as possible to ensure that we meet the deadline.

Thanks,

- Michael

Michael A. Genito, CPFO, CGFM
Assistant City Manager/City Comptroller
City of Rye, 1051 Boston Post Road, Rye, NY 10580 USA
TEL: (914) 967-7303 FAX: (914) 967-7370
mailto:mgenito@ryeny.gov
http://www.ryeny.gov

r.mayer@willkie.com *yes*
① Willkie
② Kevin P.
Mayer or Rothman
review