NEW YORK STATE OF OPPORTUNITY

Environmental Facilities Corporation

Annual Information Statement

October 15, 2021

Kathy Hochul
Governor

Basil B. Seggos
Chair

Maureen A. Coleman
President & CEO

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OVERVIEW OF DISCLOSURE PRACTICES

We are the New York State Environmental Facilities Corporation or EFC. Pursuant to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, we file annual information about ourselves and the security structure and terms of our bond issues with the Municipal Securities Rulemaking Board (the "MSRB") and its Electronic Municipal Market Access system ("EMMA"). In addition to this Annual Information Statement, we prepare official statements in connection with specific bond offerings for our programs. Those official statements include by specific cross-reference portions of the information in this Annual Information Statement. We may also disclose other important information by filing it with EMMA, and that information may be included by specific cross-reference in official statements.

The MSRB has committed to make the documents filed available to the public through EMMA. Although we make no representations with respect thereto, it is our understanding that EMMA can currently be accessed online at *http://emma.msrb.org/*. You may also obtain copies of information filed with EMMA by contacting our office.

For your convenience, we will also place our Annual Information Statement and official statements on our website, at *www.efc.ny.gov*. Typographical or other errors may have occurred in converting original source documents to digital format, and we assume no liability or responsibility for errors or omissions on our website. Further, we disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on our website. We also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Annual Information Statement is organized as follows:

- ***Part 1*** provides a description of ourselves, the New York State Department of Environmental Conservation, and the New York State Department of Health.

- ***Part 2*** describes, in general terms, the State Revolving Funds and SRF programs.

- ***Part 3*** describes an SRF program, the "2010 MFI Program" or "2010 Pooled Financing Program," including the security and sources of payment for bonds and other obligations issued pursuant to that program, which we refer to herein as our "senior 2010 MFI obligations" and our "subordinated 2010 MFI obligations," which obligations might include, on a senior and subordinated basis, our "2010 MFI bonds," our "2010 MFI contract obligations," and our "2010 MFI guarantees."

- ***Part 4*** describes another SRF program, the "New York City Municipal Water Finance Authority Projects," including the security and sources of payment for bonds issued pursuant to that program, which we refer to herein as our "NYCMWFA bonds," our "senior NYCMWFA bonds" and our "subordinated NYCMWFA bonds."

- ***Part 5*** provides a description of the other environmental financing programs including the State Match Program and information about our State Personal Income Tax Revenue Bonds or "PIT Bonds" and our Environmental Infrastructure Revenue Bonds or "EIR Bonds."

- ***Part 6*** describes our Industrial Finance Program, through which we finance loans for eligible projects from the proceeds of our special obligation revenue bonds.

- ***Exhibits*** to each Part of this Annual Information Statement are identified in the Table of Contents and in the text of each Part. The exhibits are included together at the end of this Annual Information Statement.

The date of this Annual Information Statement is October 15, 2021 and, except as otherwise specifically set forth, the information herein speaks as of that date. This Annual Information Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting us could cause actual actions or results to differ materially from those stated in the forward-looking statements.

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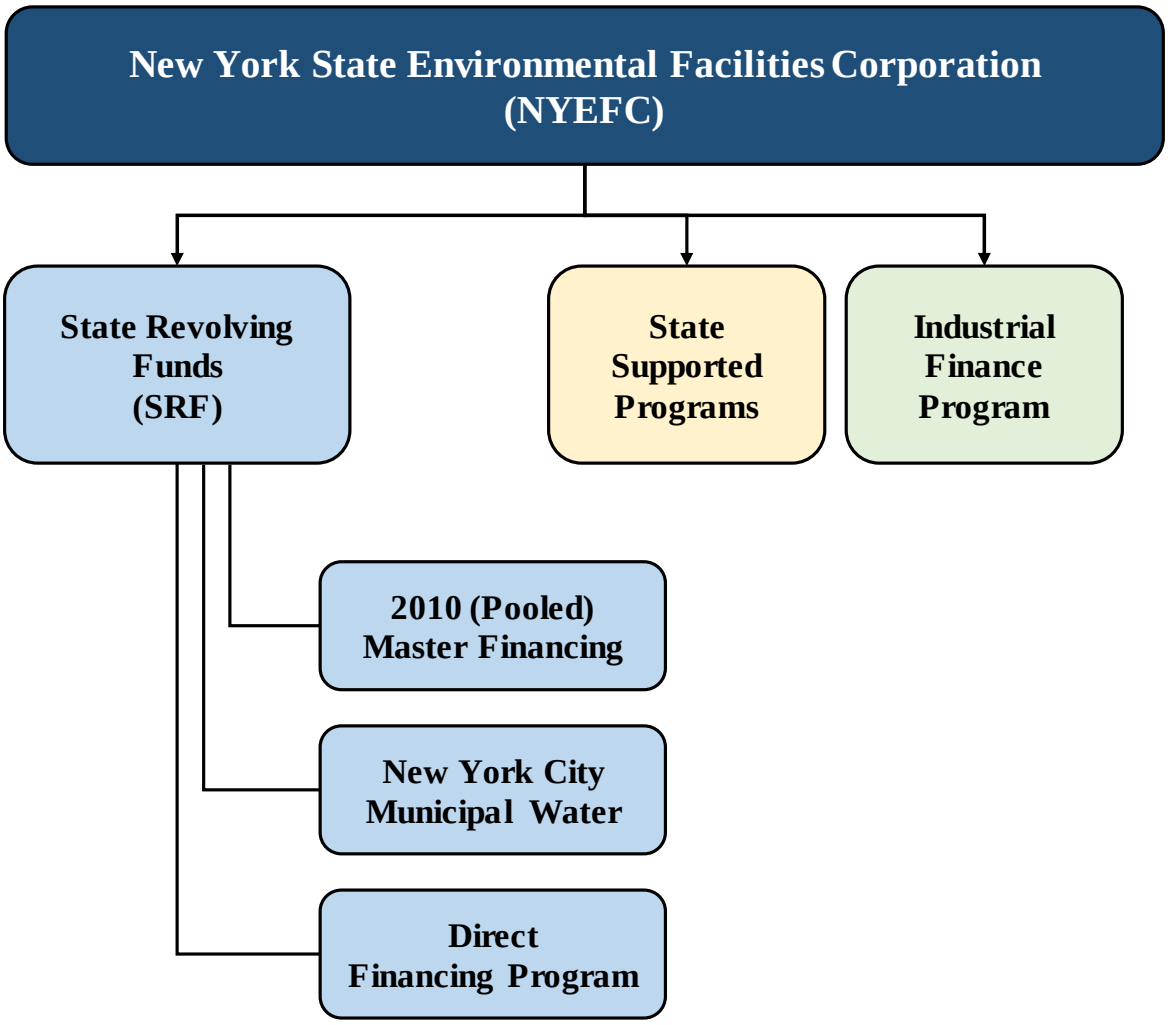
PART 1.
INTRODUCTION

New York State Environmental Facilities Corporation
Overview of Financing Programs*



***Simplified for graphic presentation purposes**

PART 1. INTRODUCTION

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

We were created as the "New York State Environmental Facilities Corporation," known as "EFC," in 1970 by the New York State Environmental Facilities Corporation Act, Title 12 of Article 5 of the Public Authorities Law of the State of New York, as amended, which we call the "EFC Act."

We are a public benefit corporation of the State, which means that we are a corporate entity separate and apart from the State without any power of taxation, and that the State is not obligated to pay our bonds.

We are governed by a board of directors, three of whom are required to be certain State officials – the Commissioner of the New York State Department of Environmental Conservation ("DEC") (who is also designated as the chair of the Corporation), the Commissioner of the New York State Department of Health ("DOH") and the Secretary of State. The four remaining directors are appointed by the Governor and confirmed by the State Senate.

Our main offices are located at 625 Broadway, Albany, New York 12207, and our telephone number is (518) 402-6924. Our website address is *www.efc.ny.gov*.

We are empowered by State law:

- to administer and finance the state revolving funds (called SRFs) established by the State as set forth in the EFC Act pursuant to the federal Water Quality Act of 1987 and the federal Safe Drinking Water Act Amendments of 1996;

- to finance certain State Contributions to each of our SRFs and for certain environmental infrastructure projects;

- to finance, through the issuance of special obligation revenue bonds under our Industrial Finance Program, water management, solid waste disposal, sewage treatment and pollution control projects undertaken by or on behalf of private entities; and

- to render technical advice and assistance to private entities, state agencies and local government units on sewage treatment and collection, pollution control, recycling, hazardous waste abatement, solid waste disposal and other related subjects.

For additional information about us, see **Exhibit 1A** – "ADDITIONAL INFORMATION REGARDING THE CORPORATION" and **Exhibit 1B** – "EFC AUDITED ANNUAL FINANCIAL STATEMENTS." KPMG LLP served as the independent auditors for our financial statements included in **Exhibit 1B**. The KPMG LLP report included in **Exhibit 1B** relates to our historical financial information only.

Also, all of our bonds will be issued as registered bonds, in the name of The Depository Trust Company, or its nominee (together, "DTC"), New York, New York, which will act as securities depository for the bonds. For additional information see **Exhibit 1C** – "BOOK-ENTRY ONLY SYSTEM."

NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation was established under the Environmental Conservation Law of the State in 1970 as a State agency responsible for carrying out the environmental

policy of the State, including conserving, improving and protecting the State's natural resources and environment and controlling water, land and air pollution.

DEC has certain statutory responsibilities with respect to the clean water SRF program described herein. DEC has entered into a memorandum of understanding with us, which delineates the respective obligations of DEC and EFC concerning the operation of this program. Under that clean water memorandum, DEC, as the recipient of the federal clean water capitalization grants on behalf of the State, executes the clean water Capitalization Grant Agreements with the U.S. Environmental Protection Agency (EPA) and requests the required State matching funds from the State for deposit in the clean water SRF. In addition, DEC was also given responsibility for preparing an annual intended use plan, which describes the clean water SRF program and annual initiatives, and also identifies water pollution control projects eligible for assistance from the clean water SRF for that period. DEC has delegated to us the responsibility of preparing that annual plan (which is then submitted to DEC for approval).

NEW YORK STATE DEPARTMENT OF HEALTH

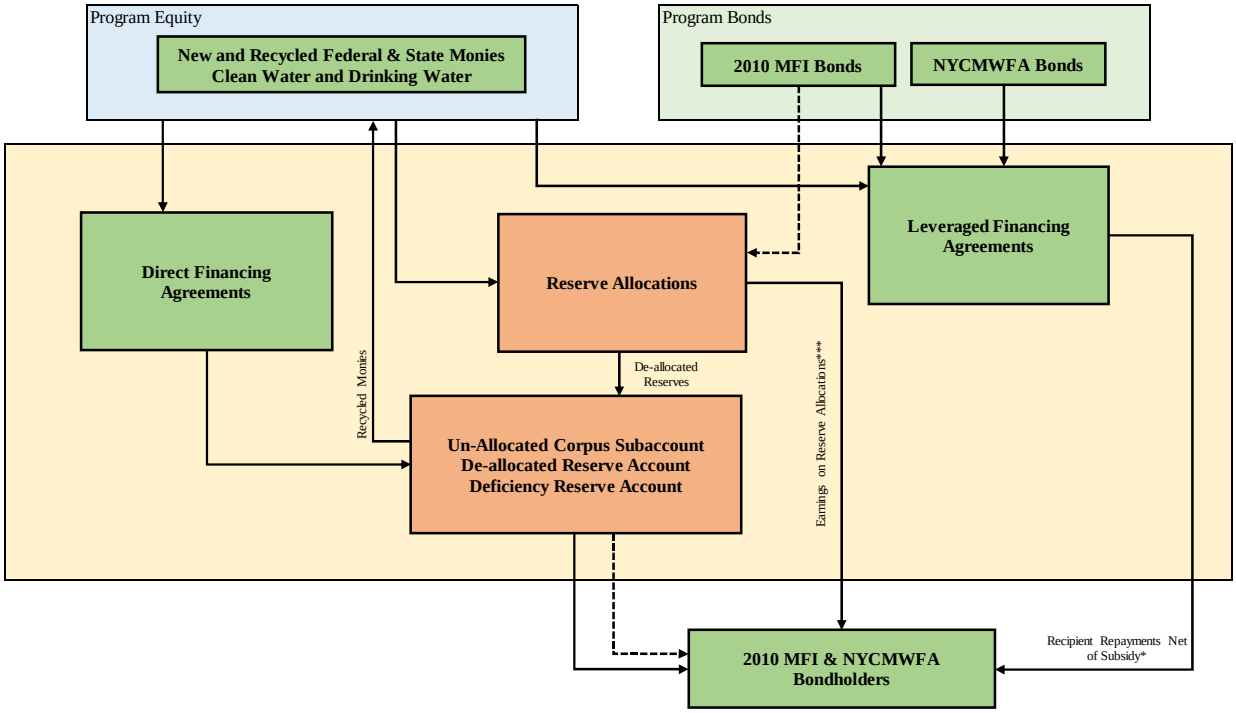
The Department of Health was established under the Public Health Law of the State in 1909 as a State agency responsible for carrying out the public health policy of the State, including conserving, improving and protecting the State's drinking water.

DOH has certain statutory responsibilities with respect to the drinking water SRF program described herein. DOH has entered into a memorandum of understanding with us, which delineates the respective obligations of DOH and EFC concerning the operation of this program. Under that drinking water memorandum, DOH, as the recipient of the federal drinking water capitalization grants on behalf of the State, executes the drinking water Capitalization Grant Agreements with EPA and requests the required State matching funds from the State for deposit in the drinking water SRF. In addition, DOH was also given responsibility for preparing an annual intended use plan, which describes the drinking water SRF program and annual initiatives, and also identifies drinking water projects eligible for assistance from the drinking water SRF for that period. We assist DOH in preparing that plan and identifying eligible projects.

PART 2.
STATE REVOLVING FUNDS PROGRAMS

New York Environmental Facilities Corporation
SRF Program Flow of Funds*

Sources and Uses of SRF Funds



* Simplified for graphic presentation purposes.
** Recipient Repayments are made up of independent repayments from the MFI recipients.
*** Subsidy may be provided from earnings on reserve allocations or from other SRF program resources including direct financings.
——— Planned Flows
- - - - - Contingent Flows

PART 2. STATE REVOLVING FUNDS PROGRAMS

ESTABLISHMENT OF SRFS

The Water Quality Act and the Safe Drinking Water Act, as established by the federal government, each requires that, as a condition for receipt of certain federal financial assistance, each state establish a clean water revolving fund and a drinking water revolving fund, respectively, administered by the state or an instrumentality of the state.

The purpose of the clean water SRF is to provide a financial resource for certain types of financial assistance to eligible recipients for the construction of publicly-owned wastewater treatment facilities, other eligible clean water projects, and certain facilities undertaken as part of an estuary conservation and management plan.

The purpose of the drinking water SRF is to provide a financial resource for certain types of financial assistance to various public drinking water systems (including systems owned by for-profit entities and not-for-profit entities) for expenditures for projects which will facilitate compliance with national and state drinking water regulations or otherwise advance the health protection objectives of the federal Safe Drinking Water Act.

The equity contributions to the SRFs are funded by federal capitalization grants and State matching funds. Financial assistance under either SRF program may be provided either from federal capitalization grants, State matching funds, recycled federal and State moneys, investment income or from proceeds of our bonds.

We use the terms “applicable SRF” to mean the clean water SRF or the drinking water SRF, as appropriate, and “applicable Commissioner” to mean the Commissioner of DEC or the Commissioner of DOH, as appropriate.

SOURCES OF FUNDING SRFS

The SRFs are each capitalized or funded through the following:

- federal capitalization grants awarded to the State and appropriated by the State to fund the applicable SRF;
- State matching funds from the State;
- SRF bond proceeds;
- recycled funds from de-allocated reserve accounts;
- interest earnings on SRF funds on deposit; and
- recycled recipient financing payments.

Since the inception of our SRF financing programs, we have been awarded $6.8 billion in federal capitalization grants and State matching funds for the clean water SRF program and $1.7 billion in federal capitalization grants and State matching funds for the drinking water SRF program. With certain exceptions, in order to receive such federal capitalization grants, the State must contribute its matching funds in a ratio of at least $1 of State matching funds for every $5 of federal capitalization grants.

Before any federal capitalization grants or any appropriated State matching funds deposited in the SRFs become available to fund recipient financings or to secure our bonds, such grants and funds must first be appropriated – *i.e.*, authorized to be spent – by the State Legislature. Although the Legislature has made, and we expect it to continue to make, the requisite appropriations each year, it is not bound by law to do so.

As of September 30, 2021, we had issued approximately $20.5 billion in SRF bonds (including refunding bonds) under the clean water and drinking water SRF programs, of which approximately $5.24 billion are currently outstanding. When we provide financial assistance to a recipient from the proceeds of our bonds we refer to this as a "leveraged financing." For additional information, see the "SRF Bonds By Series and Indenture" tables in **Exhibit 2B**.

Our SRF Financing Programs are called the state *revolving* fund programs because the payments from recipients and the releases from the reserve funds, net of payments required for SRF bonds and other obligations, are re-used to provide financial assistance to recipients and to fund new reserve deposits if required. Recipient financing payments, releases from required reserves and the flow of funds relating to our SRF Financing Programs are discussed in more detail in **Part 3** and **Part 4**. Also, for additional information relating to the recipients, see **Exhibit 2C** – "SRF RECIPIENT GENERAL INFORMATION."

SRF moneys relating to the clean water SRF and the drinking water SRF are applied and maintained separately. Separate accounts or subaccounts for each SRF are established and maintained in each of the funds and accounts created under the financing documents governing the programs as described below.

USES OF SRF MONEYS

The EFC Act requires that we apply the moneys in the clean water SRF and the drinking water SRF at the direction of the applicable Commissioner to provide financial assistance to recipients for construction of eligible projects and certain other purposes permitted by the Water Quality Act and the Safe Drinking Water Act, respectively, including providing for the administrative and management costs of the applicable SRF. Under the EFC Act, upon consultation with the Director of the Budget of the State and the applicable Commissioner, we are also authorized to apply, and have applied, moneys in the clean water SRF and the drinking water SRF for other purposes permitted by the Water Quality Act and the Safe Drinking Water Act, respectively.

We are authorized to apply moneys in each SRF for various types of financial assistance to eligible recipients in connection with eligible projects, including, but not limited to the following:

- buying or refinancing certain debt obligations;
- making loans;
- guarantying or purchasing insurance for local obligations where such action would improve market access or reduce interest costs; and
- using funds in the SRF as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by us if the proceeds thereof will be deposited in the SRF.

DEC and EPA have entered into an SRF Operating Agreement for the clean water SRF which sets forth rules, procedures and activities to be followed by EPA and the State in administering federal capitalization grants and the clean water SRF. DOH and EPA have similarly entered into an SRF Operating

Agreement for the drinking water SRF which sets forth rules, procedures and activities to be followed by EPA and the State in administering federal capitalization grants and the drinking water SRF.

SRF FINANCING PROGRAMS

We issue revenue bonds under our 2010 Master Financing Indenture, dated as of June 1, 2010 ("2010 MFI" and "2010 MFI Program"), described in more detail in **Part 3** and our New York City Municipal Water Finance Authority financing program ("NYCMWFA Program"), described in more detail in **Part 4**. In addition to being secured by the financing indenture under which they are issued, all revenue bonds issued under our SRF financing programs are also secured by certain provisions in our Master Trust Agreement (the "MTA"), which establishes certain accounts and funds into which certain SRF moneys are deposited and held and governs the use and administration of certain SRF moneys. See **Exhibit 2A** – "CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT" for a summary of the MTA.

We refer to our 2010 MFI Program and NYCMWFA Program as our "SRF Financing Programs" and to any bonds issued to fund any of our SRF Financing Programs as "SRF bonds."

The 2010 MFI Program was developed in order to accommodate several new financial assistance products that we are making available to recipients and to provide more flexibility than prior indentures in structuring bond issues. Revenue bonds issued under the 2010 MFI Program provide assistance to eligible recipients for clean water and drinking water purposes or for refunding bonds previously issued for those purposes.

In addition, under the 2010 MFI, we also may provide guarantees ("2010 MFI guarantees") of bonds, notes or other obligations issued by eligible parties for any purpose which we are authorized to provide such guarantees under the EFC Act and the clean water SRF or drinking water SRF, as the case may be. We have issued one 2010 MFI guarantee to date. The EFC Act, the 2010 MFI and the MTA do not limit the amount of 2010 MFI guarantees that we may provide.

We have also issued 2010 MFI bonds that were designated as "Green Bonds" to allow investors to more easily identify our bonds as financing environmentally beneficial projects. See below under "SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS – Green Bonds" in **Part 3** for more information.

COMMITTED SUBSIDIES AND RESERVE ALLOCATIONS

We use a portion of the money deposited in each SRF to fund "committed subsidies" and "reserve allocations" in connection with our issuance of certain SRF bonds. "Committed subsidies" are our contractual commitments to certain recipients of leveraged financings to provide specified amounts of interest subsidies from SRF program resources, thus lowering the borrowing costs of such recipients. "Reserve allocations" are amounts within each SRF that are earmarked or allocated as reserves and a source of subsidy for certain leveraged financings. Our obligation to make earnings on reserve allocations or other committed subsidies available to a recipient is conditioned upon compliance by that recipient with certain SRF program requirements. The level of committed subsidy, if any, and/or reserve allocations, if any, for any leveraged financing will generally be described in the official statement for the particular SRF bonds funding that leveraged financing.

A reserve allocation may consist initially of amounts available under a Capitalization Grant Agreement and related State matching funds or amounts available as cash. A portion of the earnings on

reserve allocations will be used to pay the interest on the leveraged financing that would otherwise be payable by that SRF recipient, thus reducing the borrowing costs for those SRF recipients.

No reserve allocations have been made or are expected to be made pursuant to the 2010 MFI Program; however, we may continue to make reserve allocations for certain leveraged financings funded with SRF bonds issued under the NYCMWFA Program. Currently, the scheduled final release of reserves under our NYCMWFA program is the final maturity date of the outstanding senior NYCMWFA bonds (June 15, 2036).

As further described below, reserve allocations, if any, for SRF leveraged financings funded with senior NYCMWFA bonds are generally equal to at least 33 1/3% of the principal amount of the related SRF leveraged financings outstanding at any time. We are permitted to adjust such a reserve allocation provided that the adjustment does not cause the principal amount of all reserve allocations established in connection with all leveraged financings funded with all senior SRF bonds issued under the related financing indenture to be less than the aggregate reserve allocation requirement which must be satisfied when senior SRF bonds are issued, as described below. To the extent that a portion of the reserve allocation for any SRF leveraged financing is applied to pay debt service on that SRF leveraged financing, we are not obligated to replenish that reserve allocation.

Any amounts available to be drawn under the Capitalization Grant Agreements and from appropriated State matching funds as a reserve allocation for leveraged financings must have first been appropriated by the State for that purpose. The availability of those amounts, as and when needed, is dependent upon a State appropriation for those funds being in effect at that time. Under State law, State appropriations of amounts available under the Capitalization Grant Agreement and State matching funds will lapse on September 15 of the State fiscal year following the fiscal year for which those amounts are appropriated, unless those amounts are re-appropriated by the State legislature.

Reserve Allocations for NYCMWFA Bonds

In order to issue NYCMWFA bonds on a senior basis under the MTA, which secures all SRF bonds, the reserve allocations in connection with all leveraged financings funded with NYCMWFA bonds must be established in an aggregate amount and scheduled so that at all times the aggregate amount of such reserve allocations equals at least the sum of:

- 33 1/3% of the outstanding aggregate principal amount of all leveraged financings funded with all series of NYCMWFA bonds*; and
- the sum of all aggregate amounts of committed subsidies which are expected to be funded from sources other than (i) principal and interest payable on separate specified investments of moneys within a debt service fund or a debt service reserve fund dedicated to the payment of such committed subsidy amounts or (ii) earnings on reserve allocations.

We may issue a series of bonds under the NYCMWFA Program for the purpose of funding leveraged financings which have no separate reserve allocations, so long as the aggregate of the reserve allocations established for all leveraged financings funded with the proceeds of all bonds issued under the related financing indenture meet that requirement.

* Exclusive of that portion, if any, of such leveraged financings outstanding at any such time which is allocable to a debt service reserve requirement for such leveraged financings.

To the extent that the sources of a reserve allocation include funds available, but not yet drawn, from the Capitalization Grant Agreement and appropriated State matching funds, we are required to certify that those funds have been appropriated by the State legislature. Reserve allocations may consist of:

- amounts on deposit for that SRF leveraged financing in the Debt Service Reserve Fund for the related SRF bonds;

- amounts available to be drawn for that SRF leveraged financing under the Capitalization Grant Agreement and State matching funds; and

- amounts on deposit in an SRF Leveraged Financing Subaccount, if any, for that SRF leveraged financing created under the MTA.

The amount of federal capitalization grants and State matching funds which already have been drawn upon, together with other available funds (which may include de-allocated reserve allocations, unallocated earnings, and direct financing payments), are expected to be sufficient as of the date of issuance of each series of NYCMWFA bonds for which a related reserve allocation is being established to fully fund the unfunded portions of the reserve allocations for all SRF leveraged financings provided from the proceeds of bonds previously issued and the reserve allocations for the SRF leveraged financings to be made from the proceeds of that series of bonds. However, it is not a condition to the issuance of additional SRF bonds that any reserve allocation which may have been drawn upon be replenished.

In addition to reserve allocations as described above, the financing indenture also allows for the provision of a series-specific Debt Service Reserve Fund in connection with the issuance of subordinated NYCMWFA bonds that would secure only such series. If we establish a debt service reserve for a series of subordinated NYCMWFA bonds, we will describe it in the applicable official statement and that reserve may be funded in such amount as we determine over time. On any debt service payment date for such bonds, the Trustee shall transfer from the applicable Debt Service Reserve Fund and deposit in the Debt Service Fund, any amounts due on such bonds on that Debt Service Payment Date not yet available in the Debt Service Fund for such payment. Any amount so transferred will be used solely to pay debt service on those bonds. It is expected that the amount required to be held in a Debt Service Reserve Fund will be reduced as the principal balance of the Authority Second Resolution Bonds (described in **Part 4** below) issued in connection with those bonds is paid down. The amounts expected to be held in such a Debt Service Reserve Fund will be set forth in the applicable official statement.

Support for 2010 MFI Bonds and Subordinated NYCMWFA Bonds

In general, we expect that leveraged financings funded with bonds issued under our 2010 MFI Program will not have any associated reserve allocations. In addition, certain leveraged financings funded with subordinated NYCMWFA bonds will not have any associated reserve allocations. Nevertheless, even when we do not establish a reserve allocation for a leveraged financing, in most cases we expect to utilize other available SRF moneys to provide recipients with an interest subsidy. The sources and amount of such interest rate subsidies will be described in the related official statements.

Litigation

There is no pending litigation against us challenging any financing made from the proceeds of any SRF bonds. In addition, each recipient receiving financial assistance from SRF bond proceeds has represented to us in its financing agreement with us that, to its knowledge, there was no pending or threatened litigation contesting the enforceability of that recipient's obligation to us.

Federal and State Legislation and Regulation

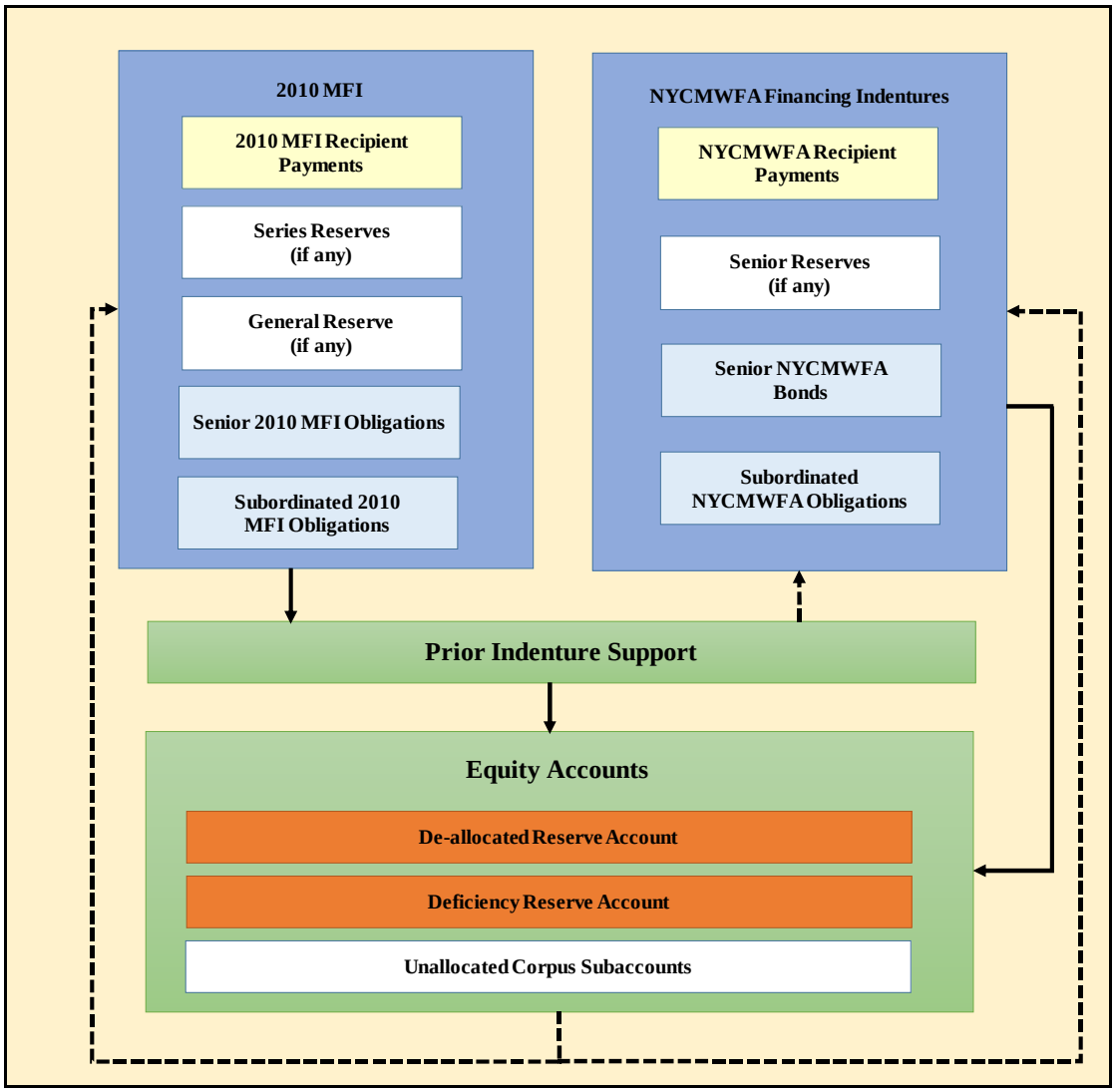
The administration of the SRFs and our financing programs may be impacted from time to time by the enactment of federal or State legislation and the adoption of regulations, policies or guidelines by the applicable federal and State regulatory agencies.

COVID-19

The outbreak of a new strain of coronavirus and the disease caused thereby ("COVID-19"), was characterized as a pandemic by the World Health Organization, and resulted in a declaration of a state of emergency by certain states (including by the State on March 7, 2020) and local governments, and a national emergency by the federal government on March 13, 2020.

The full extent of the impact of COVID-19 on our operational and financial performance depends on numerous factors, including but not limited to the impact on our SRF program recipients (whose pledged recipient payments constitute the primary source of payment for debt service on the related SRF bonds), and federal and State policy choices and directives, some of which cannot be predicted at this time with certainty. To date, COVID-19 has not had a materially negative impact on our operations and finances.

New York State Environmental Facilities Corporation
SRF Bond Financing Programs*



*Simplified for graphic presentation purposes

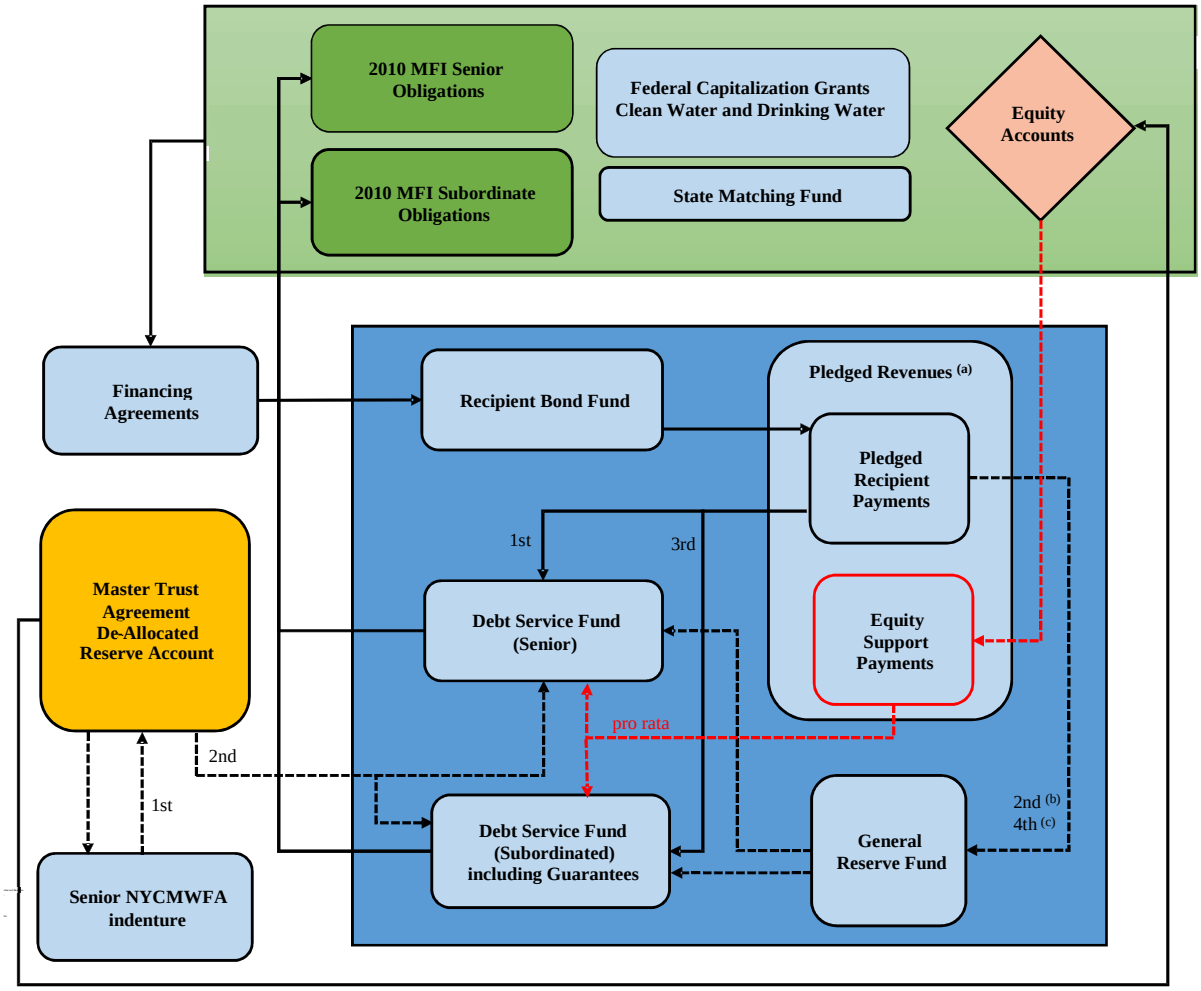
Planned Flows

Contingent Cash Flows

Please refer to security and sources of payment of Offered Bonds and AIS for complete discription of cash flows.

PART 3.
2010 MFI PROGRAM

New York State Environmental Facilities Corporation
2010 MFI Program Overiew*



(a) The 2010 MFI also allows for the establishment of a Senior Debt Service Reserve Fund by Supplemental Indenture, which Fund would be a part of the Pledged Revenues described above. No such Fund has been established for currently outstanding 2010 MFI Bonds.

(b) 2nd Pledged Revenues are required to replenish the General Reserve Fund to a level equal to the lesser of 1/2 of maximum annual debt service or the General Reserve Requirement.

(c) 4th Pledged Revenues are required to replenish the General Reserve Fund to a level equal to the General Reserve Requirement.

——— Planned Cash Flows

- - - - - - Contingent Cash Flows

*Simplified for graphic presentation purposes.

PART 3. 2010 MFI FINANCING PROGRAM

THE 2010 MFI FINANCING PROGRAM

2010 MFI Financings

The bonds we issue pursuant to our financing indenture dated as of June 1, 2010 are referred to as "2010 MFI bonds." As of September 30, 2021, we had issued 18 series of senior 2010 MFI bonds in the aggregate principal amount of $2.1 billion, of which $1.3 billion is currently outstanding. We have provided financial assistance from the proceeds of such 2010 MFI bonds and from other SRF moneys to 349 recipients pursuant to 810 2010 MFI financings. A significant portion of the proceeds of such 2010 MFI bonds was applied to refinance leveraged financings made to recipients from the proceeds of bonds issued under our prior MFI pooled financing program.

These 2010 MFI financings financed and refinanced wastewater treatment and other water quality protection projects and drinking water projects. Each recipient issued and delivered its recipient bonds in the amount of the SRF bond proceeds and other SRF moneys it received and a portion of the payments under such recipient bonds have been pledged as security for the 2010 MFI bonds. The portion of such payments which have been pledged are referred to herein as the "pledged recipient payments" and constitute part of the "pledged revenues" which secure the 2010 MFI bonds.

In addition, under the 2010 MFI, we may provide 2010 MFI guarantees of bonds, notes or other obligations issued by eligible recipients for any purpose for which we are authorized to provide such guarantee under the EFC Act and the clean water SRF or drinking water SRF. Neither the EFC Act nor the 2010 MFI limits the amount of 2010 MFI guarantees that we may provide. To date, we have issued one 2010 MFI guarantee in connection with a $24,300,000 (at initial issuance) bond issue (the "Existing 2010 MFI Guarantee"). See below under "SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS - 2010 MFI Guarantees."

For additional information regarding the outstanding 2010 MFI bonds and the pledged revenues securing the 2010 MFI bonds, see the "2010 MFI Program Bonds By Year" and "2010 MFI Pledged Recipient Financings" tables in **Exhibit 2B** hereto.

2010 MFI Program Administration

Recipients in our 2010 MFI Program include local governments and State public authorities, and may include specified private entities. We require applicants for 2010 MFI financings to complete an application form which includes recipient financial information and, if applicable, demographic and system information, as well as additional documentation that may include recent official statements, capital and operating budgets, engineering reports and environmental review documentation.

We review the application and related documents to determine whether a project proposed to be financed meets eligibility criteria for the 2010 MFI Program. If those criteria are satisfied, a recommendation with supporting documentation is prepared. This recommendation is then reviewed and, if appropriate, approved by our application approval committee comprised of certain executive staff members.

2010 MFI recipient financings approved by that committee are further reviewed and approved by our Board and the State's Public Authorities Control Board. Approval by our Board and the State's Public Authorities Control Board is required prior to closing 2010 MFI recipient financings.

We receive daily notification of recipient payments received, and both the 2010 MFI Trustee and we track these payments against expected receipts. In the event that a payment is not made on time, we will contact the recipient to pursue payment. There have been no shortfalls in payment from any of our recipients since the inception of our SRF programs that have required us to use other sources of funds to pay debt service on our bonds. If, however, one of the recipients in our 2010 MFI Program has a shortfall in payments, we have structured the 2010 MFI bonds so that any shortfall is expected to be made up from other sources to the extent available, as described below under "Security and Sources of Payment for 2010 MFI Obligations."

SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS

General

The revenue bonds issued and other obligations incurred under our 2010 MFI Program are our special limited obligations, which means they are payable solely from specific sources of money that we have pledged or made available under particular financing documents, as described below under "Security for 2010 MFI Obligations." Except as otherwise indicated, the following descriptions in this **Part 3** relate to our senior 2010 MFI obligations (defined below).

The 2010 MFI bonds and other obligations are not our general obligations and are not a charge against our general credit. The 2010 MFI bonds and other obligations are not a debt of the State of New York or of any of its local governmental units or other public entities, including recipients of our financial assistance. We have no taxing power.

2010 MFI bonds may be issued on a *senior* or *subordinated* basis for the purpose of financing recipient clean water and drinking water projects. Senior 2010 MFI bonds and subordinated 2010 MFI bonds may also be issued to refund bonds and other obligations incurred in connection with our SRF programs.

We use the terms "senior 2010 MFI bonds" and "subordinated 2010 MFI bonds" to refer to those bonds that are designated as such under the related supplemental series indenture that provides for the issuance of a series of bonds under the 2010 MFI. We use the term "2010 MFI bonds" to refer to senior 2010 MFI bonds and/or subordinated 2010 MFI bonds, as appropriate.

Under the 2010 MFI we also may incur obligations under reimbursement agreements with providers of liquidity facilities or credit facilities which secure our 2010 MFI bonds and under agreements with providers of "qualified hedge agreements" as defined in the 2010 MFI. Qualified hedge agreements include, among other financial products, interest rate caps, floors or collars and various other types of interest rate exchange agreements. We refer to any obligations under such agreements and 2010 MFI guarantees as "2010 MFI contract obligations." Such 2010 MFI contract obligations, other than 2010 MFI guarantees, may be secured on a parity basis with our senior 2010 MFI bonds or our subordinated MFI bonds, as we elect. 2010 MFI guarantees may not be issued on a parity basis with our senior 2010 MFI bonds and other types of senior 2010 MFI obligations, except as to available amounts in the unallocated equity accounts of the clean water SRF and drinking water SRF as described above. As of the date hereof, other than the Existing 2010 MFI Guarantee, there are no other 2010 MFI contract obligations outstanding under the 2010 MFI.

We refer to senior 2010 MFI bonds and senior 2010 MFI contract obligations secured on a parity basis with senior 2010 MFI bonds collectively as "senior 2010 MFI obligations." We refer to subordinated 2010 MFI bonds, subordinated 2010 MFI contract obligations and 2010 MFI guarantees secured on a parity

basis with subordinated 2010 MFI bonds as "subordinated 2010 MFI obligations." We refer to senior 2010 MFI obligations and subordinated 2010 MFI obligations collectively as "2010 MFI obligations."

Green Bonds

We have issued nine series of 2010 MFI bonds that were specifically designated as "Green Bonds." Green Bonds were issued, and may be issued in the future, to finance or refinance clean water and drinking water projects that are designed to improve the quality of the State's drinking water or reduce pollution in the State's water supply according to State and federal standards, and to refund certain bonds previously issued to finance or refinance such projects. The purpose of labeling bonds as "Green Bonds" is to allow investors to more easily identify that they are investing directly in bonds which finance environmentally beneficial projects, such as those traditionally financed under our program. Holders of the Green Bonds do not assume any specific risk with respect to any of the funded projects. Should we determine to issue additional 2010 MFI bonds as Green Bonds, this will be set forth in the related official statement. A chart identifying the projects expected to be funded with the proceeds of such bonds, the amount of bond proceeds expected to be provided for each project and the actual or expected completion date of each such project will be described in the related official statement. The security and sources of payment for such Green Bonds is the same as any other 2010 MFI bonds. In connection with the issuance of any Green Bonds, the conditions to receiving financial assistance that allow for the "Green Bonds" designation will be set forth the related official statement.

We expect to track the net proceeds of any Green Bonds. We currently post semi-annual updates regarding such projects via our website (*www.efc.ny.gov*). Once all the financed projects funded by a series of Green Bonds have been completed, no further updates will be provided.

Security for 2010 MFI Obligations

We have *three* main sources of money available to pay amounts due on 2010 MFI obligations, including the debt service on 2010 MFI bonds, and we will use each of the sources in the following order:

- ***Pledged Recipient Payments***. Under our 2010 MFI Program, certain recipients' payments for their respective financings are pledged to the payment of the 2010 MFI bonds. Such pledged recipient payments are the primary source of payment for debt service on the 2010 MFI bonds. Since a significant portion of recipient financings will be funded with a combination of 2010 MFI bond proceeds and amounts available in the clean water SRF and drinking water SRF equity accounts, pledged recipient payments due in respect of such financings will, in the aggregate, be in excess of the debt service on the 2010 MFI bonds and other 2010 MFI obligations. Each 2010 MFI guarantee will be payable from such excess recipient payments but any claim to such excess recipient payments will be subordinate to the payment of debt service on the senior 2010 MFI bonds and any payments due on the other senior 2010 MFI obligations.

- ***Available De-allocated Reserve Account Release Payments***. If pledged recipient payments are not sufficient, we will use amounts available in the De-allocated Reserve Account held by the MTA Trustee under the MTA to cure or prevent defaults in the payment of the principal of and interest on our 2010 MFI bonds and other 2010 MFI obligations. Such amounts are available to cure or prevent defaults in the payment of the principal of and interest on our 2010 MFI obligations, including the 2010 MFI bonds, on a subordinated basis as described below under "Available De-allocated Reserve Account Release Payments and Deficiency Reserve Account."

- ***Equity Support Payments***. If pledged recipient payments and Available De-allocated Reserve Release Payments are not sufficient, we will use any amounts available in the clean water SRF and drinking water SRF unallocated equity accounts within our equity fund to cure or prevent defaults in the payment of the principal of and interest on 2010 MFI bonds and the payment of our other 2010 MFI obligations. We are not required to maintain a minimum balance in our unallocated equity accounts, so that there is no assurance as whether amounts on hand in such accounts will be sufficient for such purpose.

The 2010 MFI also provides for the establishment of a 2010 MFI General Reserve Fund; however, no moneys will be available to be deposited in such fund unless a debt service reserve fund requirement is established in connection with the issuance of additional 2010 MFI obligations. Should we determine to establish a debt service reserve fund requirement for particular 2010 MFI bonds, this will be described in the related official statement.

Pledged Recipient Payments

The most significant item which provides security for the 2010 MFI bonds is expected to be the recipient payments pledged to the payment of the 2010 MFI bonds.

In general, the recipients that receive funding from a particular series of 2010 MFI bonds will be specified at the time such series of 2010 MFI bonds are issued. However, the 2010 MFI permits us to set aside a portion of the proceeds of any series of 2010 MFI bonds to be used to fund a financing for a recipient to be designated later.

Each 2010 MFI financing is secured by a recipient bond, which obligates the recipient to repay the principal of, and pay interest on, the 2010 MFI financing we have made to it.

- Recipients that are local governments will issue general obligation bonds containing a pledge of their faith and credit for the payment of their 2010 MFI financing.

- Recipients that are public benefit corporations or authorities of the State will issue revenue bonds payable from and secured by moneys pledged under each entity's statute and relevant financing documents.

- Recipients that are private parties – although no private parties have yet participated – will be expected to provide security based upon our evaluation of the financial strength of each party.

In the aggregate, the pledged recipient payments securing 2010 MFI bonds will be scheduled to provide amounts sufficient to pay, when due, the principal of, premium, if any, and interest due on the 2010 MFI bonds. The pledged recipient payments secure the payment of the principal of, premium, if any, and interest on all 2010 MFI bonds.

Exhibit 2B to this Annual Information Statement shows the recipients of financings whose payments are pledged to pay debt service on the 2010 MFI bonds, the total amount of each financing and the portion of the financing funded with 2010 MFI bond proceeds, as of September 30, 2021. We are permitted by the 2010 MFI to issue additional 2010 MFI bonds, to provide additional 2010 MFI guarantees and to incur 2010 MFI contract obligations; see "SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS – General" and "– Additional 2010 MFI Bonds and Other Additional 2010 MFI Obligations" in this **Part 3** for more detailed information about our 2010 MFI guarantees and 2010 MFI contract obligations.

Release of Pledged Recipient Payments from Lien of the 2010 MFI; Pledge of Additional Recipient Payments. We may release pledged recipient payments from the lien created by the 2010 MFI or substitute recipient payments for those currently subject to such lien by filing with the 2010 MFI Trustee, (1) a schedule describing the specific recipient payments to be released and, if applicable, substituted, and (2) a certificate which demonstrates or confirms that as of the date of calculation, projected revenues, including recipient payments, are expected to be available in an amount at least equal to 115% of the amount necessary to pay all debt service for all 2010 MFI obligations in each bond year as and when due, as determined by us. Subject to such condition, we anticipate releasing excess portions of the pledged recipient payments from time to time, including following each 2010 MFI obligation debt service payment date. See **Exhibit 3A** to this Annual Information Statement under "SECURITY FOR 2010 MFI OBLIGATIONS; ISSUANCE OF 2010 MFI OBLIGATIONS."

Reserve Allocations for NYCMWFA Bonds

The amounts pledged under the MTA for each series of NYCMWFA bonds, include moneys available from time to time in the De-allocated Reserve Account and the Deficiency Reserve Account established for such series of SRF bonds.

The De-allocated Reserve Account and the Deficiency Reserve Account are funded solely from excess amounts released from the Debt Service Reserve Funds securing NYCMWFA bonds. As principal on a recipient bond is repaid, we release an amount from the related Debt Service Reserve Fund so that the amount remaining in the related subaccount of the Debt Service Reserve Fund *is equal to* the reserve allocation for the related financing. The excess amounts released from the reserve funds securing outstanding NYCMWFA bonds is decreasing annually and consequently, the money available to fund the De-allocated Reserve Account and the Deficiency Reserve Account is also decreasing.

Currently, the scheduled final release of reserves under our NYCMWFA program is the final maturity date of the outstanding senior NYCMWFA bonds (June 15, 2036). We expect to issue additional subordinated NYCMWFA bonds to refund senior NYCMWFA bonds, which may result in the earlier release of reserves under our NYCMWFA program. We also retain the right under the MTA to change or reduce the amount of individual reserve allocations securing senior SRF bonds provided that the minimum aggregate reserve allocation requirements for such senior bonds are met. Such a change or reduction could affect the timing and amount of reserve free ups. See the "NYCMWFA Program Bonds By Year" table in **Exhibit 2B**.

A significant portion of our SRF reserve funds is invested in investment contracts with financial institutions. For a description of those investment contracts and other investments of SRF reserve funds, see **Part 4** under the heading "Investment of Reserve Allocations" and **Exhibit 2B**.

Available De-allocated Reserve Account Release Payments and Deficiency Reserve Account

In order to cure or prevent defaults in the payment of the principal of and interest on our 2010 MFI bonds, we will use amounts which may be available in the De-allocated Reserve Account held by the MTA Trustee. Our obligation to make amounts on deposit in the De-allocated Reserve Account held by the MTA Trustee available to cure or prevent defaults in the payment of the principal of and interest on our 2010 MFI bonds is subordinate to the payment of the principal of and interest on our NYCMWFA bonds. No amounts representing proceeds of any NYCMWFA bonds are deposited in the Deficiency Reserve Account or the De-allocated Reserve Account.

We describe the allocation of reserves and the release of such reserves in our NYCMWFA program in more detail in **Part 4** of this Annual Information Statement and summarize the provisions of our

financing documents relating to such reserves in **Exhibits 2A, 4A** and **4B** to this Annual Information Statement. For a description of the amount of the reserve allocations available relating to outstanding NYCMWFA bonds see **Exhibit 2B**.

We will use money in the Deficiency Reserve Account to make payments to cure or prevent defaults, *first*, on our senior NYCMWFA bonds, *then* to pay any debt service or reserve deficiencies on subordinated NYCMWFA bonds and obligations, *then* to pay any debt service on senior obligations issued or incurred under our 2010 MFI Program, and *then* to pay debt service on subordinated obligations issued or incurred under our 2010 MFI Program.

Equity Accounts of the Clean Water SRF and Drinking Water SRF

If pledged recipient payments and Available De-allocated Reserve Account Release Payments and available Deficiency Reserve Account moneys are not sufficient, we will use amounts which may be available in the clean water SRF and drinking water SRF unallocated equity accounts to make equity support payments in order to cure or prevent defaults in the payment of the principal of and interest on 2010 MFI bonds. We do not expect to use any such amounts in the clean water SRF and drinking water SRF unallocated equity accounts to pay debt service on the 2010 MFI bonds and we may use such amounts for any other eligible purposes.

Available monies currently held in said unallocated equity accounts include those held in both short and long term investments. Moneys held in such unallocated equity accounts are neither pledged to nor subject to a lien in favor of holders of the 2010 MFI bonds or other SRF bonds, and we may apply them to any eligible SRF purpose. We are not required to maintain any minimum balance in the equity accounts.

Our investment strategy, policies and procedures are implemented by an Investment Committee comprised of certain staff members consistent with investment guidelines established by our Board and statutory limitations. We have in the past sought legislation to expand our investment authority and may continue to do so in the future.

Our investment authority for SRF investments is currently limited to interest bearing obligations. Public Authorities Law Sections 1284, 1285-j and 1285-m, and General Municipal Law Section 10 set forth the types of eligible interest bearing investments. In accordance with these statutes, moneys held in our Equity Accounts not used for other eligible SRF purposes, may be invested in (i) obligations issued or guaranteed by the State or the United States of America or an agency thereof or a United States government-sponsored corporation, (ii) certain bank deposits secured by obligations issued or guaranteed by the State or the United States of America, (iii) investment agreements secured by obligations which are rated by a nationally-recognized rating agency in one of its two highest categories, and (iv) certain other obligations that are rated by a nationally-recognized rating agency in one of its two highest categories at the time of their purchase. We have in the past sought legislation to expand our investment authority and may continue to do so in the future.

Our investment objectives with regard to SRF financial resources are to maintain adequate liquidity to fund direct financings, fund pledged reserves to support the MTA, NYCMWFA and 2010 MFI reserve requirements, if any, and obtain a reasonable return on investments for the purposes of preserving and increasing the capitalization of the SRFs consistent with program, legal, regulatory and operational constraints. We may change our investment objectives at any time, subject to restrictions imposed by law.

Payment of 2010 MFI Bonds

On or before each date on which debt service is due on 2010 MFI bonds, recipient payments pledged to secure the 2010 MFI bonds will be transferred to the trustee for the 2010 MFI bonds (the "2010 MFI trustee").

If there is a deficiency in the amount available to pay debt service on the 2010 MFI bonds or in a debt service reserve fund, the 2010 MFI trustee will use amounts, if any, on deposit and available within the 2010 MFI General Reserve Fund to cure the deficiency. Since we did not fund a debt service reserve fund or establish a debt service reserve fund requirement in connection with the issuance of the currently outstanding 2010 MFI bonds, there is not presently expected to be moneys in the 2010 MFI General Reserve Fund. However, we may fund or establish a debt service reserve fund in connection with future issuances under the 2010 MFI Program.

In the event that the aggregate of all such amounts is not sufficient to pay all debt service due on the 2010 MFI obligations, the 2010 MFI trustee will immediately deliver to us and the trustee under the MTA a notice requesting that an amount equal to such insufficiency be transferred from the De-allocated Reserve Account.

To the extent the aggregate of all such amounts is not sufficient to pay all debt service due on the 2010 MFI obligations, the 2010 MFI trustee will advise us of the remaining portion of the deficiency and we will transfer to the 2010 MFI trustee from amounts available in the clean water SRF equity fund and drinking water SRF equity fund, as the case may be, the amount of the remaining portion of such deficiency, or, if less, the amount then available in such equity fund and we will continue to make such transfers from available amounts in such equity fund until such deficiency is cured.

If available amounts in the clean water SRF equity fund and drinking water SRF equity fund are insufficient to satisfy any deficiency, including any amount then payable under any 2010 MFI obligation, then such available amounts will be allocated on a pro rata basis among all 2010 MFI obligations with respect to which payments from the unallocated accounts in the clean water SRF equity fund and drinking water SRF equity fund are due based upon the amounts then due in respect thereto, including any amounts then overdue, without any distinction among senior 2010 MFI obligations and subordinated 2010 MFI obligations.

Security for Prior Indenture Bonds

Prior Indenture Support Account. Pursuant to the MTA, we have pledged as security for the payment of all bonds issued and outstanding under any Financing Indenture in effect prior to June 1, 2010 ("Prior Indenture Bonds" and a "Prior Indenture," respectively), all amounts from time to time on deposit in a Prior Indenture Support Account (the "Prior Indenture Support Account") established under the MTA. The only Prior Indenture with SRF bonds that now remain outstanding is our financing indenture dated as of July 1, 2001, as amended and supplemented, relating to our NYCMWFA bonds.

The 2010 MFI provides that subject to certain limitations set forth in the 2010 MFI, on or before each debt service payment date for 2010 MFI obligations, the 2010 MFI Trustee is required to transfer certain excess pledged revenues, if any, held by it under the 2010 MFI to the Master Trustee for deposit in the Prior Indenture Support Account in an amount equal to the deficiency, if any, in such Account determined as described below. Those excess revenues will be transferred solely to the extent that they are not needed or expected to be needed: (i) for the payment of debt service due on the 2010 MFI obligations, (ii) to be deposited in the General Reserve Fund established under the 2010 MFI to meet the amount required to be held therein under the 2010 MFI, or (iii) to be deposited in the Rebate Fund to meet any

deficiency in the Rebate Fund. See **Exhibit 3A** – "CERTAIN DEFINITIONS AND SUMMARY OF 2010 MFI (2010 MFI PROGRAM) -- SUMMARY OF THE 2010 MFI - *Application of Pledged Revenues*."

Under the MTA, a deficiency is considered to exist in the Prior Indenture Support Account at any time if the related Financing Indenture Trustee has certified to the Master Trustee that (i) any debt service payments on Prior Indenture Bonds are due or overdue and that the amounts due or overdue are not available from any amounts available therefore under the related Financing Indenture or from the related Leveraged Financing Subaccounts, if any, or from related undrawn amounts under the Capitalization Grant Agreements or from State Matching Share (collectively, "Available Amounts"), or (ii) that a deficiency exists in a Debt Service Reserve Fund securing Prior Indenture Bonds. If such a deficiency exists, the Master Trustee is obligated to so advise us and we are required to direct the 2010 MFI Trustee to transfer excess pledged revenues held by it and available to be transferred as described above.

The MTA requires the Master Trustee to make the following transfers from the Prior Indenture Support Account as of any date in the order indicated:

FIRST, on or prior to such date that any debt service payments on the Prior Indenture Bonds (other than subordinated SRF bonds) are due or overdue as of such date, the amount certified to the Master Trustee by the related Financing Indenture Trustee to be necessary to make a debt service payment on Prior Indenture Bonds, but solely to the extent that the Master Trustee has determined that such amount is not available from the related Available Amounts;

SECOND, a sum equal to any deficiency in any Debt Service Reserve Fund securing Prior Indenture Bonds certified to the Master Trustee by the related Financing Indenture Trustee on or prior to such date shall be transferred to the Deficiency Reserve Account related to, and as further security for, such Prior Indenture Bonds;

THIRD, to any Subordinated Indenture Trustee that has certified to the Master Trustee on or prior to such date that any debt service payments on the related subordinated SRF bonds issued under a Prior Indenture are due or overdue, a sum equal to such overdue payments for deposit into the related debt service fund for such subordinated SRF bonds.

After any such bond-related transfers are made, we would transfer any amounts in the Prior Indenture Support Account to the trustee for the commercial paper program we may establish, if such trustee has certified to the Master Trustee on or prior to such date that any debt service payments on the commercial paper notes issued under such program are overdue, a sum equal to such overdue payments for deposit into the related debt service fund established for such program. Finally, we are permitted and expect to direct the Master Trustee to transfer the balance, if any, of moneys remaining in the Prior Indenture Support Account to the Unallocated Corpus Subaccounts of the Equity Fund. See "**Exhibit 2A** - CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT - *Creation and Custody of Prior Indenture Support Account*."

Additional 2010 MFI Bonds and Other Additional 2010 MFI Obligations

Under our 2010 MFI Program, we are authorized to issue additional *senior* 2010 MFI bonds to provide recipient financings and to incur *senior* 2010 MFI contract obligations. In order to issue additional senior 2010 MFI bonds or to incur senior 2010 MFI contract obligations, we must provide the 2010 MFI Trustee with a certificate demonstrating that recipient payments that are pledged to our senior 2010 MFI obligations are expected to be available when necessary in amounts sufficient to pay debt service on our senior 2010 MFI bonds and make the required payments on our senior 2010 MFI contract obligations.

Under our 2010 MFI Program, we are authorized to issue *subordinated* 2010 MFI bonds to provide recipient financings and to incur *subordinated* 2010 MFI contract obligations (including with respect to 2010 MFI guarantees). In order to issue subordinated 2010 MFI bonds or to incur subordinated 2010 MFI contract obligations, we must provide the 2010 MFI Trustee with a certificate demonstrating that recipient payments that are pledged to our subordinated 2010 MFI obligations are expected to be available when necessary in amounts sufficient to pay debt service on our subordinated 2010 MFI bonds and make the required payments on our subordinated 2010 MFI contract obligations.

2010 MFI Guarantees

Pursuant to a 2010 MFI guarantee, we will irrevocably and unconditionally guarantee to the trustee for the benefit of the owners from time to time of the guaranteed obligations, the full and timely payment of (i) all scheduled payments of principal of and interest on such obligations (including payments of principal and interest by reason of mandatory sinking fund redemption) when and as the same shall become due and (ii) payments of principal of, interest on and redemption premium, if any, on such obligations by reason of optional redemption of the guaranteed obligations when such optional redemption is consented to in writing by us pursuant to the 2010 MFI.

We refer to such guaranteed payments as the "Guaranteed Payments." Guaranteed Payments shall not include any additional amounts owed by the obligor solely as a result of (a) the failure by that obligor to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the obligor by reason of such failure, or (b) any acceleration of the guaranteed obligations. For a summary of the terms and provisions of any specific 2010 MFI guarantee, including, for example, the Existing 2010 MFI Guarantee, see the applicable official statement or offering document relating thereto.

Specified Guarantee Sources

Our obligations under a 2010 MFI guarantee are payable solely from the following sources (collectively, the "Specified Guarantee Sources"): (i) Available De-Allocated Reserve Account Release Payments; (ii) any Guarantee Support Payments (as defined in the 2010 MFI) available therefore in accordance with the 2010 MFI; and (iii) any other amounts available under the 2010 MFI for the payment of the 2010 MFI Guarantee as a subordinated 2010 MFI obligation. We may from time to time determine the order of priority of the use of the Specified Guarantee Sources with respect to any 2010 MFI guarantee as described in the related Official Statement.

The Specified Guarantee Sources referred to in clauses (i) and (ii) of the paragraph above are further described below:

- **Available De-allocated Reserve Account Release Payments**. The Existing 2010 MFI Guarantee is secured by moneys available from time to time in the De-allocated Reserve Account and the Deficiency Reserve Account, but only after that money has been used, to the extent necessary, to pay debt service on or replenish reserve requirements for senior NYCMWFA bonds and to pay debt service on senior 2010 MFI obligations. For additional information relating to Available De-Allocated Reserve Account Release Payments, see above " – Available De-allocated Reserve Account Release Payments and Deficiency Reserve Account."

- **Guaranteed Support Payments**. The 2010 MFI defines Guaranteed Support Payments as any Available Equity Fund Moneys transferred to the Trustee pursuant to the 2010 MFI for the

purpose of paying debt service on any guarantee of us delivered pursuant to the 2010 MFI. Available Equity Fund Moneys are defined as moneys on deposit in the Clean Water Equity Account or the Drinking Water Equity Account available to pay debt service on 2010 MFI obligations, including 2010 MFI guarantees. For additional information with respect to such Equity Accounts of the Clean Water SRF and Drinking Water SRF see above "– Equity Accounts of the Clean Water SRF and Drinking Water SRF."

Remedies

Generally, in the event of a default under the 2010 MFI, neither the 2010 MFI Trustee nor 2010 MFI bondowners will have the right to declare the 2010 MFI bonds immediately due and payable.

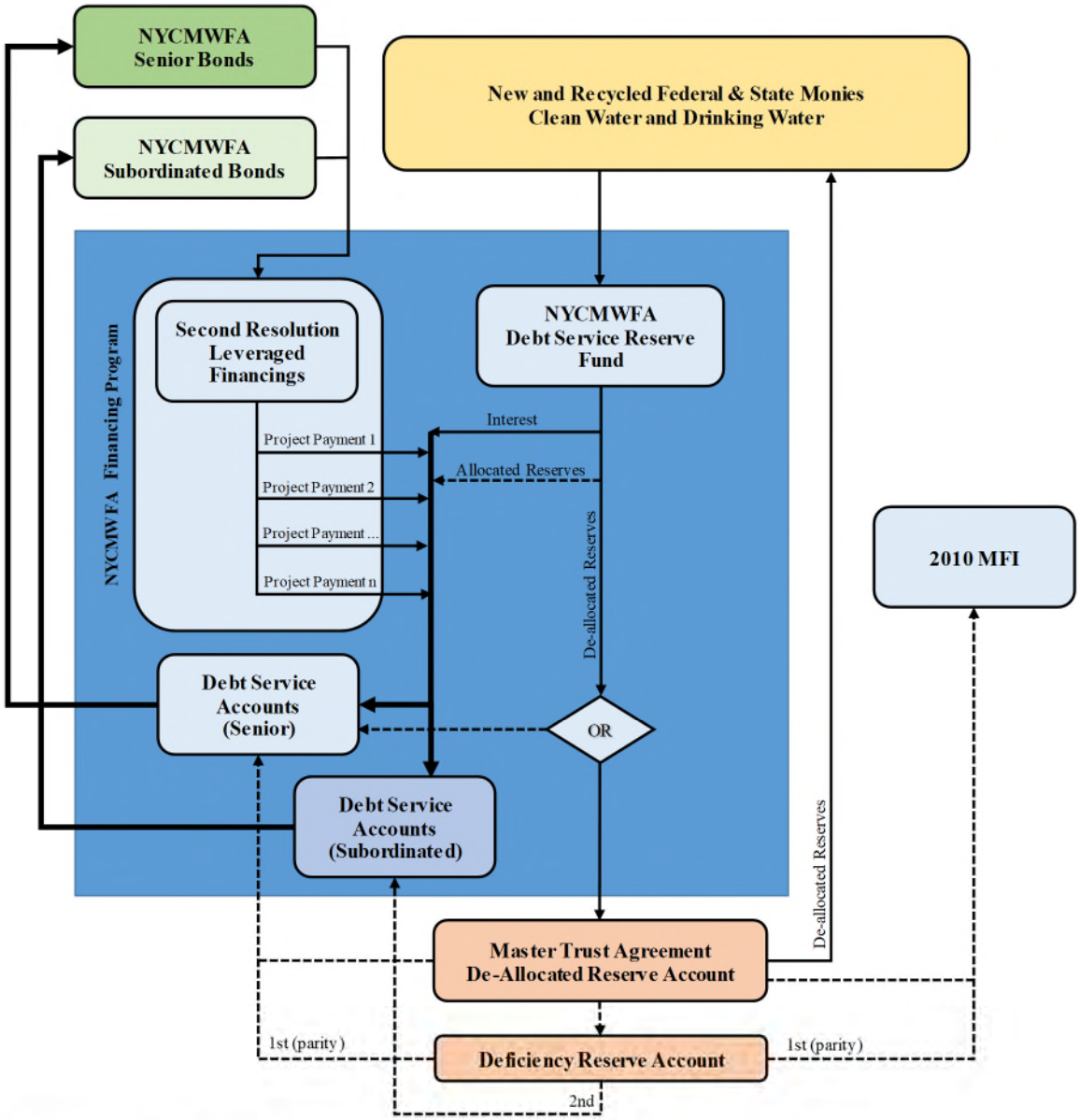
See **Exhibit 3A** – "CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (2010 MFI Program)" and **Exhibit 2A** – "CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT" for a description of remedies which are available to the owners of 2010 MFI bonds and other 2010 MFI obligations.

Additional Information

For additional information relating to matters such as the security for SRF bonds, including the 2010 MFI bonds, pledged recipient bond payments, issuance of additional 2010 MFI bonds and separation of clean water SRF and drinking water SRF moneys, see **Exhibit 3A** – "CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (2010 MFI Program)," which presents a summary of the 2010 Master Financing Indenture securing each series of 2010 MFI bonds. For a summary of the MTA securing all SRF bonds, see **Exhibit 2A**.

PART 4.
NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY PROJECTS

New York State Environmental Facilities Corporation
NYCMWFA Program Overview*



* Simplified for graphic presentation purposes

——— Planned Cash Flows

- - - - - Contingent Cash Flows

PART 4. NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY PROJECTS

FINANCING PROGRAM FOR THE AUTHORITY (NYCMWFA)

NYCMWFA Leveraged Financings

We refer to the New York City Municipal Water Finance Authority as the "Authority." We refer to all of the bonds we issue for the Authority as our "NYCMWFA bonds." The bonds we issue for the Authority's projects pursuant to our financing indenture dated as of July 1, 2001, as amended and supplemented, are referred to as "senior NYCMWFA bonds." We also have issued, and expect to issue from time to time in the future, bonds for the Authority's projects under other financing indentures. Some of those bonds have been, and will be, secured as subordinated SRF bonds under the MTA and we refer to those bonds as "subordinated NYCMWFA bonds." All NYCMWFA bonds issued for the Authority's projects are not our general obligations and do not constitute a charge against our general credit. They are our special limited obligations, which means they are payable solely from the funds pledged for the payment of bonds under the applicable financing indenture and the MTA securing all SRF bonds. *For more information relating to our other SRF bonds issued for the Authority pursuant to other financing indentures, please see the official statements relating to those transactions.*

As of September 30, 2021, we had issued approximately $14.2 billion aggregate principal amount of bonds for the Authority, including our NYCMWFA bonds described herein. We provided financial assistance relating to those bonds to the Authority pursuant to 82 NYCMWFA leveraged financings. These NYCMWFA leveraged financings have served to finance or refinance various clean water and drinking water SRF projects. As of September 30, 2021, there were outstanding approximately $430.4 million aggregate principal amount of senior NYCMWFA bonds, and the aggregate amount of reserve allocation relating thereto is approximately $412 million. In addition, there was outstanding approximately $3.5 billion of subordinated NYCMWFA bonds, and the aggregate amount of reserve allocation relating thereto was approximately $127 million.

The Authority has issued and delivered its recipient bonds to evidence its payment obligation with respect to a related series of NYCMWFA bonds. In the aggregate, the amounts payable as to principal and interest under those bonds are at least sufficient, as to time and amount, to make the payments due under the related NYCMWFA bonds.

The NYCMWFA program also authorizes us to enter into agreements with providers of credit and liquidity facilities that secure or support payment of NYCMWFA bonds issued under such program, which agreements may be secured on parity with such bonds.

Our Board previously authorized a revision to the NYCMWFA program which, if implemented, would permit us to issue guarantees thereunder to be secured by a parity claim on certain revenues securing subordinated NYCMWFA bonds issued under such program.

For additional information, see the "SRF Bonds By Series and Indenture – NYCMWFA Program Bonds" table in **Exhibit 2B**.

Leveraged Financing Administration

To obtain a leveraged financing, we require the Authority to submit financial information and, if applicable, demographic and system information, as well as additional documentation that may include recent official statements, capital and operating budgets, engineering reports and environmental review documentation.

In connection with a leveraged financing, we review the materials submitted and work with the Authority to determine whether a project proposed to be financed meets our program, credit, legal and policy guidelines. If those criteria are satisfied, a recommendation with supporting documentation is prepared. This recommendation is then reviewed and, if appropriate, approved by our application approval committee comprised of certain executive staff members. NYCMWFA leveraged financings approved by that committee are further reviewed and approved by our Board and the State's Public Authorities Control Board. Approval by our Board and the State's Public Authorities Control Board is required prior to closing NYCMWFA leveraged financings.

NYCMWFA leveraged financing payments are scheduled to be paid by the Authority no later than the date payment is due on the related NYCMWFA bonds. The Authority has not missed a principal or interest payment, and we have never drawn on any reserve to cover a default relating to a NYCMWFA leveraged financing.

The Authority, the Water Board and the System

The Authority, the New York City Water Board (the "Water Board"), and The City of New York (the "City"), acting by and through the New York City Department of Environmental Protection (the "DEP"), have certain responsibilities with respect to one or more of constructing, financing, operating and maintaining the System (defined below) and setting the rates and charges for the use of the System. The System is comprised of and includes all of the public facilities for the collection, transmission and distribution of water to the City (the "Water System") and all of the public facilities for collection, treatment and disposal of sewage generated within the City (the "Sewer System," and together with the Water System, the "System"). We have no responsibility for the maintenance and operation of the System or the setting or collection of rates and charges for the services of the System.

It is our understanding that the Authority files information (including its official statements) about the Authority, the Water Board, the System and the Authority Second Resolution Bonds with EMMA. Although we make no representations about this, to access information about the Authority, the Water Board, the System and the Authority Second Resolution Bonds, you must obtain the Authority's most recent filings from EMMA. Any such information is *not* part of this Annual Information Statement and we do not guarantee its accuracy or completeness.

SECURITY AND SOURCE OF PAYMENT FOR SENIOR NYCMWFA BONDS

Senior NYCMWFA bonds are our special limited obligations, and are not a debt of the State, City or the Authority, and neither the State, City nor the Authority shall have any liability with respect to our senior NYCMWFA bonds. Those bonds are not our general obligations and do not constitute a charge against our general credit.

Security for Senior NYCMWFA Bonds

We will allocate a portion of federal capitalization grants, State matching funds, or other available funds from the SRFs to provide a reserve to secure the repayment of leveraged financings made to the Authority. This amount being allocated is referred to as the "reserve allocation."

The most significant items which provide security solely for our senior NYCMWFA bonds are:

- the bond payments required to be made by the Authority to repay leveraged financings from the proceeds of a series of our senior NYCMWFA bonds;
- the reserve allocation for each related NYCMWFA leveraged financing, which we allocate to provide a debt service reserve to secure the payment of the Authority's bond as described in more detail below;
- the interest income earned on the reserve allocation; and
- the other funds and accounts held by the Trustee that are available pursuant to the financing indenture for the payment of senior NYCMWFA bonds.

We make a reserve allocation for each NYCMWFA leveraged financing funded with proceeds of a particular series of our senior NYCMWFA bonds equal to at least 33 1/3% of the original principal amount of that NYCMWFA leveraged financing. We deposit cash amounts representing each reserve allocation in a Debt Service Reserve Fund at the times and in the amounts determined at the time of issuance of the particular series of senior NYCMWFA bonds. The portion of each reserve allocation not deposited as a reserve allocation at the time of issuance will be drawn from Capitalization Grant Agreements and State matching funds as the Authority expends funds on the financed project.

We reduce the reserve allocation for any series of senior NYCMWFA bonds as the principal of the related NYCMWFA leveraged financing is repaid. As the reserve allocation for each NYCMWFA leveraged financing is reduced, those freed-up debt service reserves are released to accounts securing all SRF bonds to be applied if then needed to cure payment default or reserve deficiencies on any SRF bonds. In the event moneys are not immediately needed for those purposes, they are released to the unallocated equity accounts of the clean water SRF and drinking water SRF. See "Other Security for All NYCMWFA Bonds" below.

We invest amounts in the Debt Service Reserve Fund, and we use the earnings to pay a portion of the interest on the Authority's NYCMWFA leveraged financing, thus reducing the effective interest rate the Authority pays on any NYCMWFA leveraged financing funded with senior NYCMWFA bonds.

Each NYCMWFA leveraged financing is secured by an Authority bond which obligates the Authority to repay the principal and interest of that leveraged financing. The Authority will issue Second Resolution Bonds payable from and secured by moneys pledged under its statute and Water and Sewer System Second General Revenue Bond Resolution. In the aggregate, payments on the Authority Second

Resolution Bonds relating to a particular series of senior NYCMWFA bonds will be scheduled to provide amounts sufficient to pay, when due, the principal of, premium, if any, and interest due on that series of bonds. The Authority Second Resolution Bonds relating to a particular series of senior NYCMWFA bonds secure only the payment of the principal of, premium, if any, and interest on that series.

Reserve Allocations

The amounts pledged under the MTA for each series of NYCMWFA bonds include moneys available from time to time in the De-allocated Reserve Account and the Deficiency Reserve Account established for such series of SRF bonds.

The De-allocated Reserve Account and the Deficiency Reserve Account are funded solely from excess amounts released from the Debt Service Reserve Funds securing NYCMWFA bonds. The excess amounts released from the reserve funds securing outstanding NYCMWFA bonds is decreasing annually and consequently, the money available to fund the De-allocated Reserve Account and the Deficiency Reserve Account is also decreasing.

As principal on a recipient bond is repaid, we release an amount from the related Debt Service Reserve Fund so that

- the amount remaining in the related subaccount of the Debt Service Reserve Fund *together with*

- the remaining amounts available to be drawn under the Capitalization Grant Agreement and from State matching funds and allocated as reserve allocation for that leveraged financing,

is equal to

- the reserve allocation for the leveraged financing.

Currently, the scheduled final release of reserves under our NYCMWFA program is the final maturity date of the outstanding senior NYCMWFA bonds (June 15, 2036). See the "NYCMWFA Program Bonds By Year" table in **Exhibit 2B**.

De-allocated Reserve Account. We release those amounts not necessary to satisfy the Debt Service Reserve Fund Requirement for each series of NYCMWFA bonds, into the De-allocated Reserve Account.

After any release of amounts to the De-allocated Reserve Account, we apply that money:

- *first*, to make up any past due payments of principal or interest on any series of senior NYCMWFA bonds;

- *second*, to the extent of any deficiency in any Debt Service Reserve Fund securing NYCMWFA bonds, to the Deficiency Reserve Account created for SRF bonds in an amount equal to such deficiency, to be applied to senior NYCMWFA bonds, prior to subordinated NYCMWFA obligations;

- *third*, to make up any past due payments of principal or interest on any 2010 MFI bonds, to be applied first to pay any senior 2010 MFI obligations and then to pay any subordinated 2010 MFI obligations; and

- *fourth*, to make any past due payments of principal or interest on the commercial paper program that we may establish.

Any remaining amounts in the De-allocated Reserve Account are then released to the *Unallocated Corpus Subaccounts* of the equity accounts of the clean water SRF and drinking water SRF and no longer secure any NYCMWFA bonds. No amounts representing proceeds of any NYCMWFA bonds are deposited in the Deficiency Reserve Account or the De-allocated Reserve Account.

We summarize the provisions of our financing documents relating to such reserves in **Exhibits 2A, 4A** and **4B** to this Annual Information Statement.

Deficiency Reserve Account. We will use money in this account to make payments to cure or prevent defaults, *first*, on bonds issued to fund our NYCMWFA program – in an amount equal to the aggregate of *all* deficiencies in *all* reserves established for *all* those senior NYCMWFA bonds, *then* to pay any debt service or reserve deficiencies on subordinated NYCMWFA obligations, *then* to pay any debt service on senior obligations issued or incurred under our 2010 MFI program, and *then* to pay debt service on subordinated obligations issued or incurred under our 2010 MFI program.

Remedies

In the event of a default, except as otherwise provided in the financing indenture, neither the Trustee nor the owners of the NYCMWFA bonds will have the right to declare NYCMWFA bonds immediately due and payable.

See **Exhibit 4A** – "CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (NYCMWFA Program) – Summary of Certain Provisions of the Financing Indenture Relating to Senior NYCMWFA Bonds – Defaults and Remedies" and **Exhibit 2A** – "CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT" for a description of remedies which are available to the owners of NYCMWFA bonds.

Additional NYCMWFA Bonds

We are permitted to issue additional senior NYCMWFA bonds on a parity with other senior NYCMWFA bonds; provided that we make a reserve allocation of at least 33 1/3% of the principal amount of the leveraged financings provided by such series of additional senior NYCMWFA bonds and the Authority delivers its related Second Resolution Bonds to us. We are permitted to issue additional subordinated NYCMWFA bonds (described below) on a parity with other subordinated NYCMWFA bonds, except with respect to any reserve fund established for any series of subordinated NYCMWFA bonds.

Availability of Clean Water SRF and Drinking Water SRF Reserve Moneys

We will make a reserve allocation for each leveraged financing from amounts available in the clean water SRF or the drinking water SRF, as appropriate. SRF moneys relating to the clean water SRF and the drinking water SRF will be applied and maintained separately. Moneys held as part of the clean water SRF and the drinking water SRF are held separately within the Deficiency Reserve Account. However, if insufficient moneys are available from one SRF within the Deficiency Reserve Account to cure any deficiency allocable to that SRF, amounts will be made available from moneys available from the other SRF within the Deficiency Account to cure such deficiency.

Additional Information

For additional information relating to matters such as the security for SRF bonds, including our NYCMWFA bonds, reserve allocations, debt service reserve accounts, leveraged financing repayments, issuance of additional NYCMWFA bonds and separation of clean water SRF and drinking water SRF moneys, see **Exhibit 4A** – "CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (NYCMWFA PROGRAM)," which presents a summary of the financing indenture securing all senior NYCMWFA bonds and **Exhibit 2A** – "CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT" for a summary of the MTA securing all SRF bonds.

SECURITY AND SOURCE OF PAYMENT FOR SUBORDINATED NYCMWFA BONDS

Subordinated NYCMWFA bonds are not our general obligations and do not constitute a charge against our general credit. They are our special limited obligations, which means they are payable solely from the funds pledged for such payment as described below. *Subordinated NYCMWFA bonds have a different priority and structure with respect to the source of payment, security, and flow of funds than senior NYCMWFA bonds. Subordinated NYCMWFA bonds issued prior to June 1, 2006 were issued under financing indentures different than the financing indenture used with respect to subordinated NYCMWFA bonds issued thereafter. The provisions of the financing indentures and other aspects of the security therefore described herein relate to subordinated NYCMWFA bonds issued after June 1, 2006.*

In addition, in 2013 we amended and supplemented the financing indenture to provide for: (a) the ability to create a Debt Service Reserve Fund for specific series of Subordinated NYCMWFA bonds that would secure only such series; and (b) a General Reserve Fund which secures subordinated NYCMWFA bonds issued under the financing indenture on a parity basis.

Reference should always be made to the official statement for each series of subordinated NYCMWFA bonds for a detailed description of the security and source of payment of that series. **Our subordinated NYCMWFA bonds are not a debt of the State or the Authority, and neither the State nor the Authority shall have any liability with respect to our subordinated NYCMWFA bonds**.

Security for Subordinated NYCMWFA Bonds

Payments of subordinated NYCMWFA bonds will be secured as follows:

- **Authority Payments**. Under our NYCMWFA program, the Authority's payments to us on Authority Second Resolution Bonds issued by the Authority in connection with our issuance of subordinated NYCMWFA bonds are pledged to the payment of the NYCMWFA bonds. Such pledged Authority payments are expected to be the primary source of payment for debt service on the NYCMWFA bonds. Each series of subordinated NYCMWFA bonds is secured separate and apart from any other series of subordinated NYCMWFA bonds by payments required to be made by the Authority on the related Authority Second Resolution Bonds. Each series of Authority Second Resolution Bonds issued in connection with the issuance of subordinated NYCMWFA bonds will be on a parity, as to security and source of payment, with all other Authority Second Resolution Bonds issued from time to time. Since a portion of certain leveraged financings will be funded with a combination of subordinated NYCMWFA bond proceeds and amounts available in the clean water SRF and drinking water SRF equity accounts, pledged Authority payments due in respect of those financings will, in the aggregate, be in excess of the debt service on those subordinated NYCMWFA bonds.

- **Debt Service Reserve Funds**. Subordinated NYCMWFA bonds may also secured by a Debt Service Reserve Fund to be established in connection with the issuance of those bonds. If we establish a debt service reserve for a series of subordinated NYCMWFA bonds, we will describe it in the applicable official statement and that reserve may be funded over time. Amounts in any Debt Service Reserve Fund established for a particular series of subordinated NYCMWFA bonds will not directly secure any other series of subordinated NYCMWFA bonds. Amounts on deposit in the Debt Service Reserve Fund established for senior NYCMWFA bonds do not directly secure any subordinated NYCMWFA bonds. The financing indenture authorizes us to establish a Debt Service Reserve Fund for any series of subordinated NYCMWFA bonds, but we are not required to do so. In the event that a Debt Service Reserve Fund is established for a particular series of subordinated NYCMWFA bonds:

    - On any debt service payment date on which any payment of interest on such bonds is due, the Trustee will transfer from the applicable Debt Service Reserve Fund and deposit in the Debt Service Fund the moneys held in the applicable Debt Service Reserve Fund constituting a portion of the Committed Subsidy Amount then available to the Authority, if any, determined in accordance with our agreement with the Authority.

    - On any debt service payment date for such bonds, the Trustee shall transfer from the applicable Debt Service Reserve Fund and deposit in the Debt Service Fund, any amounts due on such bonds on that Debt Service Payment Date not yet available in the Debt Service Fund for such payment. Any amount so transferred will be used solely to pay debt service on those bonds.

    - The amount required to be held in the Debt Service Reserve Fund will be reduced as the principal balance of the Authority Second Resolution Bonds issued in connection with the those bonds is paid down as described in the applicable official statement.

    - We will transfer moneys released from the Debt Service Reserve Fund as a result of reductions in such principal balance to the General Reserve Fund next described. If the Debt Service Reserve Fund is drawn upon to pay debt service on those bonds, there is no obligation to replenish the Debt Service Reserve Fund in the amount so drawn except as it relates to the General Reserve Fund Requirement as described below.

- **General Reserve Fund**. Our subordinated NYCMWFA bonds are also secured by moneys, if any, available from time to time in a General Reserve Fund under the financing Indenture. We will use any available moneys in this fund to cure or prevent defaults on subordinated NYCMWFA bonds.

    - We will deposit payments to the General Reserve Fund of certain principal and interest payments we expect to receive on Authority Second Resolution Bonds that we have previously acquired from the Authority. Such NYCMWFA Second Resolution Bonds have been acquired with SRF equity, not bond proceeds. We may also deposit in the General Reserve Fund certain principal and interest payments we expect to receive on bonds of certain other recipients of SRF financial assistance that we may pledge at or about the same time as the issuance of additional subordinated NYCMWFA bonds. The principal and interest payments on such NYCMWFA Second Resolution Bonds and the bonds of such other recipients, together with any additional bonds of NYCMWFA or other recipients funded with SRF equity and not bond proceeds which may be similarly pledged and deposited in the General Reserve Fund are referred to as "Pledged DF Recipient Bond Payments". **To the extent that the Authority defaults on its payment obligation on the**

Authority Second Resolution Bonds acquired with the proceeds of our subordinated NYCMWFA bonds referred to above under "Authority Payments," it will have similarly defaulted on the Authority Second Resolution Bonds which are the source of a portion of the Pledged DF Recipient Bond Payments. Such a default would reduce or delay and could end the deposit of amounts to the General Reserve Fund to cure or prevent defaults on subordinated NYCMWFA bonds. We are permitted to substitute payments on bonds issued by other recipients of SRF financial assistance as Pledged DF Recipient Bond Payments at any time, but we are not required to do so, even if Pledged DF Recipient Bond Payments are not made when due.

- We will also deposit in the General Reserve Fund any amounts released and transferred from any Debt Service Reserve Fund as described above.

- On any debt service payment date on which any payment of interest on subordinated NYCMWFA bonds is due, the Trustee will transfer from the General Reserve Fund and deposit in the Debt Service Fund the moneys held in the General Reserve Fund constituting all or a portion of the Committed Subsidy Amount then available to the Recipient, determined in accordance with our agreement with the Authority.

- On any debt service payment date for subordinated NYCMWFA bonds, after application of any moneys in any Debt Service Reserve Fund established under the financing indenture, the Trustee will transfer from any amounts held in the General Reserve Fund to the Debt Service Fund, any amounts due on such debt service payment date but not yet available in the Debt Service Fund for that payment. Amounts so transferred from the General Reserve Fund would be applied to pay all subordinated NYCMWFA bonds.

- After making any transfers described above, we will direct the Trustee to transfer amounts, if any, held within the General Reserve Fund in excess of the "General Reserve Fund Requirement" to the Trustee under the Master Trust Agreement for deposit in the De-Allocated Reserve Account in an amount equal to the amount released and transferred from the Debt Service Reserve Funds to the General Reserve Fund as described above, with the balance, if any to be deposited in our Equity Fund. The General Reserve Fund Requirement is currently zero, and we do not expect to maintain a balance in the General Reserve Fund. The "General Reserve Fund Requirement," as of any date of determination, will be the total of (a) the sum of all deficiencies in all Debt Service Reserve Funds established to secure those series of subordinated NYCMWFA bonds for which a Debt Service Reserve Fund has been established, and (b) the amount if any, required to be retained in the General Reserve Fund in order to satisfy a "General Reserve Fund Release Test" established under the financing indenture. The "General Reserve Fund Release Test" is based upon a calculation by us demonstrating that the projected cash flow we expect to be available to pay the subordinated NYCMWFA bonds in each bond year from (i) pledged Recipient Bond payments, (ii) Pledged DF Recipient Bond Payments, (iii) payments of principal and interest we receive on any investments held in the Debt Service Fund, the Debt Service Reserve Funds and the General Reserve Fund, (iv) any uninvested moneys held in the General Reserve Fund, the Debt Service Reserve Funds and the Debt Service Fund and (v) moneys expected to be available, if needed, as "Available De-allocated Reserve Account Release Moneys" as described below will equal at least 120% of the amount necessary to pay all scheduled debt service on all subordinated NYCMWFA bonds in such bond year. We have no obligation to deposit moneys in the General Reserve Fund from any sources other than those described above.

- **Available De-allocated Reserve Account Release Moneys**. Our subordinated NYCMWFA bonds are also secured by moneys available from time to time in the De-allocated Reserve Account and the Deficiency Reserve Account, but only after that money has been used, to the extent necessary, to pay debt service on or replenish reserve requirements for senior NYCMWFA bonds.

- **Prior Indenture Support Account Moneys**. Our subordinated NYCMWFA bonds are also secured by moneys, if any, available from time to time in the Prior Indenture Support Account created pursuant to the MTA, but only after such moneys have been used, to the extent necessary, to pay debt service on senior NYCMWFA bonds and to replenish any reserve fund for such bonds as described below.

Committed Subsidies Relating to Subordinated NYCMWFA Bonds

We have agreed with the Authority that, subject to certain conditions, including compliance by the Authority with SRF program eligibility requirements relating to the financed projects, we will provide a "committed subsidy" which will reduce the interest that would otherwise be payable by the Authority with respect to the leveraged financing they receive. We reserve the right to identify other sources of committed subsidy in the future in lieu of such sources. The particular anticipated source of any such committed subsidy for any series subordinated NYCMWFA bonds and the amount thereof will be described in the official statement for such series.

Amounts made available as committed subsidy will reduce the effective interest rate paid by the Authority. Under the terms of our financing agreement with the Authority, to the extent that such committed subsidy is not available to reduce the interest payable by the Authority on the leveraged financing, the Authority is obligated to make payments of principal and interest, together with any other moneys available under the financing indenture pursuant to which the related series of subordinated NYCMWFA bonds were issued, sufficient to pay principal and interest on such bonds. We would continue to be obligated to the Authority to make any committed subsidy available to the Authority to the extent required by our agreement with the Authority.

Reserve Allocations for Senior NYCMWFA Bonds

As described above under the heading "SECURITY AND SOURCE OF PAYMENT FOR SENIOR NYCMWFA BONDS - Reserve Allocations," the amounts pledged under the MTA for each series of NYCMWFA bonds include moneys available from time to time in the De-allocated Reserve Account and the Deficiency Reserve Account established for such series of SRF bonds.

The De-allocated Reserve Account and the Deficiency Reserve Account are funded solely from excess amounts released from the Debt Service Reserve Funds securing NYCMWFA bonds. The excess amounts released from the reserve funds securing outstanding NYCMWFA bonds is decreasing annually and consequently, the money available to fund the De-allocated Reserve Account and the Deficiency Reserve Account is also decreasing.

As principal on a recipient bond is repaid, we release an amount from the related Debt Service Reserve Fund so that

- the amount remaining in the related subaccount of the Debt Service Reserve Fund *together with*

- the remaining amounts available to be drawn under the Capitalization Grant Agreement and from State matching funds and allocated as reserve allocation for that leveraged financing,

is equal to

- the reserve allocation for the leveraged financing.

The scheduled final release of reserves under our NYCMWFA program will be the final maturity date of the outstanding senior NYCMWFA bonds (June 15, 2036). We expect to issue additional subordinated NYCMWFA bonds to refund senior NYCMWFA bonds, which may result in the earlier release of reserves under our NYCMWFA Program. We also retain the right under the MTA to change or reduce the amount of individual reserve allocations securing senior SRF bonds provided that the minimum aggregate reserve allocation requirements for such senior bonds are met. Such a change or reduction could affect the timing and amount of reserve free ups. See the "NYCMWFA Program Bonds By Year" table in **Exhibit 2B**.

A significant portion of our SRF reserve funds is invested in investment contracts with financial institutions. For a description of those investment contracts and other investments of SRF reserve funds, see **Part 4** under the heading "Investment of Reserve Allocations" and **Exhibit 2B** in our Annual Information Statement.

De-allocated Reserve Account and Deficiency Reserve Account

De-allocated Reserve Account. We release those amounts not necessary to satisfy the Debt Service Reserve Fund Requirement for each series of NYCMWFA bonds, into the De-allocated Reserve Account.

After any release of amounts to the De-allocated Reserve Account, we apply that money:

- *first*, to make up any past due payments of principal or interest on any series of senior NYCMWFA bonds;

- *second*, to the extent of any deficiency in any Debt Service Reserve Fund securing NYCMWFA bonds, to the Deficiency Reserve Account created for SRF bonds in an amount equal to such deficiency, to be applied to senior NYCMWFA bonds, prior to subordinated NYCMWFA obligations;

- *third*, to make up any past due payments of principal or interest on any 2010 MFI bonds, to be applied first to pay any senior 2010 MFI obligations and then to pay any subordinated 2010 MFI obligations; and

- *fourth*, to make any past due payments of principal or interest on the commercial paper program that we may establish.

Any remaining amounts in the De-allocated Reserve Account are then released to the *Unallocated Corpus Subaccounts* of the equity accounts of the clean water SRF and drinking water SRF and no longer secure any NYCMWFA bonds. No amounts representing proceeds of any NYCMWFA bonds are deposited in the Deficiency Reserve Account or the De-allocated Reserve Account.

We summarize the provisions of our financing documents relating to such reserves in **Exhibits 2A, 4A** and **4B.**

Deficiency Reserve Account. We will use money in this account to make payments to cure or prevent defaults, *first*, on our NYCMWFA bonds – in an amount equal to the aggregate of *all* deficiencies in *all* reserves established for *all* those senior NYCMWFA bonds, *then* to pay any debt service or reserve deficiencies on subordinated NYCMWFA obligations, *then* to pay any debt service on senior obligations issued or incurred under our 2010 MFI program, and *then* to pay debt service on subordinated obligations issued or incurred under our 2010 MFI program.

OTHER SECURITY FOR ALL NYCMWFA BONDS

Prior Indenture Support Account. Pursuant to the MTA, we have pledged as security for the payment of all bonds issued and outstanding under any financing indenture in effect prior to June 1, 2010 ("Prior Indenture Bonds" and a "Prior Indenture," respectively), all amounts from time to time on deposit in a Prior Indenture Support Account (the "Prior Indenture Support Account") established under the MTA. The only Prior Indenture with SRF bonds that remain outstanding is our financing indenture dated as of July 1, 2001, as amended and supplemented, relating to our NYCMWFA bonds.

The 2010 MFI provides that subject to certain limitations set forth in the 2010 MFI, on or before each debt service payment date for 2010 MFI obligations, the 2010 MFI Trustee is required to transfer certain excess pledged revenues, if any, held by it under the 2010 MFI to the Master Trustee for deposit in the Prior Indenture Support Account in an amount equal to the deficiency, if any, in such Account determined as described below. Those pledged revenues will be transferred solely to the extent that they are not needed or expected to be needed: (i) for the payment of debt service due on the 2010 MFI obligations, (ii) to be deposited in the General Reserve Fund established under the 2010 MFI to meet the amount required to be held therein under the 2010 MFI or, (iii) to be deposited in the Rebate Fund to meet any deficiency in the Rebate Fund. See **Exhibit 3A** – "CERTAIN DEFINITIONS AND SUMMARY OF 2010 MFI (2010 MFI PROGRAM) – SUMMARY OF THE 2010 MFI – Pledge of Funds Created under the 2010 MFI – *Application of Pledged Revenues*."

Under the MTA, a deficiency is considered to exist in the Prior Indenture Support Account at any time if any Financing Indenture Trustee (including the applicable NYCMWFA Trustee) has certified to the Master Trustee that (i) any debt service payments on Prior Indenture Bonds are due or overdue and that the amounts due or overdue are not available from any amounts available therefore under the related Financing Indenture or from the related Leveraged Financing Subaccounts, if any, or from related undrawn amounts under the Capitalization Grant Agreements or from State Matching Share (collectively, "Available Amounts"), or (ii) that a deficiency exists in a Debt Service Reserve Fund securing Prior Indenture Bonds. If such a deficiency exists, the Master Trustee is obligated to so advise us and we are required to direct the 2010 MFI Trustee to transfer excess pledged revenues held by it and available to be transferred as described above.

The MTA requires the Master Trustee to make the following transfers from the Prior Indenture Support Account as of any date in the order indicated:

FIRST, on or prior to such date that any debt service payments on the Prior Indenture Bonds (other than subordinated SRF bonds) are due or overdue as of such date, the amount certified to the Master Trustee by the related Financing Indenture Trustee to be necessary to make a debt service payment on Prior Indenture Bonds, but solely to the extent that the Master Trustee has determined that such amount is not available from the related Available Amounts;

SECOND, a sum equal to any deficiency in any Debt Service Reserve Fund securing Prior Indenture Bonds certified to the Master Trustee by the related Financing Indenture Trustee on or prior to

such date shall be transferred to the Deficiency Reserve Account related to, and as further security for, such Prior Indenture Bonds;

THIRD, to any Subordinated Indenture Trustee that has certified to the Master Trustee on or prior to such date that any debt service payments on the related subordinated SRF bonds issued under a Prior Indenture are due or overdue, a sum equal to such overdue payments for deposit into the related debt service fund for such subordinated SRF bonds.

If, as of any date, amounts need to be transferred from the Prior Indenture Support Account under clause FIRST, SECOND or THIRD above in respect of Prior Indenture Bonds issued under more than one Financing Indenture and the amounts needed to be transferred exceed the amount on deposit in the Prior Indenture Support Account, then the amount to be transferred shall be apportioned among the certifying Financing Indenture Trustees proportionally.

After any such bond-related transfers are made, we would transfer any amounts in the Prior Indenture Support Account to the trustee for the commercial paper program we may establish, if such trustee has certified to the Master Trustee on or prior to such date that any debt service payments on the commercial paper notes issued under such program are overdue, a sum equal to such overdue payments for deposit into the related debt service fund established for such program. Finally, we are permitted and expect to direct the Master Trustee to transfer the balance, if any, of moneys remaining in the Prior Indenture Support Account to the Unallocated Corpus Subaccounts of the Equity Fund. See **Exhibit 2A** – "CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT – Establishment of Funds and Accounts and Application Thereof – *Creation and Custody of Prior Indenture Support Account*."

There can be no assurance that there will be amounts available in the Prior Indenture Support Account on any date on which debt service is due on any NYCMWFA bonds which cannot be paid from moneys otherwise available under the applicable financing indenture.

INVESTMENT OF RESERVE ALLOCATIONS

Reserve allocations securing NYCMWFA bonds may be invested in any "permitted investments" (See **Exhibit 4A** – "CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (NYCMWFA Program)") under the EFC Act. We have in the past sought legislation to expand our investment authority and may continue to do so in the future. A significant portion of the reserve allocations securing our senior NYCMWFA bonds is currently invested in guaranteed investment contracts with financial institutions with terms equal to the maturity of the related series of bonds issued for the Authority. We use the income generated by these guaranteed investment contracts and other investments of reserve allocations to reduce the effective rate on NYCMWFA leveraged financings.

The guaranteed investment contracts are generally collateralized by direct obligations of the United States of America, an agency thereof or a United States government sponsored corporation, or by obligations guaranteed by the United States of America. The related agreements require that collateral be held by a third party. Each agreement requires that the collateral be maintained at various levels not less than 110% of the principal amount of invested funds, marked to market not less than weekly. In the event these collateral levels fall below the minimum requirements, notice is provided to the investment provider and additional collateral is required to be pledged to satisfy the requirements specified in each guaranteed investment contract. The agreements generally require such collateral to be delivered within one business day of notice.

We monitor ratings and other relevant information relating to our guaranteed investment contracts and other "permitted investments" under the EFC Act. These guaranteed investment contracts are subject to termination by us upon the occurrence of certain events. Typically, we may declare a termination event upon the downgrade of the financial institution's or the guarantor's ratings below the minimum thresholds provided in each agreement. Several financial institutions party to guaranteed investment contracts with us have been so downgraded. Additional events of termination include, but are not limited to, the financial institution's failure to repurchase collateral and transfer invested funds pursuant to terms of the related financing documents or the financial institution's failure to make scheduled payments of interest on invested funds. We have not declared a termination event under any of our current guaranteed investment contracts and expect to reduce our exposure to such financial institutions by refunding the related SRF bonds.

The guaranteed investment contracts permit us to demand a repurchase of collateral and return of invested funds to pay scheduled debt service on the related bonds in connection with a late or non-payment by the Authority, to cure a short fall in funds otherwise available to make a debt service payment on the related bonds or in order to preserve the tax exempt status of such bonds.

There is no assurance as to the type of permitted investment that will be used to invest reserve allocations for any series of SRF bonds, including senior NYCMWFA bonds, issued in the future or any reinvestment of reserve allocations in the event any additional investments are terminated. Such permitted investments may be subject to certain risks, including bankruptcy or insolvency of the party with which such funds have been invested. Such permitted investments also may not provide the customized liquidity features included in our guaranteed investment contracts described above, so that in the event of a default by the Authority we may need to sell such investments in order to realize moneys to cure such default. Any such sale of investments would be subject to market access and prevailing market prices.

For additional information relating to certain investments held in the Debt Service Reserve Fund, see the "Reserve Investments By Series (NYCMWFA Program)" tables in **Exhibit 2B**.

PART 5.
OTHER ENVIRONMENTAL FINANCING PROGRAMS INCLUDING STATE MATCH

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PART 5. OTHER ENVIRONMENTAL FINANCING PROGRAMS INCLUDING STATE MATCH

This part of the Annual Information Statement sets forth information about our State Personal Income Tax Revenue Bonds, referred to as "PIT bonds," and our Environmental Infrastructure Revenue Bonds, referred to as "EIR bonds."

It is our understanding that the State files information about the State including certain matters affecting the State and the general State economic background with EMMA. Although we make no representations about this, to access the most up-to-date information about the State, you must obtain the State's most recent filings from EMMA. Any such information is *not* part of this Annual Information Statement and we do not guarantee its accuracy or completeness.

STATE CONTRIBUTIONS TO THE CLEAN WATER STATE REVOLVING FUND

Establishment of the Clean Water SRF

The Water Quality Act provides for the establishment of state revolving fund programs which require that, as a condition for receipt of certain federal financial assistance, each state establish a revolving fund administered by the state or an instrumentality of the state. The purpose of a state revolving fund is to provide a source for certain types of financial assistance to local entities for the construction of publicly owned wastewater treatment facilities and other eligible water pollution control projects such as certain water quality protection aspects of municipal landfill closure plans. Initial funding for a state revolving fund program is to be provided from federal capitalization grants and state matching funds. Under a state revolving fund program, of the total amount to be deposited in a state revolving fund from federal capitalization grants and state matching funds, the state must appropriate or otherwise make available its matching funds in a ratio of $1 of state matching funds for every $5 of federal capitalization grants (with certain exceptions).

Pursuant to the EFC Act, the State has created the clean water SRF. The EFC Act requires that we apply the moneys in the clean water SRF at the direction of the DEC Commissioner to provide financial assistance to governmental entities for construction of eligible projects and certain other purposes permitted by the Water Quality Act, and to provide for the administrative and management costs of the clean water SRF. We make that financial assistance available either from the proceeds of clean water SRF bonds or as direct loans from amounts on deposit in the clean water SRF.

Funding of State Contributions to the Clean Water SRF

The clean water SRF is capitalized through:

- federal capitalization grants awarded by EPA to the State and appropriated or otherwise made available by the State to fund the clean water SRF; and

- State matching funds appropriated or otherwise made available by the State for such purpose. In order to receive federal capitalization grants, the State must make available its matching funds in a ratio of $1 of State matching funds for every $5 of federal capitalization grants.

Approximately $5.7 billion in federal capitalization grants have been awarded by EPA to the State covering the federal fiscal years ending September 30, 1989 through and including September 30, 2021. The State has previously committed approximately $1.1 billion of State matching funds to the clean water

SRF. A portion of the proceeds of PIT bonds and EIR bonds may be used to reimburse the State for certain amounts advanced as State Contributions to the clean water SRF.

STATE CONTRIBUTIONS TO THE DRINKING WATER STATE REVOLVING FUND

Establishment of the Drinking Water SRF

The Safe Drinking Water Act provides for the establishment of state revolving fund programs which require that, as a condition for receipt of certain federal financial assistance, each state establish a revolving fund administered by the state or an instrumentality of the state. The purpose of a state revolving fund is to provide a source for certain types of financial assistance to local entities for projects relating to various public drinking water systems (including systems owned by for-profit companies and not-for-profit entities) which will facilitate compliance with applicable state and federal drinking water laws. Initial funding for a state revolving fund program is to be provided from federal capitalization grants and state matching funds. Under a state revolving fund program, of the total amount to be deposited in a state revolving fund from federal capitalization grants and state matching funds, the state must make available its matching funds in a ratio of $1 of state matching funds for every $5 of federal capitalization grants.

Pursuant to the EFC Act, the State has created the drinking water SRF. The EFC Act requires that we apply the moneys in the drinking water SRF at the direction of the DOH Commissioner to provide financial assistance to entities for construction of eligible projects and certain other purposes permitted by the Safe Drinking Water Act, and to provide for the administrative and management costs of the drinking water SRF. We make that financial assistance available either from the proceeds of drinking water SRF bonds or as direct loans from amounts on deposit in the drinking water SRF.

Funding of State Contributions to the Drinking Water SRF

The drinking water SRF is capitalized through:

- federal capitalization grants awarded by EPA to the State and appropriated by the State to fund the drinking water SRF; and

- State matching funds appropriated or otherwise made available by the State for such purpose. In order to receive federal capitalization grants, the State must make available its matching funds in a ratio of $1 of State matching funds for every $5 of federal capitalization grants.

Approximately $1.4 billion in federal capitalization grants have been awarded by EPA to the State covering the federal fiscal years ending September 30, 1997 through and including September 30, 2021. The State has previously committed approximately $265 million of State matching funds to the drinking water SRF, as the State is over-matching with respect to the drinking water SRF. A portion of the proceeds of PIT bonds and EIR bonds may be used to reimburse the State for certain amounts advanced as State funds to the drinking water SRF. As of the date of this Annual Information Statement, we have not used proceeds of bonds for that purpose.

STATE ENVIRONMENTAL INFRASTRUCTURE PROJECTS

In 2002, the State enacted legislation providing us with additional special powers to assist us in the administration and the financing of the following environmental infrastructure projects:

- Projects authorized under the Environmental Protection Fund or for which appropriations are made to the Environmental Protection Fund;

- DEC capital appropriations for Onondaga Lake for certain water quality improvement projects;
- Western New York Nuclear Service Center;
- DEC capital appropriations for work on DEC environmental infrastructure projects; and
- Office of Parks, Recreation and Historic Preservation appropriations or reappropriations from the State Parks Infrastructure Fund.

We are authorized to issue bonds to finance these projects and to enter into service contracts with the Director of the Budget to provide for debt service payments on those bonds. Proceeds of PIT bonds and EIR bonds have been used to finance these projects, or to reimburse the State for the financing of these projects.

In 2003, the State enacted legislation again providing us with additional special powers to assist us in the administration and the financing of hazardous waste site remediation projects and to provide for the State's share of the costs of the remediation of these sites. We are authorized to issue bonds to finance these projects and to enter into service contracts with the Director of the Budget to provide for debt service payments on those bonds. Proceeds of PIT bonds and EIR bonds have been used to finance these projects, or to reimburse the State for the financing of these projects.

STATE PERSONAL INCOME TAX REVENUE BONDS

In 2001, the State enacted legislation authorizing us, and a number of other entities that had previously issued State-supported debt for certain purposes, to issue PIT bonds for those same purposes. In our case, those purposes include the purposes for which EIR bonds may be issued, including State Contributions for environmental infrastructure projects.

PIT bonds have been issued pursuant to the EFC Act (the New York State Environmental Facilities Corporation Act, Title 12 of Article 5 of the Public Authorities Law of the State of New York), the Enabling Act (the Revenue Bond Financing Program Act, Article 5-c of the State Finance Law, Chapter 5 of the Consolidated Laws of the State of New York) and our State Personal Income Tax Revenue Bonds (Environment) General Bond Resolution, adopted October 10, 2002, as supplemented (referred to as the "environment general resolution").

As of September 30, 2021, there were no bonds outstanding under the environment general resolution. Additional bonds may be issued under the environment general resolution on a parity with outstanding PIT bonds, if any. PIT bonds may be issued on a taxable or tax-exempt basis.

The Enabling Act authorizes us and various other authorized issuers to issue PIT bonds for certain purposes for which State-supported debt (as defined in Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued. We have issued PIT bonds to provide funds with which to:

- fund on behalf of the State or to reimburse the State for certain amounts advanced as State Contributions to the clean water SRF, to the drinking water SRF and for other environmental infrastructure projects; and
- provide for the payment of the costs of issuing the bonds.

Pledge Under the Resolution

The PIT bonds are our special obligations, payable solely from and secured as to the payment of principal and interest by a pledge of:

- for each series, the proceeds of the sale of that series of PIT bonds;
- the Financing Agreement Payments made pursuant to a Financing Agreement (Environment), by and between EFC and the Director of the Budget, dated as of October 10, 2002 (the "financing agreement");
- the moneys, securities and funds held in the funds and accounts established under the environment general resolution; and
- the lien on the pledged property created by a pledge under the environment general resolution.

See **Exhibit 5A** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS RELATING TO THE PERSONAL INCOME TAX PROGRAM – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – The Pledge Effected by the Resolution."

The pledge created by the environment general resolution is subject only to the provisions, restrictions and limitations of the environment general resolution permitting the application of Financing Agreement Payments and the funds established under the environment general resolution for the purposes and upon the terms and conditions set forth therein. No other indebtedness of ours (other than any Additional Bonds and amounts payable to providers of Credit Facilities, if any) is payable from the Financing Agreement Payments.

The bonds are not our general obligations and shall not constitute an indebtedness of or a charge against our general credit. The bonds are not a debt of the State, and the State shall not be liable thereon. The bonds are not secured by or payable from any other of our revenues or from any amounts on deposit in the clean water SRF or the drinking water SRF.

Financing Agreement Payments

The Financing Agreement Payments are to be paid by the State Comptroller to the trustee on our behalf from amounts deposited in the Revenue Bond Tax Fund established under Section 92-z of the State Finance Law. Financing Agreement Payments equal the amount necessary to pay the debt service and other cash requirements on the PIT bonds. The source of the Financing Agreement Payments is certain personal income taxes imposed by the State on a statewide basis and required by the Enabling Act to be deposited in the Revenue Bond Tax Fund. The Enabling Act provides that 50 percent of the receipts from the State personal income tax, 50 percent of the receipts from the Employer Compensation Expense Program (ECEP), and 50 percent of the pass-through entity tax receipts (PTET) with certain exclusions, are to be deposited in the Revenue Bond Tax Fund.

If at any time the amount of receipts in the Revenue Bond Tax Fund is insufficient to make all Financing Agreement Payments on all PIT Bonds issued by the authorized issuers, the State Comptroller is required to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the authorized issuers. Subject to annual appropriation, such amounts will be applied to pay the required Financing Agreement Payments.

If (i) the State Legislature does not appropriate all amounts required to make the Financing Agreement Payments on the PIT bonds to all authorized issuers or (ii) having been appropriated and set aside, Financing Agreement Payments have not been made when due on the PIT bonds, the Enabling Act requires that all of the receipts from the withholding component of the State personal income tax will continue to be deposited in the Revenue Bond Tax Fund until such amounts equal the greater of 40 percent of the aggregate of annual State Personal Income Tax Receipts and ECEP receipts or $12,000,000,000. Other than to make Financing Agreement Payments from appropriated amounts, the Enabling Act prohibits transfer of the money in the Revenue Bond Tax Fund to any other fund or account or use by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until the required appropriations and all required Financing Agreement Payments have been made.

The obligation of the State to make Financing Agreement Payments is subject to the State Legislature making annual appropriations for such purpose and such obligation shall not constitute a debt of the State within the meaning of any constitutional or statutory provision, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.

Subject to the foregoing, the State's obligation to make the Financing Agreement Payments is absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against us or any other person or entity having an interest in the Financing Agreement or the payments made thereunder.

Pursuant to the Financing Agreement, the State has agreed to request annual appropriations during the term of such Financing Agreement in an amount sufficient to make scheduled Financing Agreement Payments. However, the State Legislature shall not be legally or morally obligated to make appropriations to satisfy the State's obligation to make payments under the Financing Agreement and there can be no assurance that the State Legislature will make any such appropriations. Because the State Legislature has never failed to make an appropriation for Financing Agreement Payments, there has never been an occasion for a court to determine the extent of remedies, if any, available to owners of PIT bonds and the State Legislature's right with respect to amounts on deposit in the Revenue Bond Tax Fund.

For a complete statement of the State's obligations under the Financing Agreement see **Exhibit 5A** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS RELATING TO THE PERSONAL INCOME TAX PROGRAM – FORM OF FINANCING AGREEMENT (ENVIRONMENT)."

The State's financial condition and any budgetary imbalance in any future fiscal year could affect the ability and willingness of the State Legislature to appropriate and the availability of moneys to make the payments provided for under the Financing Agreement.

No Debt Service Reserve Fund Requirement

The environment general resolution does not require the establishment of a Debt Service Reserve Fund Requirement in connection with any series of PIT bonds.

Additional Bonds

The environment general resolution authorizes the issuance of additional bonds, provided that the amount of Revenue Bond Tax Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of calculation, as certified by the Director of the Budget, is at least two times the

maximum Calculated Debt Service on all Outstanding PIT Bonds issued by authorized issuers, the PIT bonds proposed to be issued, and any additional amounts payable with respect to Parity Reimbursement Obligations, as certified by the Director of the Budget.

Additional bonds may be issued for the purpose of refunding any bonds in accordance with the provisions of the Enabling Act, the EFC Act and the environment general resolution without meeting any coverage tests.

Additional Obligations Relating to Certain Credit Facilities

We may incur obligations or indebtedness to a provider of a Credit Facility, which are secured on a parity with the PIT bonds equal to and ratable with the lien and pledge in favor of the PIT bonds, without preference, priority or distinction over the rights of the owners of the bonds.

Remedies

In the event of a default, neither the Trustee nor the owners of the PIT bonds will have the right to declare all the PIT bonds immediately due and payable.

See **Exhibit 5A** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS RELATING TO THE PERSONAL INCOME TAX PROGRAM – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Remedies" for a description of remedies which are available to the Owners of Bonds.

Agreement of the State

In accordance with the Enabling Act and, to the extent applicable, the EFC Act, on behalf of the State, we have agreed with the owners of the PIT bonds that the State will not limit or alter the rights and powers vested by the Enabling Act and the EFC Act in us to fulfill the terms of the contract made with the owners of the PIT bonds in the environment general resolution or in any way impair the rights and remedies of the owners of the PIT bonds until the PIT bonds, together with the interest thereon and interest on unpaid installments of interest (if payable under the terms of the PIT bonds), and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have meanings given to such terms in **Exhibit 5A** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS RELATING TO THE PERSONAL INCOME TAX PROGRAM."

ENVIRONMENTAL INFRASTRUCTURE REVENUE BONDS

EIR bonds have been issued pursuant to the EFC Act, (the New York State Environmental Facilities Corporation Act, Title 12 of Article 5 of the Public Authorities Law of the State of New York) and our Multi-Purpose State Service Contract Revenue Bond Resolution, adopted February 8, 2001, as supplemented (referred to as the "multi-purpose resolution").

As of September 30, 2021, there were no outstanding bonds under the multi-purpose resolution. Additional bonds may be issued under the multi-purpose resolution. EIR bonds may be issued on a taxable or tax-exempt basis.

The EFC Act authorizes the Commissioner of Environmental Conservation of the State of New York, referred to as the "DEC Commissioner," in connection with the Clean Water State Revolving Fund,

the Commissioner of the Department of Health of the State of New York, referred to as the "DOH Commissioner," in connection with the Drinking Water State Revolving Fund, and the Director of the Budget of the State of New York, referred to as the "Director," in connection with the State environmental infrastructure projects, respectively, on behalf of the People of the State, and ourselves, subject to the approval of the Director, to enter into one or more service contracts providing for:

- the administration of the "clean water SRF" established pursuant to Chapter 565 of the Laws of 1989;

- the administration of the "drinking water SRF" established pursuant to Chapter 413 of the Laws of 1996;

- the financing by us of certain matching contributions advanced by the State to the clean water SRF and the drinking water SRF, referred to as the "State Contributions"; and

- the financing by us of certain amounts to fund for, or to reimburse the State for amounts advanced by, the State for environmental infrastructure projects, also referred to as the "State Contributions."

In connection with the issuance of the EIR bonds, we have entered into a service contract as of March 1, 2001 with the State, and supplemental service contracts in connection with various financings, referred to collectively as the "Service Contract." The Service Contract has been executed by one of our authorized officers and by the DEC Commissioner for the clean water SRF program and by the Director for environmental infrastructure projects, all in accordance with the EFC Act and approved by the Comptroller of the State in accordance with Section 112 of the State Finance Law, and approved as to form by the Attorney General of the State. The Attorney General of the State has rendered an opinion as to the validity of the obligations of the State under the Service Contract. Pursuant to the terms of the multi-purpose resolution, we may amend or supplement the Service Contract or enter into service contracts with the State in addition to the Service Contract on the terms and conditions described in the multi-purpose resolution in order to secure additional bonds.

The EIR bonds are our special obligations, payable solely from and secured as to the payment of principal and interest by a pledge of:

- for each series, the proceeds of the sale of that series of EIR bonds;

- the Service Contract Bond Payments (as hereinafter described) to be made to us by the State, acting by and through the DEC Commissioner and the Director pursuant to the Service Contract;

- the moneys, securities and funds held in the funds and accounts established under the multi-purpose resolution; and

- certain other rights of ours under the Service Contract as described in the multi-purpose resolution.

The obligation of the State, the DEC Commissioner, or the Director to make Service Contract Bond Payments shall not constitute a debt of the State within the meaning of any constitutional or statutory provision, is subject to annual appropriations being made by the State Legislature for such purpose, and shall be deemed executory only to the extent of the moneys available therefor and no

liability on account thereof shall be incurred by the State beyond the moneys available for the purpose thereof.

We have issued EIR bonds to provide funds with which to:

- fund on behalf of the State or to reimburse the State for certain amounts advanced as State Contributions to the clean water SRF and for environmental infrastructure projects including hazardous waste site remediation projects; and

- provide for the payment of the costs of issuing the bonds.

Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have meanings given to such terms in **Exhibit 5B** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS (EIR Bonds Program)."

Pledge Under the Resolution

EIR bonds are our special obligations, payable solely from and secured as to the payment of principal and interest by a pledge of:

- the proceeds of the sale of the bonds;

- the Service Contract Bond Payments to be made to us by the State, acting by and through each applicable Commissioner and the Director pursuant to the Service Contract;

- the moneys, securities and funds held in the funds and accounts established under the multi-purpose resolution; and

- certain other of our rights under the Service Contract as described in the multi-purpose resolution.

See **Exhibit 5B** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS (EIR Bonds Program) - Summary of Certain Provisions of the Resolution - The Pledge Effected by the Resolution."

The pledge created by the multi-purpose resolution is subject only to the provisions, restrictions and limitations of the multi-purpose resolution permitting the application of Service Contract Bond Payments and the funds established under the multi-purpose resolution for the purposes and upon the terms and conditions set forth therein. No other indebtedness of ours (other than any Additional Bonds and amounts payable to providers of Reserve Fund Credit Facilities and Credit Facilities, if any) is payable from the Service Contract Bond Payments.

The bonds are not our general obligations and shall not constitute an indebtedness of or a charge against our general credit. The bonds are not a debt of the State, and the State shall not be liable thereon. The bonds are not secured by or payable from any other of our revenues or from any amounts on deposit in the clean water SRF or the drinking water SRF.

Bond Service Payments

Pursuant to the Service Contract, the State is to pay to us Service Contract Bond Payments which are sufficient to:

- pay the Bond Service relating to the EIR bonds less the amount paid or provided for pursuant to the multi-purpose resolution;

- make any prepayments of principal or interest on a particular series of EIR bonds, as the same may be elected by the State pursuant to the Service Contract; and

- provide amounts which may be paid in connection with a redemption or defeasance pursuant to the multi-purpose resolution. Service Contract Bond Payments are reduced to the extent there are moneys on deposit in the funds and accounts established by the multi-purpose resolution and available for the payment of debt service on the EIR bonds and other amounts due under the multi-purpose resolution.

- "Bond Service" means as of any date and with respect to any series, an amount equal to the sum of:

  - interest due and payable on such date on bonds of such series;

  - the Principal Installment, if any, due and payable on such date for such series and any principal of and interest on bonds of such series previously due and not yet paid as of such date.

See **Exhibit 5B** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS (EIR Bonds Program) - Definitions of Certain Terms."

The obligation of the State, each Commissioner, or the Director to make Service Contract Bond Payments shall not constitute a debt of the State within the meaning of any constitutional or statutory provision, is subject to annual appropriations being made by the State Legislature for such purposes and shall be deemed executory only to the extent of the moneys available therefor, and no liability on account thereof shall be incurred by the State beyond the moneys available for the purpose thereof.

Subject to the foregoing, the State's obligation to make the Service Contract Bond Payments is absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against us or any other person or entity having an interest in the Service Contract or the payments made thereunder.

Pursuant to the Service Contract, the State has agreed to request annual appropriations during the term of such Contract in an amount sufficient to make scheduled Service Contract Bond Payments. However, the State Legislature shall not be legally or morally obligated to make appropriations to satisfy the State's obligation to make payments under the Service Contract and there can be no assurance that the State Legislature will make any such appropriations.

For a complete statement of the State's obligations under the Service Contract see **Exhibit 5B** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS (EIR Bonds Program) - Summary of Certain Provisions of the Service Contract."

The State's financial condition and any budgetary imbalance in any future fiscal year could affect the ability and willingness of the State Legislature to appropriate and the availability of moneys to make the payments provided for under any Service Contract.

No Debt Service Reserve Fund Requirement

The multi-purpose resolution does not require the establishment of a Debt Service Reserve Fund Requirement in connection with any series of bonds.

Additional Bonds

The EFC Act currently limits our issuance of bonds, for the purpose of reimbursing the State for amounts advanced as State Contributions, to the amount sufficient to repay amounts disbursed pursuant to any appropriation or reappropriation enacted for the purpose of financing State Contributions to the clean water SRF or other authorized State environmental infrastructure projects.

The multi-purpose resolution authorizes the issuance of additional bonds to reimburse the State for State Contributions to the clean water SRF to the full extent authorized by the EFC Act, as amended from time to time, or such other purposes, as authorized by law. The multi-purpose resolution further requires that prior to the issuance of any bonds, one of our Authorized Officers must file a certificate stating that the Service Contract Bond Payments made pursuant to the Service Contract, as such Service Contract may be amended from time to time, are sufficient to provide for the payment of the Aggregate Bond Service to become due on all bonds. The issuance of additional bonds may require a supplement to the Service Contract or other Service Contracts to provide for additional Service Contract Bond Payments.

Additional bonds may be issued for the purpose of refunding any bonds in accordance with the provisions of the EFC Act and the multi-purpose resolution.

Additional Obligations Relating to Certain Credit and Other Facilities

We may incur obligations or indebtedness to a provider of a Credit Facility or Liquidity Facility, which are secured on a parity with the EIR bonds equal to and ratable with the lien and pledge in favor of the EIR bonds, without preference, priority or distinction over the rights of the owners of the bonds.

Remedies

In the event of a default, neither the Trustee nor the owners of the EIR bonds will have the right to declare all the EIR bonds immediately due and payable.

See **Exhibit 5B** – "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS (EIR Bonds Program) - Summary of Certain Provisions of the Resolution - Remedies Upon an Event of Default" for a description of remedies which are available to the owners of Bonds.

Agreement of the State

In accordance with the EFC Act, on behalf of the State, we have agreed with the owners of the bonds that the State will not limit or alter the rights and powers vested by the EFC Act in us to fulfill the terms of the contract made with the owners of the bonds in the multi-purpose resolution or in any way impair the rights and remedies of the owners of the bonds until the bonds, together with the interest thereon and interest on unpaid installments of interest (if payable under the terms of the bonds), and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

PART 6.
INDUSTRIAL FINANCE PROGRAM

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PART 6. INDUSTRIAL FINANCE PROGRAM

PURPOSE OF THE PROGRAM

We have helped clients manage their wastes, provide for water supply and water management and comply with environmental regulations since 1974. Our industrial finance program has loaned over $864 million to New York's businesses enabling them to borrow at lower cost than conventional financing options. *The information provided herein relating to our industrial finance program is provided for your convenience only. We have no continuing disclosure obligation with respect to any of our bonds issued pursuant to this program, and strongly recommend that you review the relevant official statement and related client's disclosure for more detailed information. To the extent those financings are subject to the applicable rules of the Municipal Securities Rulemaking Board, you may obtain that disclosure from the repositories or EMMA, as applicable.*

HOW LOANS ARE MADE

We finance loans from the proceeds of our special obligation revenue bonds. The interest on these bonds is generally exempt from federal, state and local income taxes thereby resulting in lower interest rates on the loans.

Subject to certain federal and state law requirements and approvals, there is no limit on the amount of a loan, which may be amortized for a term up to 40 years.

Eligible costs include land, buildings, equipment, appurtenant facilities, project engineering, legal fees and other related costs. Under the present federal tax law only two percent of the proceeds of the loan may be used to pay the cost of issuing the bonds. We can issue taxable bonds to cover any additional costs of issuance.

Our special obligation revenue bonds are not obligations of the State of New York. The client and the project are generally the only source of revenue for repayment. The client also bears all costs and fees involved in making the loan. Loans are made to individual clients but several projects at one or more sites owned by one client may be financed with a single bond issue. We will also consider the issuance of additional bonds to complete a project.

POTENTIALLY ELIGIBLE PROJECTS (EXEMPT FACILITIES CATEGORIES)

- Resource Recovery Facilities
- Solid Waste Disposal Facilities
- Hazardous Waste Treatment Facilities
- Water Supply and Water Management Facilities
- Sewage Treatment Works

APPLICATION PROCESS

There are a number of steps to complete before a loan may be granted. Some of these occur simultaneously.

- The client submits an application, including the project's location, a detailed project description, projected use and type of construction, the names and resumes of the principals and officers, the names and addresses of any parent, subsidiary and affiliate firms, a history of the client's organization, budget information, a business plan, financial statements from the past three to five years, revenue and expense projections for the next three to five years, debt owed to suppliers, past and present actions or proceedings by the client against New York State or us and the economic benefits of financing the project through tax exempt bonds.

- The client completes an environmental assessment form.

- We and our bond counsel review the application for eligibility under the New York State Public Authorities Law, the New York State Environmental Quality Review Act (SEQRA); a preliminary review for project eligibility under the Internal Revenue Code is conducted. We also conduct a preliminary financial analysis.

- Our Board of Directors approves an inducement resolution allowing work on the project to proceed. Only project costs incurred after the date of the inducement resolution are eligible for our federally tax exempt financing. Project costs incurred prior to inducement may not be included in the loan amount, although such costs can be financed by our bonds which are taxable under federal law but exempt under New York State law.

- The client secures a purchaser for our bonds. In the event the client wants to place the bonds privately, we will expect the client, as early as is practicable, to secure a formal commitment from a purchaser, including the terms of the sale.

- A public hearing is held as required by the Tax Equity and Fiscal Responsibility Act (TEFRA). If other public hearings are required in connection with the project, we will coordinate its hearing with those.

- Bond Counsel completes a final review for eligibility under the Internal Revenue Code.

- The bond documents are prepared. These generally are:

  - Loan Agreement between us and the client
  - Indenture of Trust between us and the bond trustee
  - Bond Purchase Agreement between us and the purchaser of the bonds
  - Tax Regulatory Agreement
  - Official Statement (or private placement memorandum, if necessary)

- Public Service Commission approval is obtained to issue securities for water supply and water management facilities.

- Bond allocation under the state cap is obtained from the New York State Division of the Budget when required by federal tax law.

- Final bond issuance approval is secured from our Board of Directors, the State Comptroller, the Governor and the State Public Authorities Control Board. We will request these approvals.

- The bonds are marketed and the transaction closed.

FOR MORE INFORMATION

Contact the Director of Public Finance by writing to us at our headquarters shown above, or calling (518) 402-6924.

See **Exhibit 6A** – "OUTSTANDING BONDS" for a listing of our outstanding bonds under the industrial finance program.

EXHIBITS TO
ANNUAL INFORMATION STATEMENT

Exhibit 1A – Additional Information
Regarding The Corporation

EXHIBIT 1A

ADDITIONAL INFORMATION REGARDING THE CORPORATION

Corporation Board of Directors and Executive Staff

The Corporation is governed by a board of directors (the "Corporation Board"), which consists of seven directors. Three of the directors are designated in the EFC Act as *ex officio* members: the Commissioner of Environmental Conservation of the State, whom the EFC Act also designates as the chair of the Corporation, the Commissioner of Health of the State and the Secretary of State of the State. The four remaining directors are appointed by the Governor of the State by and with the advice and consent of the State Senate. The appointed directors serve staggered six year terms. Pursuant to State law, after the expiration of a director's term he or she holds over and continues to discharge the duties of a director of the Corporation Board until a successor has been chosen and qualified. There is currently one vacancy.

As of October 15, 2021, the present members of the Corporation Board are:

BASIL B. SEGGOS, Commissioner of Environmental Conservation of the State of New York, Albany; *ex officio*. Mr. Seggos has been Commissioner of Environmental Conservation since October 2, 2015.

HOWARD A. ZUCKER, M.D., J.D., Commissioner of Health of the State of New York, Albany; *ex officio*. Dr. Zucker has been Commissioner of Health since May 4, 2014.

ROSSANA ROSADO, Secretary of State of the State of New York, Albany; *ex officio*. Ms. Rosado has been Secretary of State since June 15, 2016.

FRANCIS T. CORCORAN, Bedford Corners. Mr. Corcoran's term expired on December 31, 2015.

VITA DEMARCHI, Manlius. Ms. DeMarchi's term expired on December 31, 2017.

CHARLES KRUZANSKY, Voorheesville. Mr. Kruzansky's term expired on December 31, 2018.

ADAM ZUROFSKY, New York City. Mr. Zurofsky's term expires on December 31, 2025.

The ex officio members of the Corporation Board have designated certain individuals to act in their absence as Directors of the Corporation. Jeffrey Stefanko, Assistant Commissioner for Administration, Department of Environmental Conservation ("DEC") has been appointed to act on behalf of the Commissioner of Environmental Conservation. Roger C. Sokol, Ph.D., Director, Division of Environmental Health Protection, Department of Health, has been appointed to act on behalf of the Commissioner of Health. James W. Leary, Assistant Executive Secretary of State, Department of State has been appointed to act on behalf of the Secretary of State.

As of October 15, 2021, the Corporation's senior management consists of the following executives:

MAUREEN A. COLEMAN, Esq., President and Chief Executive Officer. Ms. Coleman was appointed President and Chief Executive Officer on October 14, 2021. She was appointed General Counsel in May 2015, served as Acting President and Chief Executive from September 10, 2019 to January 31, 2021 and was named Senior Vice President and General Counsel in February 2021. She was appointed Executive Director of the New York State Bridge Authority on July 15, 2021. Prior to joining the Corporation, she served as Assistant Counsel to the Governor, where she advised the Governor and policy staff on legal matters related to the environment, energy, and agriculture. Prior to this role, she was employed for thirteen

years with the Department of Environmental Conservation, where she served as legislative counsel in the Department's Office of Legislative Affairs and then as Bureau Chief of Water and Natural Resources for the Department's Office of General Counsel. Prior to joining state service, Ms. Coleman served as Vice President, Law & Regulation at J. &. W. Seligman & Co. Incorporated, a privately owned investment manager in New York City. She has a B.A. from College of Saint Rose and a J.D. from Brooklyn Law School.

GEORGE N. CHOLAKIS, Esq., Acting General Counsel. Mr. Cholakis has served as Acting General Counsel since July 2021, after being appointed Executive Deputy Counsel to the Corporation in October, 2015. Mr. Cholakis had previously served as Associate Counsel to the Corporation from 1999 to 2005, and then Assistant General Counsel until his departure in 2010. Mr. Cholakis was previously in private practice specializing in commercial transactions, and most recently in the areas of bankruptcy and loss mitigation. He has a B.A. from Union College as well as a J.D. from Western New England College School of Law and a Master's of International Management Degree from the Thunderbird School of Global Management.

WILLIAM A. BRIZZELL, JR., P.E., Director of Engineering and Program Management. Mr. Brizzell was appointed Director of Engineering and Program Management in October 2021 after serving as Deputy Director of Engineering and Program Management since April 2018. Mr. Brizzell joined the Corporation in June 1997 as a Project Engineer and was appointed Program Manager of the Western Projects Section in May 2003. Mr. Brizzell transferred to the Technical Support Section in July 2005 where he was responsible for preparation of the Intended Use Plan (IUP), various reports to EPA, and overall tracking of the Clean Water State Revolving Fund (CWSRF). Mr. Brizzell has a B.S. from Clarkson University. He is a licensed Professional Engineer in in the State of New York.

BRIAN D. MCCLINTOCK, Director of Public Finance. Mr. McClintock was appointed Director of Public Finance to the Corporation in October 2021. Mr. McClintock had previously served as Public Finance Manger to the Corporation from 2005 to 2021. Prior to 2005, Mr. McClintock held several positions in both the Finance and Accounting departments for the Corporation. Prior to joining the Corporation, Mr. McClintock worked for Fidelity Investments in both the Accounting and Finance Departments. He received a B.S. from Northeastern University in Finance and Accounting.

ALBERT B. SCHNIDE, CPA, Controller. Mr. Schnide has served as Controller to the Corporation since July 2021 after being appointed Deputy Controller in February, 2019. Prior to joining the Corporation, he was employed by a private accounting firm, overseeing financial reporting and administration for private equity funds. Mr. Schnide began his career with AllianceBernstein, working in back and middle office fixed income investment administration. He also held roles with Volkswagen Credit, Inc., completing a post-M.B.A. rotational program and working on financial reporting, planning, and presentation within the controlling department. Mr. Schnide has an M.B.A. with a concentration in Finance from Pace University, as well as a B.A. in Philosophy and a B.S. in Accounting from the State University of New York at New Paltz. He is a licensed Certified Public Accountant in the State of New York.

Exhibit 1B – EFC Audited Annual Financial Statements

KPMG LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Annual Information Statement.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION

(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Basic Financial Statements

March 31, 2021 and 2020

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KPMG LLP
515 Broadway
Albany, NY 12207-2974

Independent Auditors' Report

The Board of Directors
New York State Environmental Facilities Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the New York State Environmental Facilities Corporation (the Corporation), a component unit of the State of New York, as of and for the years ended March 31, 2021 and 2020, and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements for the years then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Environmental Facilities Corporation as of March 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

KPMG LLP

Albany, New York
June 30, 2021

Introduction

The New York State Environmental Facilities Corporation (EFC or the Corporation) is a Public Benefit Corporation whose mission is to assist communities throughout New York State to undertake critical water quality infrastructure projects by providing access to low cost capital, grants, and expert technical assistance. A primary goal is to ensure that these projects remain affordable while safeguarding essential water resources. We support this mission by consistently using an innovative approach to developing and advancing new financing strategies to maximize the funding that can be made available to our clients, aiding compliance with Federal and State requirements, and promoting green infrastructure practices.

EFC's primary activities are within its State Revolving Fund programs (SRFs).

EFC's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

Corporate Activities

EFC's corporate activities include the Industrial Finance Program (IFP) and the Small Business Environmental Assistance Program (SBEAP).

The IFP provides tax-exempt and taxable conduit financings to private entities for a variety of environmental purposes. The SBEAP assists business owners in reducing discharges of pollutants into the environment by providing technical guidance.

State Revolving Fund Programs

EFC's two major programs are the Clean Water and Drinking Water State Revolving Funds (CWSRF/DWSRF). These two programs account for substantially all of the total assets and the increase in net position of EFC. These programs provide financial support to communities throughout the State to undertake projects that prevent water pollution and provide safe drinking water.

Clean Water State Revolving Fund Program

The CWSRF program provides low-interest rate financing terms and in certain cases offers loan guarantees, principal forgiveness and grants to eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The program is administered jointly by EFC and the New York State Department of Environmental Conservation (DEC). As the financings are repaid, the money becomes available to finance new projects and the funds continue to revolve. The CWSRF provides up to a 50% interest rate subsidy, which saves communities money on interest costs.

Examples of eligible CWSRF projects include construction of new wastewater treatment plants, upgrades to existing plants, sewer line extensions and storm water management projects.

Drinking Water State Revolving Fund Program

The DWSRF program provides low-interest rate financing terms and in certain cases offers principal forgiveness, as well as hardship grants for publicly and privately owned community water system projects that

provide safe, affordable drinking water. The program is administered jointly by EFC and the New York State Department of Health (DOH). Like the CWSRF, as the financings are repaid, the money becomes available to finance new projects. The DWSRF provides up to a 33⅓% interest rate subsidy, which saves communities money on interest costs.

Examples of eligible DWSRF projects include upgrades to treatment facilities to ensure compliance with Federal and State drinking water standards, installation or replacement of storage facilities to prevent contamination or provide adequate delivery pressure, and installation or replacement of transmission and distribution mains to prevent contamination.

Water Infrastructure Improvement Acts/Clean Water Infrastructure Act of 2017

The New York State Water Infrastructure Improvement Acts of 2015 and 2017 (WIIA) provided significant state resources to fund critical drinking water and wastewater infrastructure projects. Under WIIA, EFC provides grants to assist municipalities in funding water quality infrastructure. WIIA grants are available for both drinking water and sewage treatment works (clean water) projects that protect or improve water quality and/or public health.

The Clean Water Infrastructure Act of 2017 (CWIA) invests additional state resources to fund drinking water and clean water infrastructure projects as well as water quality protection across New York State. CWIA continues the investment of WIIA and funds new programs that will also protect or improve water quality and/or public health.

Many of the projects that are supported with WIIA/CWIA will also receive CWSRF or DWSRF funding.

Financial Highlights – 2021

- Total assets and deferred outflows of resources decreased by $141.2 million or 1.1% from $13.3 billion to $13.1 billion.
- Net position increased by $2.3 million and remained at $7.1 billion.
- Investment income decreased by $39.5 million or 35.9% from $110.2 million to $70.7 million.
- Project grant revenues decreased by $279.7 million from $287.1 million to $7.4 million.
- The Corporation issued two series of SRF bonds in an aggregate principal amount of $294.5 million.

Financial Highlights – 2020

- Total assets and deferred outflows of resources increased by $112.7 million or .9% from $13.2 billion to $13.3 billion.
- Net position increased by $299.2 million or 4.4% from $6.8 billion to $7.1 billion.
- Interest subsidy provided decreased by $7.3 million or 6.2% from $116.5 million to $109.2 million.
- Project grant revenues decreased by $21.0 million or 6.8% from $308.1 million to $287.1 million.
- The Corporation issued two series of SRF bonds in an aggregate principal amount of $460.2 million.

SRF Program Activity

A summary of the SRFs' bond issuances that occurred is as follows:

2021				
Series	**Closed**	**CWSRF**	**DWSRF**	**Total**
2020A	4/8/2020	$ 171,385,000	—	171,385,000
2020B	12/17/2020	77,955,000	45,155,000	123,110,000
		$ 249,340,000	45,155,000	294,495,000

2020				
Series	**Closed**	**CWSRF**	**DWSRF**	**Total**
2019A	6/13/2019	$ 117,210,000	3,490,000	120,700,000
2019B	10/8/2019	200,995,000	138,480,000	339,475,000
		$ 318,205,000	141,970,000	460,175,000

The preceding charts reflect the amount of SRF bonds at their original par value. SRF bonds are typically sold at a premium or discount and the proceeds of those bonds are provided to recipients. SRF bonds are rated AA or better by Standard and Poor's, Moody's Investors Service and Fitch, Inc.

A summary of the SRFs' financings that occurred is as follows:

	2021		
	CWSRF	**DWSRF**	**Total**
Leveraged financings	$ 249,340,000	45,155,000	294,495,000
Long-term direct financings	234,858,927	21,937,435	256,796,362
Short-term direct financings	564,724,220	68,756,577	633,480,797
Grants	22,509,036	6,338,188	28,847,224
	$ 1,071,432,183	142,187,200	1,213,619,383

	2020		
	CWSRF	**DWSRF**	**Total**
Leveraged financings	$ 318,205,000	141,970,000	460,175,000
Long-term direct financings	157,052,537	77,357,297	234,409,834
Short-term direct financings	635,281,634	234,250,037	869,531,671
Grants	8,078,511	9,635,344	17,713,855
	$ 1,118,617,682	463,212,678	1,581,830,360

A summary of the WIIA/CWIA financings that occurred is as follows:

	2021		
	CW	**DW**	**Total**
Grants	$ 87,891,477	111,510,454	199,401,931
Short-term loans	900,000	—	900,000
	$ 88,791,477	111,510,454	200,301,931

	2020		
	CW	**DW**	**Total**
Grants	$ 122,060,465	105,224,279	227,284,744
Short-term loans	754,173	—	754,173
	$ 122,814,638	105,224,279	228,038,917

Summary Schedule of Net Position

A summary of the Corporation's net position is as follows:

	March 31	
	2021	**2020**
Assets and Deferred Outflows of Resources		
Current assets	$ 1,696,346,628	1,299,741,642
Noncurrent assets	11,413,259,843	11,963,215,670
Total assets	13,109,606,471	13,262,957,312
Deferred outflows of resources	15,290,875	3,114,287
Total assets and deferred outflows of resources	$ 13,124,897,346	13,266,071,599
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities	$ 544,185,356	561,825,085
Noncurrent liabilities	5,453,432,782	5,588,655,746
Total liabilities	5,997,618,138	6,150,480,831
Deferred inflows of resources	10,630,620	1,222,123
Total liabilities and deferred inflows of resources	6,008,248,758	6,151,702,954
Net position restricted	7,109,162,069	7,107,319,659
Net position unrestricted	7,486,519	7,048,986
Total net position	7,116,648,588	7,114,368,645
Total liabilities, deferred inflows of resources and net position	$ 13,124,897,346	13,266,071,599

(Continued)

Summary Schedule of Revenues, Expenses and Changes in Net Position

A summary of the Corporation's revenues, expenses and changes in net position is as follows:

	March 31	
	2021	**2020**
Total operating revenues	$ 335,851,345	358,445,924
Total operating expenses	385,415,033	405,292,186
Operating loss	(49,563,688)	(46,846,262)
Nonoperating revenues	189,100,526	523,740,680
Nonoperating expenses	137,256,893	177,664,683
Increase in net position	2,279,945	299,229,735
Beginning net position	7,114,368,643	6,815,138,908
Cumulative effect of change in accounting principles		
Ending net position	$ 7,116,648,588	7,114,368,643

Statements of Net Position Analysis

2021

The Corporation's total assets and deferred outflows of resources decreased $141.2 million from $13.3 billion as of March 31, 2020 to $13.1 billion as of March 31, 2021. The decrease in assets and deferred outflows of resources of $141.2 million was the net result of several factors, which include an increase in cash and cash equivalents of $259.2 million, a decrease in short-term financings receivable of $18.8 million, an increase in direct financings receivable of $143.0 million, a decrease in bonds receivable of $158.8 million, a decrease in due from NYS appropriation bonds receivable of $16.4 million, as well as a decrease in investments of $345.0 million.

The Corporation's total liabilities and deferred inflows of resources decreased $143.5 million from $6.2 billion as of March 31, 2020 to $6.0 billion as of March 31, 2021. The decrease in liabilities and deferred inflows of resources of $143.5 million was primarily the net result of several factors, which include a decrease in bonds payable of $168.0 million, an increase in accounts payable and accrued expenses of $19.5 million, a decrease in accrued interest subsidy and interest on bonds of $4.4 million, a decrease in appropriation bonds payable of $16.4 million, as well as an increase in other liabilities of $26.7 million.

The Corporation's total net position increased $2.3 million, remaining at $7.1 billion as of March 31, 2021.

2020

The Corporation's total assets and deferred outflows of resources increased $112.7 million from $13.2 billion as of March 31, 2019 to $13.3 billion as of March 31, 2020. The increase in assets and deferred outflows of resources of $112.7 million was the net result of several factors, which include a decrease in cash and cash

equivalents of $295.2 million, an increase in short-term financings receivable of $218.5 million, an increase in direct financings receivable of $99.1 million, a decrease in bonds receivable of $108.0 million, a decrease in due from NYS appropriation bonds receivable of $15.6 million, as well as an increase in investments of $211.2 million.

The Corporation's total liabilities and deferred inflows of resources decreased $186.5 million from $6.3 billion as of March 31, 2019 to $6.2 billion as of March 31, 2020. The decrease in liabilities and deferred inflows of resources of $186.5 million was primarily the net result of several factors, which include a decrease in bonds payable of $171.5 million, a decrease in accrued interest on subsidy and bonds of $8.2 million, a decrease in appropriation bonds payable of $15.6 million, as well as an increase in other post-employment benefits of $3.3 million.

The Corporation's total net position increased $299.2 million from $6.8 billion as of March 31, 2019 to $7.1 billion as of March 31, 2020. The increase in net position of $299.2 million was primarily the result of receiving project grant revenues from the federal capitalization grant awards.

Changes in Net Position Analysis

2021

During the year ended March 31, 2021, the Corporation recorded an operating loss of $49.6 million as compared to an operating loss of $46.9 million during the year ended March 31, 2020. The increase in operating loss of $2.7 million was primarily the net result of a $19.9 million decrease in operating expenses combined with a $22.6 million decrease in operating revenue. Operating expenses decreased primarily due to a decrease in interest expense on bonds payable of $5.0 million, a decrease in principal forgiveness of $2.4 million, as well as a decrease in interest subsidy provided of $12.4 million. Operating revenue decreased primarily due to a decrease in bond financing and administrative fees of $9.3 million, as well as a decrease in interest income on bonds and direct financings of $16.2 million, which was off-set by an increase in administrative grant revenues of $2.8 million. The decrease in bond financing and administrative fees was driven by a one-time positive adjustment in the prior period and is not indicative of a decline in ongoing fee income.

The Corporation recorded project grant revenues in its statements of revenues, expenses, and changes in net position of $7.4 million during the year ended March 31, 2021 as compared to $287.1 million for the year ended March 31, 2020. The decrease in project grant revenues of $279.7 million is due to a decrease in the amount of funds that the Corporation drew from the CWSRF and DWSRF capitalization grants year over year. Also included in nonoperating revenues and expenses was a decrease in investment income of $39.5 million and a decrease in grants disbursed of $25.0 million. Contributing to the decrease in investment income was an unrealized gain in the change in fair value on our long-term investment portfolio of $10.0 million for the year ended March 31, 2021 as compared to an unrealized gain of $22.5 million for the year ended March 31, 2020.

The Corporation recorded an increase in net position of $2.3 million for the year ended March 31, 2021 as compared to $299.2 million for the year ended March 31, 2020. The decrease in the change in net position of $296.9 million year over year is primarily the result of a delay in drawing project grant revenues from the federal capitalization grant awards.

2020

During the year ended March 31, 2020, the Corporation recorded an operating loss of $46.9 million as compared to an operating loss of $75.4 million during the year ended March 31, 2019. The decrease in operating loss of $28.5 million was primarily the net result of a $22.1 million decrease in operating expenses and a $6.4 million increase in operating revenue. Operating expenses decreased primarily due to a decrease in interest expense on bonds payable of $4.7 million, a decrease in principal forgiveness of $8.7 million, as well as a decrease in interest subsidy provided of $7.2 million. Operating revenue increased primarily due to increase in bond financing and administrative fees of $11.7 million, as well as an increase in administrative grant revenues of $2.6 million, which was off-set by a decrease in interest income on bonds and direct financings of $6.0 million. The increase in bond financing and administrative fees of $11.7 million was driven by a one-time change in accounting methodology and is not expected to be repeated in future years.

The Corporation recorded project grant revenues in its statements of revenues, expenses, and changes in net position of $287.1 million during the year ended March 31, 2020 as compared to $308.1 million for the year ended March 31, 2019. The decrease in project grant revenues of $21.0 million is primarily related to a decrease in the amount of funds that the Corporation received under the CWSRF and DWSRF capitalization grants. Also included in nonoperating revenues and expenses was an increase in investment income of $11.3 million and an increase in grants disbursed of $17.5 million. Contributing to the increase in investment income was an unrealized gain in the change in fair value on our long-term investment portfolio of $22.5 million for the year ended March 31, 2020 as compared to an unrealized gain of $9.8 million for the year ended March 31, 2019.

The Corporation recorded an increase in net position of $299.2 million for the year ended March 31, 2020 as compared to $297.9 million for the year ended March 31, 2019. The increase in the change in net position of $1.3 million year over year is the net result of a decrease in operating loss of $28.5 million, off-set by a decrease in nonoperating gain of $27.2 million, as discussed above.

Liquidity

For fiscal year 2020/2021, the Corporation expects to recover its operating costs through fees charged to clients for various services as well as through the use of the administrative portion of the CWSRF and DWSRF capitalization grants.

SRF fees are assessed and collected to cover SRF program administration costs. Fees collected and not expended against current administration costs are held in permitted investments for future use.

The Corporation issues special obligation bonds under the Clean Water and Drinking Water State Revolving Funds to provide financial assistance to eligible recipients for water pollution and drinking water projects (as outlined in each program's respective Intended Use Plan). The financial assistance is provided pursuant to a financing agreement between EFC and each recipient in which the Corporation agrees to purchase and the recipient agrees to sell its bonds in the principal amount of its financing to EFC. Payment on these bonds will serve as the primary security for EFC's bonds.

Contacting the New York State Environmental Facilities Corporation

This financial report is designed to provide interested parties with a general overview of the Corporation's finances and to demonstrate its accountability for funds received and expended. If you have questions about this report or would like additional information regarding EFC's programs, please visit the Corporation's website at www.efc.ny.gov.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Statements of Net Position

March 31, 2021 and 2020

Assets and Deferred Outflows of Resources	2021	2020
Current assets:		
Cash and cash equivalents	$ 28,720,753	14,460,640
Contractual services and fees receivable	53,928	140,533
Restricted assets:		
Cash and cash equivalents	676,859,254	431,908,833
Accounts receivable	—	6,344,030
Interest receivable on bonds and direct financings	76,603,799	80,366,625
Interest receivable on cash and cash equivalents and investments	15,335,460	19,480,258
Annual fees receivable	14,090,262	14,066,235
Prepaid expense	885,000	885,000
Short-term financings receivable, net	384,944,824	196,123,994
Direct financings receivable	110,527,184	91,697,411
Bonds receivable	385,642,066	422,864,711
Due from New York State, appropriation bonds receivable	—	16,405,000
Other restricted funds	2,684,098	4,998,372
Total current assets	1,696,346,628	1,299,741,642
Noncurrent assets:		
Restricted assets:		
Investments	1,846,847,403	2,191,885,215
Short-term financings receivable, net	510,107,326	717,692,953
Direct financings receivable	2,861,665,001	2,737,460,066
Bonds receivable	6,194,640,113	6,316,177,436
Total noncurrent assets	11,413,259,843	11,963,215,670
Total assets	13,109,606,471	13,262,957,312
Deferred outflows of resources related to pensions and OPEB	15,290,875	3,114,287
Total assets and deferred outflows of resources	$ 13,124,897,346	13,266,071,599

(Continued)

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Statements of Net Position

March 31, 2021 and 2020

Liabilities, Deferred Inflows of Resources and Net Position	2021	2020
Current liabilities:		
Accrued interest on bonds	$ 72,298,870	75,015,422
Accrued interest subsidy	29,421,129	31,122,984
Bonds payable	318,610,000	351,255,000
Appropriation bonds payable	—	16,405,000
Other restricted funds	2,684,098	4,998,372
Accounts payable and accrued expenses	29,368,117	9,855,155
Debt service funds payable	5,464,722	13,267,073
Other liabilities	85,306,486	58,622,015
Other post-employment benefits	1,031,934	1,284,063
Total current liabilities	544,185,356	561,825,084
Noncurrent liabilities:		
Bonds payable	5,405,428,593	5,540,739,758
Other post-employment benefits	48,004,189	47,915,989
Total noncurrent liabilities	5,453,432,782	5,588,655,747
Total liabilities	5,997,618,138	6,150,480,831
Deferred inflows of resources related to pensions and OPEB	10,630,620	1,222,123
Total liabilities and deferred inflows of resources	6,008,248,758	6,151,702,954
Net position:		
Restricted for revolving loan fund programs	7,109,162,069	7,107,319,659
Unrestricted	7,486,519	7,048,986
Total net position	7,116,648,588	7,114,368,645
Total liabilities, deferred inflows of resources and net position	$ 13,124,897,346	13,266,071,599

See accompanying notes to basic financial statements.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended March 31, 2021 and 2020

		2021	2020
Operating revenues:			
Interest income on bonds and direct financings receivable	$	307,660,711	323,821,014
Bond financing and administrative fees		19,029,108	28,357,294
Administrative grant revenues		9,027,139	6,189,706
Contract service fees		16,116	55,943
Other revenues		118,271	21,967
Total operating revenues		335,851,345	358,445,924
Operating expenses:			
Interest expense on bonds payable		264,021,594	269,031,701
Interest subsidy provided		96,838,097	109,222,121
Principal forgiveness		—	2,402,182
Administrative costs		24,555,342	24,636,182
Total operating expenses		385,415,033	405,292,186
Operating loss		(49,563,688)	(46,846,262)
Nonoperating revenues:			
Project grant revenues		7,405,819	287,129,584
Investment income		70,682,737	110,220,840
State assistance payments revenue		111,011,970	126,390,256
Total nonoperating revenues		189,100,526	523,740,680
Nonoperating expenses:			
Grants disbursed		26,244,923	51,274,427
State assistance payments expense		111,011,970	126,390,256
Total nonoperating expenses		137,256,893	177,664,683
Increase in net position		2,279,945	299,229,735
Beginning net position		7,114,368,643	6,815,138,908
Ending net position	$	7,116,648,588	7,114,368,643

See accompanying notes to basic financial statements.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended March 31, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Bond financing and administrative fees	$	34,478,971	16,969,195
Personal services expense		(8,272,649)	(8,167,234)
Fringe benefits expense		(4,774,297)	(3,532,507)
Accounts payable and accrued expenses		19,583,873	(1,025,630)
Other administrative expenses		(11,743,239)	(9,659,943)
Other, net		24,034,649	12,040,031
Net cash provided by operating activities		53,307,308	6,623,912
Cash flows from noncapital financing activities:			
Proceeds from bonds issued		294,495,000	460,175,000
Principal payments on bonds payable		(462,451,166)	(631,677,117)
Interest paid on bonds payable		(266,738,146)	(272,733,739)
New York State appropriation bond payments received		16,405,000	15,590,000
Payments on New York State appropriation bonds		(16,405,000)	(15,590,000)
Grants disbursed		(26,244,923)	(53,676,608)
Contributions received from the U.S. Environmental Protection Agency		6,525,865	246,120,481
Contributions received from New York State		879,954	41,009,103
Net cash used in noncapital financing activities		(453,533,416)	(210,782,880)
Cash flows from investing activities:			
Net proceeds from maturities of investments		345,037,811	(211,198,587)
Interest income on investments		74,827,535	111,561,316
Bonds purchased		(431,404,743)	(607,317,165)
Bonds repayments received		590,164,716	715,316,793
Short-term financing disbursements		(634,031,004)	(870,285,844)
Short-term financing repayments received		652,795,800	685,751,446
Principal forgiveness repayments		—	(33,940,447)
Direct financings issued		(256,796,362)	(234,409,834)
Direct financing repayments received		113,761,654	135,350,002
Interest income on bonds and direct financings receivable		311,423,537	327,646,374
Interest subsidy provided		(98,539,951)	(113,737,044)
Debt service funds received		(117,018)	12,139,138
Debt service funds paid		(7,685,333)	(7,881,742)
Net cash provided by (used in) investing activities		659,436,642	(91,005,594)
Net increase (decrease) in cash and cash equivalents		259,210,534	(295,164,562)
Cash and cash equivalents, beginning of year		446,369,473	741,534,035
Cash and cash equivalents, end of year	$	705,580,007	446,369,473

(Continued)

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Statements of Cash Flows

Years ended March 31, 2021 and 2020

		2021	2020
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$	(49,563,688)	(46,846,262)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Interest income on bonds and direct financings receivable		(307,660,711)	(323,821,014)
Interest expense		264,021,594	269,031,701
Principal forgiveness		—	2,402,182
Interest subsidy provided		96,838,097	109,222,121
Changes in assets and liabilities that provide (use) cash:			
Contractual services and fees receivable		6,430,635	(90,019)
Accounts receivable		(24,027)	(6,344,030)
Annual fees receivable		19,512,962	(1,892)
Accounts payable and accrued expenses		—	(1,011,190)
Unearned revenue		—	(11,197,807)
Other liabilities		23,916,375	12,018,061
Other post-employment benefits		(163,929)	3,262,061
Net cash provided by operating activities	$	53,307,308	6,623,912

See accompanying notes to basic financial statements.

(1) General

(a) Organization

The New York State Environmental Facilities Corporation (EFC or the Corporation) is a public benefit corporation formed pursuant to the New York State Environmental Facilities Corporation Act (Chapter 744 of the Laws of New York State of 1970, as amended). EFC is a component unit of New York State (State) and is exempt from Federal, State, and local income taxes. EFC is included in the State's basic financial statements. The Corporation is governed by a board of directors consisting of seven members, three of whom are required to be certain State officials – the Commissioner of Environmental Conservation (who is also designated as the chair), the Commissioner of Health and the Secretary of State. The four remaining directors are appointed by the Governor and confirmed by the State Senate.

(b) Description of Business

EFC provides low-cost capital and expert technical assistance to municipalities, businesses and State agencies for environmental projects in New York State. These activities include the administration of the Clean Water State Revolving Fund (CWSRF) program and the Drinking Water State Revolving Fund (DWSRF) programs, administering State Grant programs, assisting businesses finance environmental projects through the Industrial Finance Program (IFP); and helping municipalities, State agencies and businesses comply with environmental laws and regulations through various programs administered by EFC.

The CWSRF and the DWSRF are the Corporation's largest programs. The CWSRF provides low-interest rate financing terms and in certain cases offers loan guarantees, principal forgiveness and grants to eligible recipient entities for projects that reduce, eliminate or prevent water pollution. The DWSRF provides low-interest rate financing terms and in certain cases offers principal forgiveness, as well as hardship grants for publicly and privately owned community water system projects that provide safe, affordable drinking water.

The New York State Clean Water Infrastructure Act of 2017 (Act) invests $2.5 billion in clean and drinking water infrastructure projects and water quality protection across New York. It provides at least $1 billion for the New York State Water Infrastructure Improvement Act of 2017 (WIIA), which authorized EFC to provide grants to assist municipalities in funding water quality infrastructure. WIIA grants are available for both drinking water and sewage treatment works (clean water) projects. As part of the Act, the New York State Intermunicipal Water Infrastructure Grants Program (IMG) authorizes EFC to provide at least $150 million in grants to assist municipalities in support of intermunicipal water quality infrastructure projects. The Emerging Contaminates (EC) Grant Program provides funds to combat emerging contaminants, such as PFOA, PFOS and 1, 4-dioxane, with system upgrades and innovative technologies. An additional $1.5 billion in state appropriations have been made available for drinking water and clean water infrastructure capital projects, including $500 million in the fiscal year 2021 Executive Budget.

The Septic System Replacement Fund was established as part of the Act and provides a source of funding for the replacement of cesspools and septic systems in New York State and seeks to reduce the environmental and public-health impacts associated with the discharge of effluent from cesspools and septic systems on groundwater used as drinking water, as well as threatened or impaired water bodies. The program provides grants for eligible septic system projects.

The Emergency Financial Assistance program was also established as part of the Act. It authorizes expedited emergency financial assistance to municipalities for wastewater and drinking water infrastructure emergencies. The amount of financial assistance provided to any municipality will be based on the reasonable costs immediately necessary to address the emergency. The financial assistance is a loan to be repaid within one year.

The IFP provides tax-exempt and taxable conduit financings to private entities for a variety of environmental projects that manage waste and, control pollution, and to build drinking water and wastewater treatment facilities.

EFC provides administrative and technical assistance to private and public sector clients to help them with administering their programs including:

1. A contract with the New York City Department of Environmental Protection (DEP) to administer Watershed Programs. Technical, financial and legal assistance is provided to DEP's Regulatory Upgrade Program;

2. The East of Hudson Septic System Rehabilitation Reimbursement Program contract with New York City DEP provides grants to reduce adverse water quality impacts from failing residential septic systems in the Kensico, West Branch, Boyd Corners, Cross River and Croton Falls portions of the New York City Water Supply Watershed Basin;

3. The Small Business Environmental Assistance Program (SBEAP) assists business owners in reducing discharges of pollutants into the environment by providing technical guidance;

4. The Clean Vessel Assistance Program (CVAP) provides grants to assist recipients install pump out and dump station facilities to receive sewage from recreational marine vessels. The program also works to raise boater awareness regarding the benefits, use, and availability of pump out stations;

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The operations of the Corporation are accounted for using the accrual basis of accounting in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred. The more significant accounting policies are described below.

(b) Revenue Recognition and Accounts Receivable

The Corporation recognizes revenue when earned. Project grant revenues under capitalization grants for the operation of the State Revolving Fund (SRF) programs are recognized when reimbursable expenses are incurred for financings originated.

(c) Cash and Cash Equivalents

EFC considers certificates of deposit, repurchase agreements, money market funds, U.S. Treasury Bills and Federal Home Loan Bank Discount Notes, with remaining maturities of three months or less at the time of purchase, to be cash equivalents. At March 31, 2021 and 2020, the cash and cash equivalents, excluding U.S. Treasury Bills, U.S. Treasury Money Market Funds and Federal Home Loan Bank Discount Notes, are fully insured or collateralized with securities in the Corporation's name. U.S. Treasury Bills are uninsured and not collateralized, but are held in trust accounts in EFC's name and are backed by the full faith and credit of the Federal government.

(d) Investments

EFC's investment guidelines permit investment of funds in obligations of, or guaranteed by, the United States of America or New York State, as well as in time deposits, guaranteed investment contracts, repurchase agreements and other permitted investments such as qualified municipal obligations. All cash, time deposits, guaranteed investment contracts and repurchase agreements are collateralized by securities (obligations of, or guaranteed by, the United States of America or New York State and any FDIC coverage) having a fair value of not less than 102% of the amount currently on deposit or in accordance with their respective agreement. At March 31, 2021, EFC's guaranteed investment contracts require collateral be maintained at 113% of the investment value. From time to time, the actual collateral pledged may fall below the contractual requirement of the guaranteed investment contracts. Upon notice to the investment providers, additional collateral is pledged to satisfy the contractual requirements.

Investments are recorded at fair value or amortized cost. Guaranteed investment contracts and structured debt obligations (Tennessee Valley Authority (TVA) and Inter-American Development Bank (IADB)) are considered nonparticipating contracts and are therefore recorded at cost. Municipal obligations are recorded at fair value obtained from independent pricing services. United States government backed or sponsored securities with original maturities at the time of purchase of one year or less are recorded at cost. EFC requires delivery to its custodian (agent) or other acceptable financial institutions of all securities purchased and collateral for guaranteed investment contracts, certificates of deposit and repurchase agreements, regardless of the seller institution.

The Corporation applies GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Except for investments reported at net asset value (NAV) or its equivalent as a practical expedient to estimate fair value, if any investments are held, fair value is measured using three levels:

Level 1: Investments include cash and money market funds, equity and fixed income securities with observable market prices. Fair value is readily determinable based on quoted market prices in active markets for those securities.

Level 2: Investments whose inputs are other than quoted prices in active markets that are observable either directly or indirectly and fair value is determined through the use of models or other valuation methodologies.

Level 3: Investments have significant unobservable inputs. The inputs into the determination of fair value are based on the best information available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and any differences are reflected in the statements of revenues, expenses, and changes in net position in the year of the change.

The methods for making such estimates and for establishing the resulting liability are continually reviewed, and any adjustments are reflected in the statements of revenues, expenses and changes in net position in the year of the change.

(f) Net Position

The Corporation's net position is classified in the following categories: restricted for revolving loan fund programs, consisting of assets less related liabilities restricted for the operation of the CWSRF and DWSRF programs; and unrestricted, consisting of assets reduced by related liabilities that are not classified as restricted. If both restricted and unrestricted resources are available for use, restricted resources are generally used first.

(g) Operating and Nonoperating Revenues and Expenses

The Corporation distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. The principal operating revenues are generated from the interest income earned from borrowings under the long-term loan programs and fees related to these programs. The Corporation's operating expenses include interest expense on bonds payable, interest subsidy provided, principal forgiveness and expenses related to the administration of EFC's activities. The principal nonoperating revenues are generated from project grant revenues, investment income,

and other none change revenues. Nonoperating expenses include program grants and other none change expenses.

(h) Net Pension Liability

EFC participates in a cost sharing multiple employer pension plan, the New York State and Local Employees' Retirement System (System). GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) GASB 68 requires that a portion of the Plan's net pension liability (asset) as well as deferred inflows and outflows of resources from pension activities be reflected in the reported amounts on the Corporation's statement of net position.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to EFC's participation in the System, as well as the related pension expense, information about the fiduciary net position of the System, and additions to/deductions from EFC's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments are recognized when due and payable in accordance with the statutes governing the System. Investments of the System are reported at fair value.

(i) Other Post-Employment Benefits

Medical and Prescription Drug benefits are provided through the New York State Health Insurance Program (NYSHIP) for eligible employees who retire directly from EFC employment with a minimum of 10 years of service with NYS Civil Service, and a minimum of one year with EFC immediately preceding retirement. The plan is considered a single employer plan

EFC's annual other post-employment benefit (OPEB) expense is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement 75. The total OPEB liability represents the portion of actuarial present value of projected benefit payments attributable to past periods of member service

(3) State Revolving Funds

The CWSRF program was created as a result of passage of the Federal Water Quality Act of 1987 and New York State's enactment of Chapter 565 of the Laws of 1989, that established. EFC is responsible for the execution and oversight of the CWSRF in New York State. The CWSRF provides financial support for needed wastewater infrastructure improvements. The program is administered jointly by EFC and the New York State Department of Environmental Conservation (DEC).

The DWSRF program was created as a result of passage of the 1996 Amendments to the Safe Drinking Water Act by the U.S. Congress and New York State's enactment of Chapter 413 of the Laws of 1996 (Clean Water/Clean Air Bond Act). The DWSRF provides financial support to public and private water systems to undertake needed drinking water infrastructure improvements. The program is administered jointly by EFC and the New York State Department of Health (DOH).

EFC's primary activities with regard to the CWSRF and DWSRF include providing financial assistance for eligible projects, the issuance of debt in the capital markets for the purpose of providing financial assistance, the investment of program moneys, and the management and coordination of the programs.

SRF program capitalization grants are issued from the U.S. Environmental Protection Agency (USEPA) to New York State, for which the State is required to provide 20% in matching funds. New York State distributes these Federal and State moneys to DEC and DOH who in turn distribute these moneys to EFC to provide financial assistance to eligible recipients. EFC invests the Federal and State capitalization grant moneys and uses interest earnings on these and other funds to subsidize by one-third or one-half the interest on the financings it provides. Financial assistance under the SRF program may be provided directly from the grant funds, or from the proceeds of the issuance of bonds, repayments, and/or interest earnings.

Funds and accounts pertaining to the SRF programs are limited to specific uses by laws and regulations as well as Capitalization Grant and Operating Agreements entered into between USEPA and the State. As a result of these limitations on uses, these funds are classified as restricted on the statements of net position.

Reserve Allocation and Subsidy: In connection with certain financings, amounts received from the Federal government through the USEPA and New York State are drawn and deposited in an unallocated equity account. As an eligible recipient expends funds for costs of issuance, repayment of debt, refinancing of debt, defeasance of debt, and for acquisition and/or construction these funds are then transferred to the recipient in an amount equal to one-third or one-half of the expenditure from the unallocated equity account to the debt service reserve fund for the recipient. As a recipient repays its financing, a proportionate amount in the applicable debt service reserve fund will be redeposited in the unallocated equity account of the appropriate SRF. The earnings on the debt service reserve funds are utilized as subsidy to reduce the interest costs that recipients pay on their financing.

Committed Subsidies: In most financings, the SRFS provide contractual commitments to recipients of leveraged financings to provide specified amounts of interest subsidies from earnings on reserve allocations or other SRF program resources or a combination of both. In general, it is expected that certain leveraged financings will not have any associated reserve allocations. Nevertheless, EFC utilizes other available SRF monies to provide recipients with an interest subsidy generally comparable to the subsidy that EFC provides from earnings on reserve allocations.

(4) Cash and Cash Equivalents and Investments

EFC's cash equivalents and investments include cash equivalents and investments that are insured or collateralized, that are backed by the full faith and credit of the Federal government or invested in securities of a U.S. Government Sponsored Enterprise. As of March 31, 2021, cash and cash equivalents and investments held by the Corporation and the associated credit risks and maturities were as follows:

Investment type	Credit risk range	Cost/ fair value	Investment maturities in years: Less than 1 year	1 – 5 years	6 – 10 years	More than 10 years
Non-U.S. government backed:						
Guaranteed investment contracts	A – AAA	$ 419,272,883	32,447,363	148,483,605	135,273,689	103,068,226
Municipal obligations	BBB – AAA	611,086,548	4,938,943	131,107,641	141,742,655	333,297,309
U.S. government backed/sponsored:						
U.S. Treasury bills		902,758,807	902,758,807	—	—	—
Federal home loan bank discount notes		259,493,913	259,493,913	—	—	—
State and local government series		—	—	—	—	—
Structured debt obligations		279,051,813	31,640,208	135,987,956	81,755,882	29,667,767
		$ 2,471,663,964	1,231,279,234	415,579,202	358,772,226	466,033,302
Unrestricted cash and cash equivalents		28,720,753	—	—	—	—
Cash deposits and money markets with restricted net assets		52,042,693	—	—	—	—
Total cash and cash equivalants and investments		2,552,427,410	1,231,279,234	415,579,202	358,772,226	466,033,302

The following table presents the Corporation's investments that are carried at fair value as of March 31, 2021, based on the fair value hierarchy:

Investment type	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Municipal obligations	$ 611,086,548	—	611,086,548	—
Total investments by fair value	$ 611,086,548	—	611,086,548	—

As of March 31, 2020, cash and cash equivalents and investments (excluding cash deposits and money market accounts) held by the Corporation and the associated credit risks and maturities were as follows:

Investment type	Credit risk range	Cost/ fair value	Investment maturities in years: Less than 1 year	1 – 5 years	6 – 10 years	More than 10 years
Non-U.S. government backed:						
Guaranteed investment contracts	A – AAA	$ 448,343,534	29,070,651	152,359,422	134,926,593	131,986,868
Municipal obligations	BBB – AAA	617,419,135	11,041,153	113,128,634	122,559,060	370,690,288
U.S. government backed/sponsored:						
U.S. Treasury bills		252,526,269	252,526,269	—	—	—
Federal home loan bank discount notes		770,348,472	770,348,472	—	—	—
State and local government series		592,706	592,706	—	—	—
Structured debt obligations		311,152,239	32,100,426	144,922,830	90,272,964	43,856,019
		$ 2,400,382,355	1,095,679,677	410,410,886	347,758,617	546,533,175
Unrestricted cash and cash equivalents		14,460,640	—	—	—	—
Cash deposits and money markets with restricted net assets		223,411,693	—	—	—	—
Total cash and cash equivalants and investments		2,638,254,688	1,095,679,677	410,410,886	347,758,617	546,533,175

The following table presents the Corporation's investments that are carried at fair value as of March 31, 2020, based on the fair value hierarchy:

Investment type	Total	Level 1	Level 2	Level 3
Investments at fair value:				
Municipal obligations	$ 617,419,135	—	617,419,135	—
Total investments by fair value	$ 617,419,135	—	617,419,135	—

With regard to the investments above, the Corporation has an investment policy that limits its exposure to losses arising from credit risk, interest rate risk, custodial credit risk, and concentration of credit risk.

Credit risk is the risk that an issuer will not fulfill its obligations. New York State law limits the investments that the Corporation can make, which minimizes the Corporation's exposure to credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's policy for managing this risk is to hold investment securities to maturity, at which time the fair value of the investment is equal to its stated maturity value.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to perform on a transaction, the Corporation will not be able to recover the value of investment securities that are in the possession of an outside party. In order to manage this risk, the Corporation's guaranteed investment contracts are collateralized and held by a third party.

Other than U.S. government and U.S. Government Guaranteed/Sponsored securities, New York State General Obligation securities and New York State Personal Income Tax securities, EFC's investment policies limit any single obligor's uncollateralized investments to no more than 15% of the combined SRF programs' long-term nonpurpose, unpledged investment buy program. Concentration of credit risk in EFC's guaranteed investment contracts portfolio is minimized by obligors providing collateralization of at least 113% of invested funds to a third party custodian for 2021 and 2020.

As of March 31, 2021, the Corporation had four providers of guaranteed investment contracts, of which all were obligated for more than 5% of the total investment contract portfolio. The four providers were Societe General with $189.6 million or 45.2% of the portfolio, Bank of America with $105.0 million or 25.0% of the portfolio, JP Morgan Chase with $97.5 million or 23.3% of the portfolio, and Citigroup with $27.1 million or 6.5% of the portfolio.

As of March 31, 2020, the Corporation had four providers of guaranteed investment contracts, of which all were obligated for more than 5% of the total investment contract portfolio. The four providers were Societe General with $199.2 million or 44.4% of the portfolio, Bank of America with $111.3 million or 24.8% of the portfolio, JP Morgan Chase with $108.4 million or 24.2% of the portfolio, and Citigroup with $29.5 million or 6.6% of the portfolio.

(5) Short-Term Financings Receivable

Short-term financings receivable are provided with SRF capitalization grant monies, repayments, state grant monies, and/or interest earnings. This program assists eligible recipients with cash flow needs through project design and construction. The program provides short-term (generally three to five years) interest free and/or market rate financings to eligible recipients which have completed the facility planning process but in most instances are not ready to apply for long term (up to thirty years) financing.

Short-term financings receivable amounts are as follows:

		CWSRF	DWSRF	Total
Year ended March 31:				
2021	$	776,763,127	118,289,023	895,052,150
2020	$	799,434,978	114,381,969	913,816,947

Short-term financings receivable mature as follows:

		CWSRF	DWSRF	Total
Year ended March 31:				
2022	$	337,968,940	46,975,884	384,944,824
2023		104,178,779	38,558,739	142,737,518
2024		274,244,525	22,881,523	297,126,048
2025		45,054,627	4,012,799	49,067,426
2026		15,316,256	5,860,078	21,176,334
	$	776,763,127	118,289,023	895,052,150

(6) Direct Financings Receivable

Direct financings receivable are provided with SRF capitalization grant monies, repayments and/or interest earnings. Direct financings receivable have been issued with interest rates that range from 0% to 4.87% and mature through the year 2051.

Direct financings receivable mature as follows:

	CWSRF	DWSRF	Total
Year ended March 31:			
2022	$ 79,079,013	31,448,171	110,527,184
2023	82,818,093	33,893,280	116,711,373
2024	81,304,431	31,934,179	113,238,610
2025	70,920,503	29,916,929	100,837,432
2026	71,907,439	29,950,945	101,858,384
2027–2031	474,429,507	145,970,590	620,400,097
2032–2036	416,137,979	143,181,282	559,319,261
2037–2041	405,619,857	126,228,145	531,848,002
2042–2046	395,825,967	116,094,163	511,920,130
2047–2051	154,345,186	51,186,526	205,531,712
	$ 2,232,387,975	739,804,210	2,972,192,185

(7) SRF Bonds Receivable and Bonds Payable

EFC issues special obligation bonds under the SRF programs and in most cases these bond proceeds together with equity funds are used to provide financial assistance to eligible recipients. The financial assistance is provided pursuant to a financing agreement between EFC and each recipient in which EFC agrees to purchase and the recipient agrees to sell to EFC its bonds in the principal amount of its financing. These financing agreements serve as the primary security for EFC's bonds. Additionally, SRF program debt service reserve funds may be available to collateralize the outstanding bonds. The principal and interest payments of the project financing agreements are structured to be sufficient to pay the full principal and interest payments on EFC's bond obligations. EFC's bonds are issued subject to the terms of a Master Trust Agreement, a Financing Indenture of Trust, and a Supplemental Financing Indenture of Trust that is issued for each bond issue.

Bond proceeds net of issuance costs, and in most cases equity funds, are deposited in construction funds simultaneously with the issuance and sale of the SRF revenue bonds and are generally held for the recipients by the SRF trustee under a third party agreement. The construction fund proceeds are recorded on the recipients' financial statements and are not included in EFC's financial statements. Moneys available and on deposit in the construction funds were $53.6 million at March 31, 2021 and $54.9 million at March 31, 2020.

The bonds of each series are not general obligations of EFC or of New York State. Bonds are payable solely from payments made by each recipient to the trustee and any other pledged funds held by the trustee.

Certain bond series provide for optional redemption provisions.

The following is a schedule of CWSRF bonds receivable outstanding at March 31, 2021 and March 31, 2020:

Bond issue	Range of interest rates	Year of maturity	March 31 2021	March 31 2020
Series 2004C, 4/7/04	3.375–5.25	2033	$ 63,970,000	68,005,000
Series 2010A, 2/11/10	3.50–5.00	2029	—	64,030,000
Series 2010B, 2/11/10	5.707–5.807	2039	111,440,000	111,440,000
Series 2010C, 6/24/10	3.00–5.00	2039	—	79,535,000
Series 2011A, 3/17/11	5.00	2021	140,000	3,145,000
Series 2011B, 6/17/11	5.00	2041	265,179,800	278,987,158
Series 2011C, 7/21/11	3.00–5.00	2041	92,881,000	102,740,000
Series 2012A, 5/31/12	2.00–5.00	2029	206,215,000	244,165,000
Series 2012B, 6/21/12	3.00–5.00	2042	85,785,884	98,161,768
Series 2012C, 6/21/12	2.005–3.684	2029	12,945,000	15,040,000
Series 2012D, 7/12/12	3.00–5.00	2028	101,855,000	136,040,000
Series 2012E, 11/15/12	3.00–5.00	2042	115,952,564	124,685,564
Series 2012F, 11/15/12	1.874–2.806	2024	15,730,000	21,593,000

Bond issue	Range of interest rates	Year of maturity	March 31 2021	March 31 2020
Series 2013A, 7/11/13	3.00–5.00	2033	$ 269,960,000	287,325,000
Series 2013B, 8/1/13	3.50–5.00	2043	197,792,971	208,978,145
Series 2014A, 3/27/14	2.00–5.00	2034	249,580,000	264,470,000
Series 2014B, 7/2/14	2.00–5.00	2044	314,072,269	332,537,269
Series 2015A, 7/2/15	3.00–5.00	2045	171,140,000	177,405,000
Series 2015B, 8/20/15	3.00–5.00	2045	137,355,000	142,680,000
Series 2015C, 8/20/15	1.90–3.82	2030	30,430,000	33,735,000
Series 2015D, 8/20/15	3.00–5.00	2037	227,342,474	245,490,474
Series 2016A, 6/29/16	2.00–5.00	2046	332,185,000	343,915,000
Series 2016B, 9/22/16	3.00–5.00	2046	118,557,761	123,082,761
Series 2016C, 9/22/16	1.211–3.113	2039	26,920,000	28,980,000
Series 2017A, 4/13/17	5.00	2046	385,760,000	416,025,000
Series 2017B, 4/13/17	1.658–3.916	2036	274,465,000	291,295,000
Series 2017C, 11/9/17	3.00–5.00	2047	183,925,000	191,235,000
Series 2017E, 12/14/17	3.00–5.00	2047	226,190,000	230,160,000
Series 2018A, 8/2/18	3.00–5.00	2030	238,090,000	245,405,000
Series 2018B, 11/29/18	3.00–5.00	2048	139,850,000	142,090,000
Series 2019A, 6/13/19	3.00–5.00	2049	247,860,000	255,701,879
Series 2019B, 10/8/19	3.00–5.00	2038	196,495,000	200,995,000
Series 2020A, 4/8/20	4.00–5.00	2049	171,385,000	—
Series 2020B, 12/17/20	3.00–5.00	2050	190,637,721	—
			$ 5,402,087,444	5,509,073,018
Beginning balance			$ 5,509,073,018	5,626,418,599
Bonds issued			362,022,721	464,566,879
Bonds retired			(469,008,295)	(581,912,460)
Ending balance			$ 5,402,087,444	5,509,073,018

The New York City Municipal Water Finance Authority makes up 63.3% of the CWSRF bonds receivable at March 31, 2021 and 63.9% at March 31, 2020.

Included in CWSRF bonds payable are unamortized bond premiums of $108,141,450 at March 31, 2021 and $104,674,080 at March 31, 2020.

The following is a schedule of DWSRF bonds receivable outstanding at March 31, 2021 and March 31, 2020:

Bond issue	Range of interest rates	Year of maturity	March 31 2021	March 31 2020
Series 2004C, 4/7/04	4.50–5.00	2026	$ 1,790,000	2,125,000
Series 2010B, 2/11/10	4.469–5.707	2029	62,195,000	68,820,000
Series 2010C, 6/24/10	4.00–5.00	2039	—	35,485,000
Series 2011A, 3/17/11	4.00–5.00	2022	3,678,033	11,103,060
Series 2011B, 6/17/11	2.00–5.00	2031	106,591,100	117,144,279
Series 2011C, 7/21/11	4.00–5.00	2041	68,545,695	74,857,122
Series 2012A, 5/31/12	5.00	2022	2,425,000	5,675,000
Series 2012B, 6/21/12	3.00–5.00	2032	5,698,080	6,936,046
Series 2012E, 11/15/12	3.00–5.00	2032	7,335,000	8,215,000
Series 2013A, 7/11/13	5.00	2026	6,810,000	8,765,000
Series 2013B, 8/1/13	3.50–5.00	2042	30,674,801	34,210,332
Series 2014A, 3/27/14	5.00	2026	9,430,000	11,470,000
Series 2014B, 7/2/14	2.00–5.00	2044	23,127,820	28,077,820
Series 2015A, 7/2/15	4.00–5.00	2027	10,355,000	12,005,000
Series 2015B, 8/20/15	5.00	2042	9,880,000	10,260,000
Series 2015D, 8/20/15	3.00–5.00	2036	43,497,184	48,080,184
Series 2016A, 6/29/16	2.00–5.00	2046	117,035,000	120,585,000
Series 2016B, 9/22/16	3.00–5.00	2046	49,025,000	50,725,000
Series 2017A, 4/13/17	3.50–5.00	2046	125,675,000	129,420,000
Series 2017B, 4/13/17	1.658–3.366	2029	13,285,000	15,335,000
Series 2017C, 11/9/17	5.00	2047	3,745,000	3,860,000
Series 2017D, 11/9/17	1.885–3.751	2047	13,270,000	13,600,000
Series 2017E, 12/14/17	3.00–5.00	2047	97,725,000	99,480,000
Series 2018A, 8/2/18	3.00–5.00	2030	45,415,000	57,115,000
Series 2018B, 11/29/18	3.00–5.00	2048	112,220,000	114,050,000
Series 2019A, 6/13/19	3.00–5.00	2049	3,935,000	4,090,286
Series 2019B, 10/8/19	4.00–5.00	2049	135,450,000	138,480,000
Series 2020B, 12/17/20	3.00–5.00	2050	69,382,022	—
			$ 1,178,194,735	1,229,969,129

Bond issue	Range of interest rates	Year of maturity	March 31 2021	March 31 2020
Beginning balance			$ 1,229,969,129	1,220,623,176
Bonds issued			69,382,022	142,750,286
Bonds retired			(121,156,416)	(133,404,333)
Ending balance			$ 1,178,194,735	1,229,969,129

The New York City Municipal Water Finance Authority makes up 71.8% of the DWSRF bonds receivable at March 31, 2021 and 73.0% at March 31, 2020.

Included in DWSRF bonds payable are unamortized bond premiums of $28,042,143 at March 31, 2021 and $22,485,678 at March 31, 2020.

Defeased in-substance debt outstanding that is no longer recorded on EFC's statements of net position amounted to $45.2 million at March 31, 2021 and $54.9 million at March 31, 2020.

In fiscal 2021, the Corporation issued $294.5 million of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of $21.8 million, were used to redeem two series of previously issued SRF bonds totaling $126.0 million in par value. As a result of refinancing, the underlying borrowers in these transactions will realize $27.5 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

In fiscal 2020, the Corporation issued $460.2 million of State Revolving Funds Revenue Bonds. A portion of the proceeds, including a premium of $53.3 million, were used to redeem one series of previously issued SRF bonds of $288.9 million. As a result of refinancing, the underlying borrower in this transaction will realize $65.6 million in present value savings. The remaining bond proceeds were used to provide financial assistance to eligible recipients.

Principal payments on bonds receivable mature as follows:

	CWSRF	DWSRF	Total
Year ended March 31:			
2022	$ 311,713,070	73,928,996	385,642,066
2023	312,229,929	71,202,488	383,432,417
2024	312,105,981	70,551,247	382,657,228
2025	299,070,104	64,239,820	363,309,924
2026	298,080,788	62,821,184	360,901,972
2027–2031	1,357,986,097	286,601,000	1,644,587,097
2032–2036	1,181,980,714	157,120,000	1,339,100,714
2037–2041	719,368,000	156,925,000	876,293,000
2042–2046	452,527,761	158,705,000	611,232,761
2047–2051	157,025,000	76,100,000	233,125,000
	$ 5,402,087,444	1,178,194,735	6,580,282,179

Interest payments on bonds receivable are as follows:

	CWSRF	DWSRF	Total
Year ended March 31:			
2022	$ 225,275,191	51,347,340	276,622,531
2023	214,119,826	48,525,715	262,645,541
2024	201,023,580	45,396,466	246,420,046
2025	188,044,266	42,422,208	230,466,474
2026	175,441,156	39,586,665	215,027,821
2027–2031	699,590,907	156,614,290	856,205,197
2032–2036	417,056,911	105,420,516	522,477,427
2037–2041	205,891,926	72,403,160	278,295,086
2042–2046	81,181,429	35,560,140	116,741,569
2047–2051	9,556,379	4,771,310	14,327,689
	$ 2,417,181,571	602,047,810	3,019,229,381

Principal payments on bonds payable mature as follows:

	CWSRF	DWSRF	Total
Year ended March 31:			
2022	$ 255,355,000	63,255,000	318,610,000
2023	258,680,000	61,635,000	320,315,000
2024	260,535,000	61,505,000	322,040,000
2025	248,820,000	57,725,000	306,545,000
2026	250,995,000	56,835,000	307,830,000
2027–2031	1,159,470,000	262,410,000	1,421,880,000
2032–2036	1,000,615,000	147,910,000	1,148,525,000
2037–2041	566,750,000	151,835,000	718,585,000
2042–2046	359,180,000	156,970,000	516,150,000
2047–2051	132,095,000	75,280,000	207,375,000
	$ 4,492,495,000	1,095,360,000	5,587,855,000

Interest payments on bonds payable are as follows:

	CWSRF	DWSRF	Total
Year ended March 31:			
2022	$ 204,570,723	50,796,185	255,366,908
2023	193,416,464	48,206,490	241,622,954
2024	181,435,538	45,298,446	226,733,984
2025	169,502,326	42,333,908	211,836,234
2026	157,804,735	39,533,806	197,338,541
2027–2031	621,884,641	156,759,015	778,643,656
2032–2036	362,323,358	106,226,613	468,549,971
2037–2041	176,694,336	73,049,829	249,744,165
2042–2046	71,841,694	35,696,420	107,538,114
2047–2051	8,446,491	4,762,658	13,209,149
	$ 2,147,920,306	602,663,370	2,750,583,676

The bonds issued range of interest rate and years of maturity is similar to the bonds receivable.

The following is a reconciliation of bonds receivable to bonds payable:

		CWSRF	DWSRF	Total
Bonds receivable, March 31, 2021	$	5,402,087,444	1,178,194,735	6,580,282,179
Equity funded bonds receivable		(801,450,994)	(54,792,592)	(856,243,586)
Bonds payable, March 31, 2021	$	4,600,636,450	1,123,402,143	5,724,038,593
Bonds receivable, March 31, 2020	$	5,509,073,018	1,229,969,129	6,739,042,147
Equity funded bonds receivable		(787,583,938)	(59,463,451)	(847,047,389)
Bonds payable, March 31, 2020	$	4,721,489,080	1,170,505,678	5,891,994,758

Equity funded bonds receivable, or the blend rate funding model, utilizes a combination of bond proceeds from the issuance of EFC special obligation bonds and equity funds available from the CWSRF and DWSRF programs to fund a portion of each underlying recipients' financing. The equity funded portion is essentially an interest free component of each financing which satisfies subsidy targets. Both bond proceeds and equity funds are included in amounts recorded to bonds receivable however, only the bond proceeds are included in amounts recorded to bonds payable. The above tables represent the reconciliation of bonds receivable to bonds payable outstanding at March 31, 2021 and 2020.

(8) Other Restricted Funds

EFC acts as an administrator for various funds/programs under other restricted funds. At March 31, 2021 and 2020, EFC's other restricted funds were $2.7 million and $5.0 million, respectively. A description of each of the funds is as follows:

DEC Escrow Fund: This fund is utilized to account for all transactions which occur relative to the agreements between DEC and EFC to administer certain escrow accounts.

Waste Water Treatment Plant Upgrade Program Fund (WWTP): This fund is utilized to account for all transactions which occur relative to the agreement between the New York City Department of Environmental Protection and EFC to administer the WWTP Program.

East of Hudson Septic System Rehabilitation Reimbursement Program: This fund is utilized to account for all transactions that occur relative to the agreement between the New York City Department of Environmental Protection and EFC to administer the East of Hudson Program.

The following is a summary of activities that have occurred within other restricted funds during the year ended March 31, 2021 and 2020:

		DEC	WWTP	East of Hudson	Total
Balance, March 31, 2021	$	2,492,295	264,029	2,242,048	4,998,372
Receipts:					
Program advances		—	—	—	—
Interest earnings		171	26	219	416
Total receipts		171	26	219	416
Disbursements:					
Project expenses		2,172,558	—	90,633	2,263,191
Administrative expenses		36,260	—	15,239	51,499
Total disbursements		2,208,818	—	105,872	2,314,690
Balance, March 31, 2021	$	283,648	264,055	2,136,395	2,684,098

		DEC	WWTP	East of Hudson	Total
Balance, March 31, 2020	$	965,541	888,074	2,280,116	4,133,731
Receipts:					
Program advances		1,965,000	1,570,325	—	3,535,325
Interest earnings		4,394	1,071	4,361	9,826
Total receipts		1,969,394	1,571,396	4,361	3,545,151
Disbursements:					
Project expenses		442,640	2,126,079	37,619	2,606,338
Administrative expenses		—	69,362	4,810	74,172
Total disbursements		442,640	2,195,441	42,429	2,680,510
Balance, March 31, 2020	$	2,492,295	264,029	2,242,048	4,998,372

(9) Industrial Financing Program

EFC has entered into agreements with private sector companies to provide funds for certain environmental projects and with New York State to provide funding to the State for certain programs. Industrial Financing Bonds or Private Activity Bonds are considered conduit debt and not included as obligations in the accompanying financial statements of EFC.

Private Activity Bonds: Under the terms of the agreements, EFC issues bonds on behalf of private sector companies for use in the construction or refinancing of certain environmental projects. The bonds issued

are special obligation revenue bonds payable solely from funds provided by the companies and do not constitute a liability of EFC or New York State and therefore are not reported in the accompanying financial statements. Private Activity Bonds outstanding totaled $105 million at March 31, 2021 and $100 million at March 31, 2020.

State Appropriation Bonds: Under these agreements, EFC issues bonds on behalf of the State to provide funding for certain programs. The bonds issued are special obligation bonds, payable solely from and collateralized by, payments from the State under various agreements. The obligations of the State to make payments under these agreements are subject to, and dependent upon, the making of annual appropriations by the State Legislature. The bonds are not general obligations of EFC and do not constitute an indebtedness against the general credit of the Corporation. There were no State Appropriation Bonds outstanding at March 31, 2021 and totaled $16.4 million at March 31, 2020. This amount is reported as appropriation bonds payable and receivable from the State of New York in the accompanying financial statements of EFC.

(10) Retirement Plan

(a) General information

Employees of EFC are members of the New York State and Local Employees' Retirement System (System), a defined benefit cost-sharing, multiple-employer public employee retirement system. The net position of the System is held in the New York State Common Retirement Fund (Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. System benefits and required contributions are established under the provisions of the New York State Retirement and Social Security Law (RSSL). The System offers a range of programs and benefits that vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, disability benefits and optional methods of benefit payments. Once a public employer elects to participate in the System, the election is irrevocable. As part of ERS, EFC also participates in the Public Employees Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System's financial report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing the New York State and Local Retirement System, 110 State St, Albany, NY 12244.

Most members of the System who joined before July 27, 1976 or who have been a member of the System for at least ten years are enrolled in a noncontributory plan; the Corporation contributes the entire amount determined to be payable to the System. Personnel who joined the System July 27, 1976 or after and have not been a member of the System for at least ten years or who joined the System after December 31, 2009 are required by law to contribute a percentage of their gross salary; the Corporation contributes the balance payable to the System for these employees.

(b) Contributions

System funding requirements are determined by the actuary of the System. The System calculates the employer contribution as a result of the actuarially determined rates and salaries. Contributions for the current and prior year were equal to 100% of the contributions required, and were as follows:

	Contribution
2021	$ 1,154,850
2020	1,250,737

(c) Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At March 31, 2021 and 2020, EFC recognized a net pension liability of $8,203,519 and $2,366,512, respectively, for its proportionate share of the System's net pension liability and is included in the other liabilities in the accompanying financial statements. The net pension liability was measured as of March 31, 2020 and 2019 and was determined using an actuarial valuation as of April 1, 2019 and 2018. Update procedures were used to roll forward the net pension liability to March 31, 2020 and 2019. EFC's proportion of the System's net pension liability was based on a projection of EFC's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At the measurement date of March 31, 2020, EFC's proportion of the net pension liability of the System was 0.0309794%, and the proportion at March 31, 2019 was 0.0334003%. EFC recognized pension expense for the years ended March 31, 2021 and 2020 of $2,784,731 and $1,558,920, respectively and is included in Administrative costs in the accompanying financial statements. At March 31, 2021 and 2020, EFC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 482,810	—
Changes of assumptions	165,180	142,630
Net difference between projected and actual earnings on pension plan investments	4,205,523	—
Changes in proportion and differences between contributions and proportionate share of contributions	96,122	143,631
Contributions subsequent to measurement date	1,154,850	—
	$ 6,104,485	286,261

	2020	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 466,016	158,860
Changes of assumptions	594,844	—
Net difference between projected and actual earnings on pension plan investments	—	607,378
Changes in proportion and differences between contributions and proportionate share of contributions	113,140	47,402
Contributions subsequent to measurement date	1,250,737	—
	$ 2,424,737	813,640

Contributions of $1,154,850 are reported as deferred outflows of resources as a result of EFC's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending March 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amount
Year ended March 31:	
2021	$ 782,478
2022	1,180,953
2023	1,499,626
2024	1,200,317
	$ 4,663,374

(d) Actuarial Assumptions

The total pension liability at the measurement date of March 31, 2020 and 2019 was determined by using an actuarial valuation as of April 1, 2019 and 2018, respectively. Update procedures were used to roll forward the total pension liability to March 31, 2020 and 2019. The actuarial assumptions included in the actuarial valuations include an inflation factor of 2.5%, projected salary increases of 4.2%, cost of living adjustments of 1.3% and an investment rate of return of 6.8%.

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

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31 is summarized below:

	2021		2020	
Asset class	**Target allocation**	**Long-term expected real rate of return**	**Target allocation**	**Long-term expected real rate of return**
Domestic equity	36 %	4.05 %	36 %	4.55 %
International equity	14	6.15	14	6.35
Private equity	10	6.75	10	7.50
Real estate	10	4.95	10	5.55
Absolute return strategies	2	3.25	2	3.75
Opportunistic portfolio	3	4.65	3	5.68
Real assets	3	5.95	3	5.29
Bonds and mortgages	17	0.75	17	1.31
Cash	1	—	1	(0.25)
Inflation indexed bonds	4	0.50	4	1.25
	100 %		100 %	

The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (6.8%) was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents EFC's proportionate share of the net pension liability for 2021 and 2020 calculated using the discount rate of 6.8%, as well as what EFC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

		1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Proportionate share of the net pension liability, 2021	$	15,055,773	8,203,519	1,892,564
Proportionate share of the net pension liability (asset), 2020	$	10,346,768	2,366,150	(4,337,469)

(11) Other Post-Employment Benefits

(a) General Information

Plan Description: Medical and Prescription Drug benefits are provided through the New York State Health Insurance Program (NYSHIP). The majority of retired employees are enrolled in one of two plans: The Empire plan or the Capital District Physicians' Health Plan. Eligible employees must retire directly from EFC employment with a minimum of 10 years of service with NYS Civil Service, and a minimum of one year with EFC immediately preceding retirement. The plan is considered a single employer plan.

Funding Policy: Health insurance premiums for retired employees are equal to the premiums charged for active employees. EFC pays a portion of the premium for medical coverage for the employee and spouse for the lifetimes of the employee and spouse based on the plan chosen by the employee. EFC also reimburses retirees, spouses, and surviving spouses for their entire Medicare Part B premium payment. The dollar value of accumulated sick leave credits at the time of retirement is converted to a lifetime monthly credit, which is used to reduce the portion of the health insurance premiums paid directly by retirees and in some instances their surviving spouse for life. Contributions are made on a pay-as-you-go basis.

Employees covered by benefit terms: At March 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	56
Inactive employees entitled to but not yet receiving benefit payments	6
Active employees	85
	147

(b) Total OPEB Liability and Changes to the Total OPEB Liability

EFC's annual other post-employment benefit (OPEB) expense is calculated based on an amount actuarially determined in accordance with the parameters of GASB Statement 75. The total OPEB liability represents the portion of actuarial present value of projected benefit payments attributable to past periods of member service.

EFC's total reported OPEB liability of $49,036,123 as of March 31, 2021 and $49,200,052 as of March 31, 2020 was measured as of March 31, 2020 and March 31, 2019, respectively, and were determined by an actuarial valuation as of April 1, 2019.

	2021	2020
Total OPEB liability:		
Service cost	$ 1,528,793	$ 1,484,265
Interest on total OPEB liability	1,904,428	1,830,021
Effect of plan changes	—	—
Effect of liability gains and losses	(11,764,637)	(145,003)
Effect of assumption changes or inputs	9,127,656	856,108
Benefit payments	(960,169)	(763,330)
Net change in total OPEB liability	(163,929)	3,262,061
Total OPEB liability-beginning of year	49,200,052	45,937,991
Total OPEB liability-ending of year	$ 49,036,123	$ 49,200,052

Actuarial assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2020 and March 31, 2018 actuarial valuations, which are used for March 31, 2021 and 2020 financial reporting, respectively, the Entry Age Normal cost method, as required by GASB 75 is used. EFC does not prefund it's plan and is therefore required to use a discount rate equal to 20-year high grade municipal bonds. Baseline discount rates of 2.27% and 3.79% as of March 31, 2020 and March 31, 2019, respectively, are based on the Bond Buyer General Obligation 20-Bond Municipal Index. The expected rate of increase in healthcare premiums for the March 31, 2020 valuation is the same rate as applied in the December 2018 report of the "New York State/SUNY Development of Recommended Actuarial Assumptions for Other Post Employment Benefit Plans Actuarial Valuations – Participating Agency Version." The expected rate of increase in healthcare premiums for the March 31, 2018 valuation is based on projections developed by the actuary's healthcare specialists. An increase of 6% was assumed in calendar year 2021, reduced to an ultimate rate of 4.5% after calendar year 2021. For the two plans with the highest enrollment, increases of 5.9% and 8.6% were assumed in calendar year 2019 for pre-Medicare costs and 5.0% and 10.5% for Medicare costs.

Mortality assumptions for the reporting date March 31, 2020 were based on the mortality table in the "Annual Report to the Comptroller on Actuarial Assumptions" dated August 2020, with mortality improvement rates based on the MacLeod Watts Scale 2020. Mortality rates for the reporting date

March 31, 2018 were based on the RP2000 Employee/Healthy Annuitant sex distinct mortality tables with full generational projection using Scale BB.

The following presents EFC's total OPEB liability, calculated using the discount rates of 2.27% and 3.79% for 2021 and 2020, respectively, as well as what EFC's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1-percentage-point higher than the current rate for 2021 and 2020, respectively:

		2021		
		1% Decrease 1.27%	**Current assumption 2.27%**	**1% Increase 3.27%**
Total OPEB liability	$	59,085,737	49,036,123	41,183,923

		2020		
		1% Decrease 2.79%	**Current assumption 3.79%**	**1% Increase 4.79%**
Total OPEB liability	$	59,068,814	49,200,052	41,515,720

The following presents EFC's total OPEB liability, calculated using the current healthcare cost trend rates, as well as what EFC's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1-percentage-point higher than the current trend rates:

		2020		
		1% Decrease	**Current trend rate**	**1% Increase**
Total OPEB liability	$	40,932,076	49,036,123	59,664,557

		2020		
		1% Decrease	**Current trend rate**	**1% Increase**
Total OPEB liability	$	40,756,119	49,200,052	60,285,886

(c) OPEB Expense, Deferred Inflows, and Deferred Outflows of Resources Related to OPEB

For the years ended March 31, 2021 and March 31, 2020, EFC recognized OPEB expense of $2,153,152 and $3,382,177, respectively and reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2021	2020
Deferred outflows of resources:		
Changes of assumptions	$ 8,308,346	$ 689,550
Benefit payments subsequent to the measurement date	878,044	—
Total deferred outflows of resources	$ 9,186,390	$ 689,550
Deferred inflows of resources:		
Differences between expected and actual experience	$ 10,223,084	$ 248,586
Changes of assumptions	121,275	159,897
Total deferred inflows of resources	$ 10,344,359	$ 408,483

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending March 31, 2022. Other amounts recognized in the deferred outflows and inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year ended March 31:	
2022	$ (319,901)
2023	(319,901)
2024	(319,901)
2025	(378,289)
2026	(387,792)
Thereafter	(310,229)
Total	$ (2,036,013)

(12) Commitments and Contingencies

At March 31, 2021, the undisbursed balance of active SRF short-term direct loans and grants closed were $1.6 billion and $541.2 million, respectively.

In August 2013, the Corporation, through the State Revolving Fund (SRF), guaranteed $24.3 million Series 2013A Residential Energy Efficiency Financing Revenue Bonds issued by the New York State Energy Research and Development Authority (NYSERDA). The bonds have semi-annual interest payments each January and July 1 and annual principal payments each July 1 from January 1, 2014 to July 1, 2028 and are secured with a pledge of payments from certain residential energy efficiency loans funded by NYSERDA. Under the terms of the guarantee agreement, the Corporation guarantees full and timely payment of principal and interest on the bonds in the event NYSERDA fails to pay when due and payable. NYSERDA established a Collateral Reserve account, which may be used by the Corporation to fund or reimburse the SRF if loan repayments and interest subsidies are insufficient to meet scheduled payments on the bonds, and if there are insufficient additional funds available from the residential energy efficiency loan program. As of March 31, 2021, the outstanding balance of the bonds totaled $58.4 million and the balance in the Collateral Reserve account was $8.8 million.

Periodically, the Corporation is involved with legal actions, claims and/or investigations arising in the ordinary course of business. In the opinion of management, as of March 31, 2021, the ultimate disposition of any such matters will not have a material adverse effect, if any, on the Corporation's net position, changes in net position, or liquidity.

(13) Subsequent Events

The Corporation has evaluated subsequent events from the statement of net position date of March 31, 2021 through June 30, 2021, the date at which the financial statements were available to be issued.

On June 30, EFC issued $284,745,000 of State Clean Water and Drinking Water Revolving Funds Revenue Bonds, Series 2021A (New York City Municipal Water Finance Authority Projects - Second Resolution Bonds). The 2021A bonds have interest rates ranging from 3.00% to 5.00% and have a final maturity of June 15, 2041. The proceeds of these financings were used to refund Series 2011B bonds resulting in a Present Value savings to the New York City Municipal Water Finance Authority of $106.6 million.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Required Supplemental Information

Schedule of Proportionate Share of the Net Pension Liability – New York State and Local Employees' Retirement System Pension Plan (Unaudited)

March 31, 2021

	2021	2020	2019	2018	2017
Share of net pension liability	0.0309794%	0.0334003%	0.0331066%	0.0310347%	0.0326821%
Proportionate share of the net pension liability	$ 8,203,519	2,366,512	1,068,497	2,916,092	5,245,571
Covered payroll	8,181,673	8,609,034	8,936,103	8,907,716	8,378,527
Proportionate share of the net pension liability as a percentage of its covered payroll	100.3%	27.5%	12.0%	32.7%	62.6%
Plan fiduciary net position as a percentage of the total pension liability	86.4%	100.4%	98.2%	94.7%	90.7%

Measurement date is as of the respective March 31 of the previous year.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Required Supplemental Information

Schedule of Employer Contributions – New York State and
Local Employees' Retirement System Pension Plan (Unaudited)

March 31, 2021

	2021	2020	2019	2018	2017
Contractually required contribution	$ 1,154,850	1,250,737	1,308,955	1,282,460	1,254,691
Contributions in relation to the contractually required contribution	1,154,850	1,250,737	1,308,955	1,282,460	1,254,691
Contribution deficiency (excess)	$ —	—	—	—	—
Covered payroll	$ 8,201,732	8,181,673	8,609,034	8,936,103	8,907,716
Contributions as a percentage of covered payroll	14.1%	15.3%	15.2%	14.4%	14.1%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of the State of New York)

Required Supplemental Information

Schedule of Changes in Net OPEB Liability and Related Ratios

March 31, 2021

	2021	2020	2019
Total OPEB liability:			
Service cost	$ 1,528,793	$ 1,484,265	$ 1,441,534
Interest on total OPEB liability	1,904,428	1,830,021	1,736,866
Effect of plan changes	—	—	—
Effect of liability gains and losses	(11,764,637)	(145,003)	(195,462)
Effect of assumption changes or inputs	9,127,656	856,108	(237,141)
Benefit payments	(960,169)	(763,330)	(695,677)
Net change in total OPEB liability	(163,929)	3,262,061	2,050,120
Total OPEB liability-beginning	49,200,052	45,937,991	43,887,871
Total OPEB liability-ending	$ 49,036,123	$ 49,200,052	$ 45,937,991
Covered employee payroll	8,181,673	8,609,034	8,936,103
Net OPEB liability as a percentage of covered employee payroll	599%	571%	571%

Measurement date is as of March 31 of the previous year.

Note: This schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

See accompanying independent auditors' report.

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of New York State)

Other Supplementary Information – Combining Schedule of Net Position

March 31, 2021 and 2020

	2021				2020			
Assets and Deferred Outflows of Resources	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**
Current assets:								
Cash and cash equivalents: $	28,720,753	—	—	28,720,753	14,460,640	—	—	14,460,640
Contractual services and fees receivable	53,928	—	—	53,928	140,533	—	—	140,533
Restricted assets:								
Cash and cash equivalents	—	431,961,256	244,897,998	676,859,254	—	316,713,093	115,195,740	431,908,833
Accounts receivable	—	—	—	—	—	—	6,344,030	6,344,030
Interest receivable on bonds and direct financings	—	61,489,081	15,114,718	76,603,799	—	64,223,134	16,143,491	80,366,625
Interest receivable on cash and cash equivalents and investments	—	13,862,680	1,472,780	15,335,460	—	17,207,808	2,272,450	19,480,258
Annual fees receivable	—	12,842,113	1,248,149	14,090,262	—	12,805,533	1,260,702	14,066,235
Prepaid expense	—	820,000	65,000	885,000	—	820,000	65,000	885,000
Short-term financings receivable	—	337,968,940	46,975,884	384,944,824	—	160,767,701	35,356,293	196,123,994
Direct financing receivable	—	79,079,013	31,448,171	110,527,184	—	62,040,327	29,657,084	91,697,411
Bonds receivable	—	311,713,070	73,928,996	385,642,066	—	335,398,295	87,466,416	422,864,711
Due from New York State, appropriation bonds receivable	—	—	—	—	16,405,000	—	—	16,405,000
Other restricted funds	2,684,098	—	—	2,684,098	4,998,372	—	—	4,998,372
Total current assets	31,458,779	1,249,736,153	415,151,696	1,696,346,628	36,004,545	969,975,891	293,761,206	1,299,741,642
Noncurrent assets:								
Restricted assets:								
Investments	—	1,632,627,658	214,219,745	1,846,847,403	—	1,882,337,543	309,547,672	2,191,885,215
Short-term financings receivable	—	438,794,187	71,313,139	510,107,326	—	638,667,277	79,025,676	717,692,953
Direct financings receivable	—	2,153,308,962	708,356,039	2,861,665,001	—	2,018,055,359	719,404,707	2,737,460,066
Bonds receivable	—	5,090,374,374	1,104,265,739	6,194,640,113	—	5,173,674,723	1,142,502,713	6,316,177,436
Due from New York State, appropriation bonds receivable	—	—	—	—	—	—	—	—
Total noncurrent assets	—	9,315,105,181	2,098,154,662	11,413,259,843	—	9,712,734,902	2,250,480,768	11,963,215,670
Total assets	31,458,779	10,564,841,334	2,513,306,358	13,109,606,471	36,004,545	10,682,710,793	2,544,241,974	13,262,957,312
Deferred outflows of resources related to pensions and OPEB liability	1,408,191	11,479,125	2,403,559	15,290,875	310,699	2,262,729	540,859	3,114,287
Total assets and deferred outflow of resources $	32,866,970	10,576,320,459	2,515,709,917	13,124,897,346	36,315,244	10,684,973,522	2,544,782,833	13,266,071,599

(Continued)

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of New York State)

Other Supplementary Information – Combining Schedule of Net Position

March 31, 2021 and 2020

	2021				2020			
Liabilities, Deferred Inflows of Resources and Net Position	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**	**Corporate activities**	**CWSRF**	**DWSRF**	**Total**
Current liabilities:								
Accrued interest payable on bonds	$ —	57,555,423	14,743,447	72,298,870	—	59,336,254	15,679,168	75,015,422
Accrued interest subsidy	—				—			
Bonds payable	—	255,355,000	63,255,000		—	277,040,000	74,215,000	
Appropriation bonds payable	—	—	—	—	16,405,000	—	—	16,405,000
Other restricted funds	2,684,098	26,643,727 —	2,777,402 —	29,421,129 2,684,098	4,998,372	28,066,722 —	3,056,262 —	31,122,984 4,998,372
Accounts payable and accrued expenses	13,821,772	13,031,525	2,514,820	318,610,000 29,368,117	346,099	7,940,689	1,568,367	351,255,000 9,855,155
Interfund balances	(874,892)	737,660	137,232	—	(873,363)	725,427	147,936	—
Debt service funds payable		5,319,847	144,875	5,464,722	—	12,916,203	350,870	13,267,073
Other liabilities	766,708		28,684,054		240,611		10,420,967	
Other post-employment benefits	82,555	773,950	175,429		38,522		218,291	
Total current liabilities	16,480,241	415,272,856 55,855,724	112,432,259	544,185,356 85,306,486	21,155,241	435,012,983 47,960,438	105,656,861	561,825,085 58,622,016
Noncurrent liabilities:								
Bonds payable	—	4,345,281,450	1,060,147,143	5,405,428,593 1,031,934	—	4,444,449,080 1,027,250	1,096,290,678	5,540,739,758 1,284,063
Appropriation bonds payable	—	—	—	—	—	—	—	—
Unearned revenue	—	—		—		—		—
Other post-employment benefits	7,755,943	32,016,228		48,004,189		31,887,005		
Total noncurrent liabilities	7,755,943	4,377,297,678	1,068,379,161	5,453,432,782	7,814,751	4,476,336,085	1,104,504,910	5,588,655,746
Total liabilities	24,236,184	4,792,570,534 8,232,018	1,180,811,420	5,997,618,138 7,814,751	28,969,992	4,911,349,068 8,214,232	1,210,161,771	6,150,480,831 47,915,968
Deferred inflows of resources related to pensions and OPEB liability	1,144,267	7,867,481 —	1,618,872	10,630,620 —	296,266	746,237 —	179,620	1,222,123
Total liabilities and deferred inflows of resources	25,380,451	4,800,438,015	1,182,430,292	6,008,248,758	29,266,258	4,912,095,305	1,210,341,391	6,151,702,954
Net position:								
Restricted for revolving loan fund programs	—	5,775,882,444	1,333,279,625	7,109,162,069	—	5,772,878,217	1,334,441,442	7,107,319,659
Unrestricted	7,486,519	—		7,486,519	7,048,986	—		7,048,986
Total net position	7,486,519		1,333,279,625	7,116,648,588	7,048,986	5,772,878,217	1,334,441,442	7,114,368,645
Total liabilities, deferred inflows of resources and net position	$ 32,866,970	10,576,320,459 5,775,882,444	2,515,709,917	6	36,315,244		2,544,782,833	9
		—		13,124,897,34		10,684,973,522 —		13,266,071,59

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of New York State)

Other Supplementary Information – Combining Schedule of Revenues, Expenses, and Changes in Net Position

Years ended March 31, 2021 and 2020

	2021				2020			
	Corporate activities	CWSRF	DWSRF	Total	Corporate activities	CWSRF	DWSRF	Total
Operating revenues:								
Interest income on bonds and direct financings receivable	$ —	251,468,940	56,191,771	307,660,711	—	264,866,494	58,954,520	323,821,014
Bond financing and administrative fees	359,545	16,953,714	1,715,849	19,029,108	445,486	13,424,713	14,487,095	28,357,294
Administrative grant revenues	79,464	7,148,995	1,798,680	9,027,139	71,453	4,320,733	1,797,520	6,189,706
Indirect cost and other recoveries	1,107,759	(885,089)	(222,670)	—	1,275,948	(901,079)	(374,869)	—
Contract service fees	16,116	—	—	16,116	55,943	—	—	55,943
Other revenues	118,271	—	—	118,271	21,967	—	—	21,967
Total operating revenues	1,681,155	274,686,560	59,483,630	335,851,345	1,870,797	281,710,861	74,864,266	358,445,924
Operating expenses:								
Interest expense on bonds payable	—	211,339,765	52,681,829	264,021,594	—	215,876,566	53,155,135	269,031,701
Interest subsidy provided	—	89,397,090	7,441,007	96,838,097	—	99,278,268	9,943,853	109,222,121
Principal forgiveness	—	—	—	—	—	2,402,182	—	2,402,182
Administrative costs	1,246,156	19,224,069	4,085,117	24,555,342	1,694,732	18,136,822	4,804,628	24,636,182
Total operating expenses	1,246,156	319,960,924	64,207,953	385,415,033	1,694,732	335,693,838	67,903,616	405,292,186
Operating gain (loss)	434,999	(45,274,364)	(4,724,323)	(49,563,688)	176,065	(53,982,977)	6,960,650	(46,846,262)
Nonoperating revenues:								
Project grant revenues	—	5,279,722	2,126,097	7,405,819	—	246,054,620	41,074,964	287,129,584
Investment income	2,532	62,170,206	8,509,999	70,682,737	17,326	94,076,206	16,127,308	110,220,840
State assistance payments revenue	1,517,248	49,415,882	60,078,840	111,011,970	873,269	62,470,375	63,046,612	126,390,256
Total nonoperating revenues	1,519,780	116,865,810	70,714,936	189,100,526	890,595	402,601,201	120,248,884	523,740,680
Nonoperating expenses:								
Grants disbursed	—	19,171,335	7,073,588	26,244,923	—	37,026,395	14,248,032	51,274,427
State assistance payments expense	1,517,248	49,415,882	60,078,840	111,011,970	873,269	62,470,375	63,046,612	126,390,256
Total nonoperating expenses	1,517,248	68,587,217	67,152,428	137,256,893	873,269	99,496,770	77,294,644	177,664,683
Increase (decrease) in net position	437,531	3,004,229	(1,161,815)	2,279,945	193,391	249,121,454	49,914,890	299,229,735
Beginning net position	7,048,988	5,772,878,215	1,334,441,440	7,114,368,643	6,855,597	5,523,756,761	1,284,526,550	6,815,138,908
Cumulative effect of change in accounting principle (Note 2 (a))	—	—	—	—	—	—	—	—
Ending net position	$ 7,486,519	5,775,882,444	1,333,279,625	7,116,648,588	7,048,988	5,772,878,215	1,334,441,440	7,114,368,643

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
(A Component Unit of New York State)

Other Supplementary Information – Combining Schedule of Cash Flows

Years ended March 31, 2021 and 2020

	2021				2020			
	Corporate activities	CWSRF	DWSRF	Total	Corporate activities	CWSRF	DWSRF	Total
Cash flows from operating activities:								
Bond financing and administrative fees	$ 1,649,489	23,181,040	9,648,442	34,478,971	1,468,790	16,933,195	(1,432,790)	16,969,195
Personal services expense	(704,057)	(6,280,863)	(1,287,729)	(8,272,649)	(676,964)	(6,165,813)	(1,324,457)	(8,167,234)
Fringe benefits expense	(203,873)	(3,785,662)	(784,762)	(4,774,297)	(314,755)	(2,592,867)	(624,885)	(3,532,507)
Other administrative expenses	13,122,673	(4,190,787)	(1,091,252)	7,840,634	(670,685)	(7,576,487)	(2,438,401)	(10,685,573)
Other, net	393,349	5,812,363	17,828,937	24,034,649	(178,008)	9,702,830	2,515,209	12,040,031
Net cash (used in) provided by operating activities	14,257,581	14,736,091	24,313,636	53,307,308	(371,622)	10,300,858	(3,305,324)	6,623,912
Cash flows from noncapital financing activities:								
Proceeds from bonds issued		249,340,000	45,155,000	294,495,000	—	318,205,000	141,970,000	460,175,000
Payments on bonds payable		(370,192,631)	(92,258,535)	(462,451,166)	—	(509,157,439)	(122,519,678)	(631,677,117)
Interest paid on bonds payable		(213,120,596)	(53,617,550)	(266,738,146)	—	(219,702,227)	(53,031,512)	(272,733,739)
New York State appropriation bond payments received	16,405,000		—	16,405,000	15,590,000	—	—	15,590,000
Payments on New York State appropriation bonds	(16,405,000)		—	(16,405,000)	(15,590,000)	—	—	(15,590,000)
Grants disbursed		(19,171,335)	(7,073,588)	(26,244,923)		(39,428,576)	(14,248,032)	(53,676,608)
Contributions received from the U.S. EPA		4,399,768	2,126,097	6,525,865	—	205,045,516	41,074,965	246,120,481
Contributions received from New York State		879,954	—	879,954	—	41,009,103	—	41,009,103
Net cash (used in) provided by noncapital financing activities	—	(347,864,840)	(105,668,576)	(453,533,416)	—	(204,028,623)	(6,754,257)	(210,782,880)
Cash flows from investing activities:								
Net proceeds from maturities of investments		249,709,884	95,327,927	345,037,811	—	(114,645,296)	(96,553,291)	(211,198,587)
Interest income on investments	2,532	65,515,334	9,309,669	74,827,535	17,326	95,174,538	16,369,452	111,561,316
Bonds purchased		(362,022,721)	(69,382,022)	(431,404,743)	—	(464,566,879)	(142,750,286)	(607,317,165)
Bonds repayments received		469,008,300	121,156,416	590,164,716	—	581,912,460	133,404,333	715,316,793
Short-term financing disbursements		(565,274,427)	(68,756,577)	(634,031,004)	—	(636,035,807)	(234,250,037)	(870,285,844)
Short-term financing repayments received		587,946,278	64,849,522	652,795,800	—	479,420,811	206,330,635	685,751,446
Principal forgiveness repayments		—		—	—	(33,940,447)	—	(33,940,447)
Direct financings issued		(234,858,927)	(21,937,435)	(256,796,362)	—	(157,052,537)	(77,357,297)	(234,409,834)
Direct financing repayments received		82,566,638	31,195,016	113,761,654	—	99,641,786	35,708,216	135,350,002
Interest income on bonds and direct financings receivable		254,202,993	57,220,544	311,423,537	—	268,790,947	58,855,427	327,646,374
Interest subsidy provided		(90,820,084)	(7,719,867)	(98,539,951)	—	(103,113,398)	(10,623,646)	(113,737,044)
Debt service funds received		(112,287)	(4,731)	(117,018)	—	11,576,992	562,146	12,139,138
Debt service funds paid		(7,484,069)	(201,264)	(7,685,333)	—	(6,349,707)	(1,532,035)	(7,881,742)
Net cash provided by (used in) investing activities	2,532	448,376,912	211,057,198	659,436,642	17,326	20,813,463	(111,836,383)	(91,005,594)
Net (decrease) increase in cash and cash equivalents	14,260,113	115,248,163	129,702,258	259,210,534	(354,296)	(172,914,302)	(121,895,964)	(295,164,562)
Cash and cash equivalents, beginning of year	14,460,640	316,713,093	115,195,740	446,369,473	14,814,936	489,627,395	237,091,704	741,534,035
Cash and cash equivalents, end of year	$ 28,720,753	431,961,256	244,897,998	705,580,007	14,460,640	316,713,093	115,195,740	446,369,473

(Continued)

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION
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Other Supplementary Information – Combining Schedule of Cash Flows

Years ended March 31, 2021 and 2020

	2021				2020			
	Corporate activities	CWSRF	DWSRF	Total	Corporate activities	CWSRF	DWSRF	Total
Reconciliation of operating gain (loss) to net cash (used in) provided by operating activities:								
Operating gain (loss)	$ 434,999	(45,274,364)	(4,724,323)	(49,563,688)	176,065	(53,982,977)	6,960,650	(46,846,262)
Adjustments to reconcile operating gain (loss) to net cash (used in) provided by operating activities:								
Interest income on bonds and direct financings receivable	—	(251,468,940)	(56,191,771)	(307,660,711)	—	(264,866,494)	(58,954,520)	(323,821,014)
Interest expense	—	211,339,765	52,681,829	264,021,594	—	215,876,566	53,155,135	269,031,701
Principal forgiveness	—	—	—	—	—	2,402,182	—	2,402,182
Interest subsidy provided	—	89,397,090	7,441,007	96,838,097	—	99,278,268	9,943,853	109,222,121
Changes in assets and liabilities that provide (use) cash:								
Contractual services and fees receivable	86,605	—	6,344,030	6,430,635	(90,019)	—	(6,344,030)	(6,434,049)
Annual fees receivable	—	(36,580)	12,553	(24,027)	—	88,826	(90,718)	(1,892)
Accounts payable and accrued expenses	13,475,673	5,090,836	946,453	19,512,962	(213,442)	(686,814)	(110,934)	(1,011,190)
Interfund balances	(1,529)	12,233	(10,704)	—	(174,738)	184,133	(9,395)	—
Unearned revenue	—	—	—	—	(290,021)	—	(10,907,786)	(11,197,807)
Other liabilities	276,608	5,800,129	17,839,638	23,916,375	(25,243)	9,518,699	2,524,605	12,018,061
Other post-employment benefits	(14,775)	(124,078)	(25,076)	(163,929)	245,776	2,488,469	527,816	3,262,061
Net cash (used in) provided by operating activities	$ 14,257,581	14,736,091	24,313,636	53,307,308	(371,622)	10,300,858	(3,305,324)	6,623,912

See accompanying independent auditors' report.

Exhibit 1C – Book-Entry Only System

EXHIBIT 1C

BOOK-ENTRY ONLY SYSTEM

The information contained in the following paragraphs of this Exhibit 1C—"BOOK-ENTRY ONLY SYSTEM" has been extracted from a schedule prepared by DTC, entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." We make no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the bonds. The bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity of the bonds exceeds $500 million, one bond of such maturity will be issued with respect to each $500 million of principal amount, and an additional bond will be issued with respect to any remaining principal amount of such maturity.

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

3. Purchases of bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the bonds on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in bonds, except in the event that use of the book-entry system for the bonds is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the bonds may wish to ascertain that the nominee holding the bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the bonds of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to us as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and principal and interest payments on the bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from us or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Trustee or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of us or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such bonds by causing the Direct Participant to transfer the Participant's interest in the bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered bonds to the Tender Agent's DTC account.

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

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

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

NEITHER US, THE TRUSTEE, ANY RECIPIENT, NOR THE PURCHASER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT

WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

Exhibit 2A – Certain Definitions and Summary of Master Trust Agreement

EXHIBIT 2

CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT

THE FOLLOWING IS A SUMMARY OF THE TERMS AND PROVISIONS OF THE MASTER TRUST AGREEMENT SECURING ALL SRF BONDS. THE SUMMARY DOES NOT PURPORT TO BE COMPLETE AND REFERENCE SHOULD BE MADE TO SUCH DOCUMENT FOR A FULL AND COMPLETE STATEMENT OF SUCH DOCUMENT AND ALL PROVISIONS THEREIN.

The following definitions apply to the summaries of the Master Trust Agreement.

Act or EFC 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 from time to time amended and supplemented.

Additional Program means a financing program identified as an "Additional Program" in a Supplemental Indenture, pursuant to which the Corporation is authorized to issue bonds and apply the proceeds thereof to the acquisition of obligations issued or incurred by recipients to finance programs or facilities or otherwise make such proceeds available to such recipients for such purpose.

Administrative Expenses, when used in connection with the Clean Water Program, means the Corporation's expenses of carrying out and administering its powers, duties and functions that are allocable to the Clean Water Program, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative and operating expenses of the Corporation or DEC, including but not limited to salaries (or portions thereof) of employees of EFC or DEC engaged in the administration of such program; fees, charges and other amounts payable to the State; legal, accounting and consultant's services and expenses; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act or the Trust Agreement or otherwise that are allocable to the Clean Water Program and, when used in connection with the Drinking Water Program, means the Corporation's expenses of carrying out and administering its powers, duties and functions that are allocable to the Drinking Water Program, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative and operating expenses of the Corporation or DOH, including but not limited to salaries (or portions thereof) of employees of EFC or DOH engaged in the administration of such program; fees, charges and other amounts payable to the State; legal, accounting and consultant's services and expenses; payments to pension, retirement, health and hospitalization funds; and any other expenses required or permitted to be paid by the Corporation under the provisions of the Act or the Trust Agreement or otherwise that are allocable to the Drinking Water Program.

Authorized Officer means the Chairman, the President, Chief Financial Officer, any Vice President, the Director of Corporate Operations or the Secretary of the Corporation or any other officer of the Corporation designated to act as an Authorized Officer by resolution of the Board of Directors of the Corporation.

Available Equity Fund Moneys means moneys which are on deposit in the Clean Water Equity Account or the Drinking Water Equity Account and which are available for the purpose of making Equity Support Payments on any date on which Equity Support Payments are due or past due.

Bond or *Bonds*, as used in the Master Trust Agreement, means any bond or bonds or all the bonds, as the case may be, of the Corporation in one or more series issued and secured pursuant to one or more Financing Indentures and further secured under the Master Trust Agreement; provided, however, that (except as provided in the Master Trust Agreement) no 2010 MFI Obligation shall be deemed to be a Bond.

Bonds of a Series means any or all Bonds issued pursuant to any Supplemental Series Indenture.

Business Day means a day on which banks located in (i) The City of New York, New York, (ii) the city in which the principal office of the Trustee is located and (iii) the city in which the principal office of the Master Trust Agreement Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

CP means commercial paper.

CP Indenture means the CP Indenture of Trust to be entered into between the Corporation and Trustee, as the same may be amended and supplemented in accordance with its terms.

CP Indenture Obligations means any Obligations as defined in the CP Indenture.

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

Capitalization Grant Agreements means the grant agreements or other instruments entered into by United States Environmental Protection Agency or any successor entity for the benefit of the State to make capitalization grant payments under the federal Water Quality Act or the federal Safe Drinking Water Act.

Clean Water Administrative Expenses Account means the Clean Water Administrative Expenses Account established by the Master Trust Agreement.

Clean Water Direct Financing means any financial assistance by the Corporation pursuant to the State Clean Water Act, which assistance is made solely from the Equity Fund of the Clean Water SRF and not from the proceeds of SRF Bonds and which may be provided in the form of a loan or a purchase of debt obligations of the Municipality (as defined in the EFC Act).

Clean Water Direct Financing Recipient means any recipient of a Clean Water Direct Financing.

Clean Water Earnings Fund means the Clean Water Earnings Fund established pursuant to the Master Trust Agreement.

Clean Water Equity Account means the Clean Water Equity Account within the Equity Fund established pursuant to the Master Trust Agreement.

Clean Water Leveraged Financing means, as appropriate, any SRF Leveraged Financing of a Clean Water Project.

Clean Water Program means the program administered by the Corporation and DEC relating to the Clean Water Revolving Fund and established pursuant to the State Clean Water Act and the Water Quality Act.

Clean Water Recipient shall have the meaning set forth in the Master Trust Agreement.

Clean Water Revolving Fund or *Clean Water SRF* means the New York State Water Pollution Control Revolving Fund established pursuant to the State Clean Water Act.

Committed Subsidy Amount means the portion of interest payable on any Recipient Bonds which the Corporation is contractually obligated to fund from moneys within a State Revolving Fund pursuant to a Leveraged Financing Agreement.

Construction Account means an account established in connection with a financing pursuant to the Related Financing Agreement.

Contract Obligations means any Reimbursement Agreement, Guarantee or Qualified Hedge Agreement.

Corporation means New York State Environmental Facilities Corporation, a public benefit corporation created by the EFC Act, and any successor entity which may succeed to its rights and duties respecting the 2010 MFI Bonds and the Clean Water SRF or the Drinking Water SRF.

Credit Facility means a letter of credit, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company, financial institution or other Person which provides for payment for all or a portion of the principal or redemption price of, and interest on any Series of Bonds.

Custodian means Manufacturers and Traders Trust Company in its capacity as custodian under the Master Trust Agreement and its successors as custodian thereunder.

De-allocated Reserve Account means the De-allocated Reserve Account established by the Master Trust Agreement.

De-allocated Reserve Subaccount means a De-allocated Reserve Subaccount within the De-allocated Reserve Account established by the Master Trust Agreement.

Debt Service Fund means the Debt Service Fund established pursuant to the 2010 MFI.

Debt Service Reserve Fund means a Debt Service Reserve Fund for a series of Bonds established pursuant to a Supplemental Indenture.

Debt Service Support Payments means any Available Equity Fund Moneys transferred to the 2010 MFI Trustee pursuant to the 2010 MFI for the purpose of paying Debt Service on 2010 MFI Obligations other than Guarantees.

DEC means the New York State Department of Environmental Conservation or any successor entity which may succeed to its rights and duties respecting the Clean Water SRF.

Deficiency Reserve Account means, with respect to any series of SRF Bonds, the related Deficiency Reserve Account in the Equity Fund established by the Master Trust Agreement.

DOH means the New York State Department of Health and any entity which may succeed to its rights and duties respecting the Drinking Water SRF.

Drinking Water Administrative Expenses Account means the Drinking Water Administrative Expenses Account relating to the Drinking Water SRF established by the Master Trust Agreement.

Drinking Water Direct Financing means any financial assistance by the Corporation to a recipient (as defined in the State Drinking Water Act) pursuant to the State Drinking Water Act, which assistance is made solely from the Equity Fund of the Drinking Water SRF and not from the proceeds of SRF Bonds and which may be provided in the form of a loan or a purchase of debt obligations of the eligible recipient (as defined in the EFC Act).

Drinking Water Direct Financing Recipient means any recipient of a Drinking Water Direct Financing.

Drinking Water Direct Financing Recipient Payments means the payments of principal and interest made by a Drinking Water Direct Financing Recipient in connection with a Drinking Water Direct Financing.

Drinking Water Earnings Fund means the Drinking Water Earnings Fund established pursuant to the Master Trust Agreement.

Drinking Water Equity Account means the Drinking Water Equity Account within the Equity Fund established by the Master Trust Agreement.

Drinking Water Leveraged Financing means, as appropriate, any MFI Leveraged Financing or SRF Leveraged Financing of a Drinking Water Project.

Drinking Water Program means the Safe Drinking Water state revolving fund program administered by the Corporation and DOH established pursuant to the State Act and the Safe Drinking Water Act, including, without limitation, the Drinking Water Revolving Fund.

Drinking Water Recipient shall have the meaning set forth in the Master Trust Agreement.

Drinking Water Revolving Fund or *Drinking Water SRF* means the New York State Drinking Water Revolving Fund established pursuant to the State Drinking Water Act.

Earnings Fund means an Earnings Fund established pursuant to the 2010 MFI.

Enhanced Subsidy Fund means, with respect to each Clean Water Leveraged Financing, any Enhanced Subsidy Fund established in the related Leveraged Financing Subaccount pursuant to the Master Trust Agreement.

Equity Fund means the Equity Fund established by the Master Trust Agreement.

Equity Support Payments means any Debt Service Support Payments or Guarantee Support Payments.

Financing Agreement means any agreement providing for financial assistance to be made available to a Recipient in whole or in part from the proceeds of the Bonds of a Series, between a Recipient and the Corporation, as amended and supplemented in accordance with its terms from time to time.

Financing Indenture, with respect to a series of 2010 MFI Bonds, means the 2010 MFI and, with respect to any other series of SRF Bonds, means the indenture of trust or other similar document (including any applicable supplements thereto), pursuant to which such series of SRF Bonds is issued and delivered.

Financing Indenture Trustee means Manufacturers and Traders Trust Company as trustee under the Related Financing Indenture and any successor as trustee thereunder.

Guarantee means any guarantee of the Corporation delivered pursuant to and in accordance with the requirements of the 2010 MFI.

Guarantee Support Payment means any Available Equity Fund Moneys transferred to the Trustee pursuant to the 2010 MFI for the purpose of paying Debt Service (as defined in the 2010 MFI) on Guarantees.

Initial Indenture New York City Bonds means (i) the $166,500,000 State Water Pollution Control Revolving Fund Revenue Bonds, Series 1990 A (New York City Municipal Water Finance Authority Project), of the Corporation issued and outstanding under the Financing Indenture of Trust dated as of May 1, 1990 and further secured by the Master Trust Agreement and (ii) any other SRF Bonds issued under such Financing Indenture.

Leveraged Financing means any financial assistance, including but not limited to a loan, the purchase of debt obligations of Recipients and other types of assistance, made by the Corporation to a Recipient pursuant to a Leveraged Financing Agreement and the State Clean Water Act or the State Drinking Water Act from proceeds of a series of Bonds to finance a Project.

Leveraged Financing Subaccount(*s*) means a Leveraged Financing Subaccount or Leveraged Financing Subaccounts, if any, within the Clean Water Equity Account or the Drinking Water Equity Account established pursuant to the Master Trust Agreement.

Master Trust Agreement means the Amended and Restated Master Trust Agreement dated as of July 1, 2005 between the Corporation and Manufacturers and Traders Trust Company, as trustee and as custodian, as the same has been and may be amended and supplemented.

Master Trust Agreement Trustee or *Master Trustee* means Manufacturers and Traders Trust Company, in its capacity as trustee under the Master Trust Agreement, and its successor or successors as trustee under the Master Trust Agreement.

Obligations means any Bonds, 2010 MFI Obligations and CP Indenture Obligations.

Officer's Certificate means a certificate signed by an Authorized Officer of the Corporation.

Owner or Bondowner (when used in reference to the Owner of any SRF Bond) means the person or persons in whose name or names the particular SRF Bond shall be registered on the bond register kept pursuant to the Related Financing Indenture.

Paying Agent or *Paying Agents* means any paying agent(s) for the 2010 MFI Bonds and any successor or successors as paying agent(s) appointed pursuant to the 2010 MFI.

Person means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Prior Indentures means any Financing Indenture in effect prior to June 1, 2010, as such Financing Indenture may be amended and supplemented.

Prior Indenture Bonds means any bonds issued and outstanding under a Prior Indenture.

Prior Indenture Support Account means the Account created pursuant to the Master Trust Agreement, as amended by the First Supplemental Master Trust Agreement, dated as of June 1, 2010 between the Corporation and Trustee.

Qualified Hedge Agreement means with respect to any Series of Bonds or Subordinated 2010 MFI Bonds, any financial arrangement (i) which is entered into by the Corporation with a Qualified Hedge Provider, (ii) which is a cap, floor or collar, forward rate, future rate, swap (such swap may be used in an amount equal either to the principal amount of such Series of Bonds or Subordinated 2010 MFI Bonds as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Series of 2010 MFI Bonds or Subordinated 2010 MFI Bonds), asset, index, price or market linked transaction or agreement, or other exchange or rate protection transaction agreement, or similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing, executed by the Corporation, (iii) which has been designated as a Qualified Hedge Agreement with respect to such Series of Bonds or Subordinated 2010 MFI Bonds in a written determination signed by a Authorized Officer of the Corporation and delivered to the Trustee, and (iv) which contains such terms addressing the posting and holding of collateral, if any, and such other terms as may be determined by the Corporation.

Rebate Fund, with respect to each series of SRF Bonds, means the rebate fund established under the related Financing Indenture.

Recipient(s) means any municipality (as defined in the EFC Act) or a recipient (as defined in the EFC Act) entering into a Financing Agreement and their respective successors and assigns.

Recipient Account means any recipient account established pursuant to the 2010 MFI for the benefit of a Related Recipient.

Recipient Bonds, with respect to each series of Bonds, means the bonds or notes of the Recipient that are purchased pursuant to or otherwise acquired by the related Leveraged Financing Agreement.

Recipient Bond Payment(s), with respect to each MFI Leveraged Financing or SRF Leveraged Financing, as appropriate, shall mean the amounts payable by the related Recipient under the related series of Recipient Bonds, which amounts shall be pledged and assigned to the related Financing Indenture Trustee.

Repayment Bond means a special obligation bond of the Corporation acting on behalf of one State Revolving Fund delivered to the custodian of the other State Revolving Fund in order to evidence the obligation of the State Revolving Fund delivering such bond to repay the amounts invested by the State Revolving Fund receiving such bond, as described in the Master Trust Agreement.

Reserve Allocation means, with respect to any Leveraged Financing made from the proceeds of SRF Bonds, that amount of funds derived or to be derived from the related Capitalization Grant Agreements and/or related State Matching Funds and/or other sources established as reserve for such Leveraged Financing pursuant to the Master Trust Agreement, and reflected in the Reserve Allocation Certificate relating to such Leveraged Financing.

Reserve Allocation Certificate means the Authorized Officer's certificate delivered pursuant to the Master Trust Agreement setting forth the Reserve Allocation for a series of SRF Bonds.

Safe Drinking Water Act means Article XIV of the Federal Public Health Services Act (commonly known as the "Safe Drinking Water Act"), 42 U.S.C. 300f et. seq., as amended from time to time, or any successor provisions.

Series means all of the Bonds or Obligations of a particular Series authenticated and delivered on original issuance and pursuant hereto and a Supplemental Series Indenture and identified as such pursuant to such Supplemental Series Indenture, and any Bonds or Obligations of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds or Obligations pursuant to applicable provisions of the Related Financing Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

SRF Bond(s) means any Bond or Bonds or all the bonds, as the case may be.

SRF Clean Oceans Account means the SRF Clean Oceans Account established by the Master Trust Agreement.

SRF Leveraged Financing means any Clean Water Leveraged Financing or Drinking Water Leveraged Financing, as the case may be, made in whole or in part from the proceeds of SRF Bonds.

State means the State of New York.

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

State Drinking Water Act means Title 2 of Article 56 of the Environmental Conservation Law of the State of New York, as amended.

State Matching Share or *State Matching Funds*, when used in reference to the Clean Water Revolving Fund, means the amounts to be provided by the State pursuant to the Water Quality Act and the State Clean Water Act as matching funds and, when used in reference to the Drinking Water Revolving Fund, means the amounts to be provided by the State pursuant to the Safe Drinking Water Act and the State Drinking Water Act as matching funds.

State Revolving Fund or *SRF* means the Clean Water SRF or the Drinking Water SRF.

Subordinated Indenture means a Financing Indenture pursuant to which subordinated SRF Bonds are issued.

Subordinated Indenture Trustee means, with respect to each series of subordinated SRF Bonds, shall mean the trustee under the related Subordinated Indenture in its capacity as such trustee.

Supplemental Series Indenture means a Supplemental Indenture providing for the issuance of a series of Bonds, as such Supplemental Indenture may be amended and supplemented.

Supplemental Trust Agreement means any supplement or amendment of the Master Trust Agreement duly executed and delivered in accordance with the provisions of the Master Trust Agreement.

Tax Regulatory Agreement means, with respect to a series of Bonds, the Tax Regulatory Agreement, dated the date of initial delivery of such series of Bonds, between the Corporation and the Trustee, or any similar document entered into between the Corporation and the Trustee, as the same may be amended or supplemented.

2010 MFI means the Financing Indenture of Trust dated as of June 1, 2010 between the Corporation and Manufacturers and Traders Trust Company, asTrustee, as the same may be amended and supplemented in accordance with its terms.

2010 MFI Bonds means any Bonds issued under the 2010 MFI.

2010 MFI Obligations means any Bonds or Contract Obligations issued or incurred under the 2010 MFI.

2010 MFI Trustee means Manufacturers and Traders Trust Company, as trustee under the 2010 MFI, and any successor in such capacity.

Unallocated Clean Water Corpus Subaccount means the Unallocated Clean Water Corpus Subaccount within the Equity Fund established under the Trust Agreement.

Unallocated Corpus Subaccount means the Unallocated Clean Water Subaccount or the Unallocated Drinking Water Subaccount, as appropriate.

Unallocated Drinking Water Corpus Subaccount means the Unallocated Drinking Water Subaccount established under the Trust Agreement.

Water Quality Act means the federal Water Quality Act of 1987, as amended from time to time, or any successor provisions.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT

We do not establish Reserve Allocations in connection with all of our SRF Bonds. In particular we have not established Reserve Allocations in connection with any of our 2010 MFI Bonds. Accordingly the provisions of the Master Trust Agreement relating to Reserve Allocations described below relate to 1991 MFI Bonds and the NYCMWFA Bonds and do not relate to the 2010 MFI Bonds. References to senior SRF Bonds in the following summary do not apply to the 2010 MFI Bonds. The Master Trust Agreement contains various provisions which secure only 1991 MFI Bonds and NYCMWFA Bonds. The 2010 MFI Bonds are secured by the Master Trust Agreement only to the extent they are expressly referred to as being secured in the following summary.

Reserve Allocations

The Master Trust Agreement requires the Corporation to establish a Reserve Allocation or Allocations for SRF Leveraged Financings made with the proceeds of senior SRF Bonds as and to the extent described in this paragraph. No such reserve allocation is required for subordinated SRF Bonds. The Reserve Allocation for each SRF Leveraged Financing is the amount or amounts, if any, described in the related Reserve Allocation Certificate or Certificates. The Reserve Allocation or Allocations established in connection with all SRF Leveraged Financings funded with the SRF Bonds issued under any Financing Indenture is required to be established in aggregate amount scheduled so that at all times the aggregate amount of such Reserve Allocations equals at least the sum of (x) one third of the outstanding aggregate principal amount of all Leveraged Financings funded with all Series of Bonds issued under such Financing Indenture (exclusive of that portion, if any, of such SRF Leveraged Financings outstanding at any such time which is allocable to a debt service reserve requirement under the Related Recipient Bond resolution), and (y) the sum of all outstanding Committed Subsidy Amounts which the Corporation expects to be funded from sources other than earnings on Reserve Allocations or from principal and interest payable on separate specified investments of moneys within Debt Service Funds or Debt Service Reserve Funds dedicated to the payment of such Committed Subsidy Amount. Each Reserve Allocation Certificate must identify the amount or amounts of any Reserve Allocation or Allocations for each SRF Leveraged Financing or SRF Leveraged Financings made from the proceeds of such series of senior SRF Bonds and the sources thereof, which sources may derive from (i) funds received under the Capitalization Grant Agreements, from State Matching Funds, or from any other designated source which have been received in cash and are held in trust as security for repayment of a SRF Leveraged Financing or SRF Leveraged Financings on the original issue date of such senior SRF Bonds, and (ii) funds to be made available under the Capitalization Grant Agreements or from State Matching Funds, which funds have not yet been received but which have been appropriated by the State to the Clean Water SRF or the Drinking Water SRF and with respect to which the Corporation has agreed in such Reserve Allocation Certificate or Certificates to allocate to such SRF Leveraged Financing. The Reserve Allocation Certificates delivered in connection with the Leveraged Financings funded with the SRF Bonds issued under any Financing Indenture will direct the Master Trustee and the Related Financing Indenture Trustee to make deposits and transfers and, to the extent necessary, to allocate portions of amounts due or to become due to the Corporation under the related Capitalization Grant Agreements and from related State Matching Funds, all in a manner and on a schedule ensuring that, throughout the term of the SRF Leveraged Financings funded with all Bonds issued under the Financing Indenture, the sum of the amounts (i) on deposit in the Related Leveraged Financing Subaccounts, if any, (ii) on deposit in the Related Debt Service Reserve Fund or accounts thereof (other than investment earnings thereon), and (iii) allocated to the related Reserve Allocations but not yet drawn from the related Capitalization Grant Agreements or related State Matching Funds, will at all times at least equal to such Reserve Allocations, less any unreimbursed amounts paid by the Corporation for debt service on the related series of senior SRF Bonds upon the failure of the Recipient to make any related Recipient Bond Payments. The Corporation may in its discretion deliver and the Master Trustee and the Custodian shall

accept an Officer's Certificate amending any Reserve Allocation Certificate; provided that no such amendment may be delivered which has the effect of causing such Reserve Allocation Certificate, as amended, not to meet the requirements of the preceding sentence. Subject to the foregoing, the Corporation may issue a Series of Bonds under any Financing Indenture for the purpose of funding Leveraged Financings which have no separate Reserve Allocations, so long as the aggregate of the Reserve Allocations established for all Leveraged Financing funded with the proceeds of all Bonds issued under the Related Financing Indenture meet the requirements described in this paragraph and the requirements set forth in the Master Trust Agreement.

As funds represented by the Capitalization Grant Agreements and the State Matching Funds and allocable as Reserve Allocation for a SRF Leveraged Financing become available to be drawn on for the benefit of a State Revolving Fund, the Corporation agrees to promptly request that DEC and the State Comptroller or DOH and the State Comptroller, as appropriate, take all actions necessary to draw on the Capitalization Grant Agreements and to obtain said State Matching Funds. Once the Custodian has received such amounts, it is required to promptly deposit all moneys so drawn on the Capitalization Grant Agreements or obtained from State Matching Funds in the Unallocated Clean Water Corpus Subaccount or the Unallocated Drinking Water Corpus Subaccount, as appropriate. As the respective amounts become available from the Capitalization Grant Agreements and the State Matching Funds, the Custodian shall promptly transfer to the Master Trustee, amounts allocated as Reserve Allocation for each SRF Leveraged Financing for deposit, as the Corporation may direct, directly in the related Debt Service Reserve Fund until the amount in the Related Debt Service Reserve Fund (less investment earnings thereon) equals the Reserve Allocation for the SRF Leveraged Financing, all such amounts and transfers being made in the manner specified in the Reserve Allocation Certificate and being subject to the availability of funds.

The Corporation agrees to do or cause to be done all acts and things reasonably required and within its control to make available to the Master Trustee the full amount of the Reserve Allocation as set forth in the Reserve Allocation Certificate at the times and in the manner provided in such Reserve Allocation Certificate; provided, however, that the Corporation's obligation to do so is limited by its power to obtain such amounts from the designated sources of each such Reserve Allocation. The Corporation also agrees to exercise or to cause to be exercised any right within its control to draw upon the Capitalization Grant Agreements and to obtain State Matching Funds upon a Recipient Bond Payment default to the extent that such amounts constitute a portion of the Related Reserve Allocation and are required in order to prevent or cure a payment default on the related series of senior SRF Bonds.

Establishment of Funds and Accounts and Application Thereof

Creation and custody of Funds and Accounts. The following funds, accounts and subaccounts, among others, are established under the Master Trust Agreement:

(1) An Equity Fund which consists of

(A) a Clean Water Equity Account which is comprised of:
- (i) an Unallocated Clean Water Corpus Subaccount; and
- (ii) a Leveraged Financing Subaccount(s);

(B) a Drinking Water Equity Account which shall be comprised of:
- (i) an Unallocated Drinking Water Corpus Subaccount; and
- (ii) Leveraged Financing Subaccount(s);

(C) a De-allocated Reserve Account which shall be comprised of

(i) a De-allocated Clean Water Reserve Subaccount and
(ii) a De-allocated Drinking Water Reserve Subaccount;

(2) Clean Water Earnings Fund;

(3) Clean Water Administrative Expenses Account;

(4) SRF Clean Oceans Account;

(5) Drinking Water Earnings Fund; and

(6) Drinking Water Administrative Expenses Account.

The Master Trust Agreement provides that the Leveraged Financing Subaccounts (relating to certain Leveraged Financings made with senior SRF Bonds but not to those relating to Clean Water Direct Financings or Drinking Water Direct Financings) and the De-allocated Reserve Account are to be held by the Master Trustee for the benefit of SRF Bondholders. All such other funds, accounts and subaccounts are to be held by the Custodian for the Corporation. Pursuant to the Master Trust Agreement, the Custodian is authorized and directed to establish within each Equity Account a related Unallocated Corpus Subaccount. If the Corporation so directs, the Master Trustee may establish a Leveraged Financing Subaccount for any SRF Leveraged Financing. The Master Trustee is also authorized and directed to establish within the Clean Water Earnings Fund and the Drinking Water Earnings Fund an account relating to each series of senior SRF Bonds secured under the Master Trust Agreement.

The Corporation may, by Supplemental Trust Agreement or pursuant to an Officer's Certificate, establish one or more additional funds, accounts or subaccounts, which, to the extent then provided by the Corporation, shall be available for and pledged and assigned for the payment of senior SRF Bonds.

Establishment of Deficiency Reserve Account. The Master Trustee is authorized and directed, upon receipt of the related Reserve Allocation Certificate or Certificates, as applicable, to establish a Deficiency Reserve Account in the Equity Fund for each series of senior SRF Bonds other than Initial Indenture New York City Bonds. Within each such Deficiency Reserve Account to the extent so directed by the Corporation there shall be established a Clean Water Subaccount and a Drinking Water Subaccount. Each such Account shall be held by the Master Trustee for the benefit of the Owners from time to time of such series of senior SRF Bonds.

Pursuant to the Master Trust Agreement, there is pledged and assigned to the Master Trustee as security for the payment of each series of senior SRF Bonds other than Initial Indenture New York City Bonds the Related Deficiency Reserve Account and all amounts from time to time on deposit therein and available for the payment of such senior SRF Bonds, in the manner and to the extent provided in the Master Trust Agreement. The Corporation may elect, pursuant to the Related Reserve Allocation Certificate or the related Reserve Allocation Certificate, as applicable, to establish a Deficiency Reserve Account for the benefit of a single series of senior SRF Bonds or for the benefit of all series of senior SRF Bonds issued pursuant to a single Financing Indenture. Within each such Deficiency Reserve Account to the extent so directed by the Corporation there will be established a Clean Water Subaccount and a Drinking Water Subaccount.

The Master Trustee is directed to apply amounts held in each Deficiency Reserve Account in accordance with the following priority. To the extent that any amounts are required to be transferred from a Deficiency Reserve Account to the related Financing Indenture Trustee by reason of a default by a

Clean Water Recipient, such amounts shall be transferred solely from the Clean Water Subaccount in the Deficiency Reserve Account to the extent that there are sufficient moneys in such Subaccount for such purpose. The Master Trust Agreement provides that if insufficient funds are available for such purpose within the Clean Water Account in the Deficiency Reserve Account, the Corporation acting on behalf of the Drinking Water SRF will make moneys within the Drinking Water Subaccount in the Deficiency Reserve Account available as an investment to cure such deficiency. Amounts within the Drinking Water Subaccount will be made available as an investment and will be transferred from the Drinking Water Subaccount in the Deficiency Reserve Account for such purpose only to the extent that there are not sufficient moneys in such Clean Water Subaccount. Similarly, to the extent that any amounts are required to be transferred from the Deficiency Reserve Account to the related Financing Indenture Trustee by reason of a default by a Recipient receiving a Drinking Water Leveraged Financing, such amounts shall be transferred solely from the Drinking Water Subaccount in the Deficiency Reserve Account to the extent that there are sufficient funds in such subaccount for such purpose. The Master Trust Agreement provides that if insufficient funds are available for such purpose within the Drinking Water Subaccount in the Deficiency Reserve Account, the Corporation acting on behalf of the Clean Water SRF will make moneys within the Clean Water Subaccount in the Deficiency Reserve Account available as an investment to cure such deficiency. Amounts within the Clean Water Subaccount will be made available as an investment and will be transferred from the Clean Water Subaccount in the Deficiency Reserve Account for such purpose only to the extent that there are not sufficient moneys in such Drinking Water Subaccount.

If any such investment by one State Revolving Fund occurs, the first moneys released from Recipient Accounts in the Debt Service Reserve Fund relating to the other State Revolving Fund and available for deposit in the Deficiency Reserve Fund in accordance with the Master Trust Agreement are required to be deposited in the account of the State Revolving Fund making such investment in an amount equal in the aggregate of such investment.

To the extent that moneys held as part of one State Revolving Fund are required to be applied to satisfy any deficiency associated with Leveraged Financings made from the other State Revolving Fund, the moneys so made available shall be repayable to the State Revolving Fund having furnished such moneys from the first available funds in such other State Revolving Fund. The obligation to repay any amounts made available by each State Revolving Fund to the other State Revolving Fund will be evidenced by a Repayment Bond, the terms of which are set forth below under the heading "Repayment Obligation."

Subordinate Pledge and Assignment of De-allocated Reserve Subaccount. Pursuant to the Master Trust Agreement, there is pledged and assigned to the Master Trustee as security for payment of the subordinated SRF Bonds of all series and the 2010 MFI Obligations, the related De-allocated Reserve Subaccount and all amounts from time to time on deposit therein and available for the payment of subordinated SRF Bonds, in the manner and to the extent provided in the Master Trust Agreement; provided, however, that such pledge and assignment is subject to the prior pledge and assignment of the related De-allocated Reserve Subaccount and all amounts from time to time on deposit therein granted as security for the payment of senior SRF Bonds of all series issued pursuant to the Master Trust Agreement and also, in the case of 2010 MFI Obligations, the prior pledge and assignment securing subordinated SRF bonds issued under the Prior Indentures.

Upon issue of any subordinated SRF Bonds to be secured by the pledge and assignment described in the preceding paragraph, the Corporation shall deliver to the Master Trustee (i) an Officer's Certificate designating such bonds as subordinated SRF Bonds and (ii) a copy of the related Subordinated Financing Indenture.

Clean Water Equity Account; Drinking Water Equity Account. The Master Trust Agreement provides that upon the written direction of the Corporation, the Custodian is required to promptly deposit in the Unallocated Clean Water Corpus Subaccount of the Clean Water Equity Account the following receipts:

(1) any amounts it receives resulting from draws on the Capitalization Grant Agreements relating to the Clean Water SRF;

(2) any other moneys paid to the State from federal capitalization grants and awards or other federal assistance provided pursuant to Title II or Title IV of the Federal Water Pollution Control Act for purposes of deposit in the Clean Water SRF;

(3) moneys appropriated by the State legislature as State Matching Funds for the purpose of deposit in the Clean Water SRF or otherwise transferred by the State for deposit therein;

(4) except as otherwise required pursuant to the Related Tax Regulatory Agreement, investment earnings on amounts in the Clean Water Equity Account and the Clean Water Earnings Fund, including earnings on amounts in Leveraged Financing Subaccounts established for a Leveraged Financing financed with senior SRF Bond proceeds, subject to the provisions of the Master Trust Agreement;

(5) payments received from a Clean Water Direct Financing Recipient;

(6) amounts transferred for deposit therein from the De-allocated Reserve Subaccount pursuant to the Master Trust Agreement; and

(7) any other moneys received for deposit therein.

Upon the written direction of the Corporation, the Custodian is required to promptly deposit in the Unallocated Drinking Water Corpus Subaccount of the Drinking Water Equity Account the following receipts:

(1) any amounts it receives resulting from draws on the Capitalization Grant Agreements relating to the Drinking Water SRF;

(2) any other moneys paid to the State from federal capitalization grants and awards or other federal assistance for purposes of deposit in the Drinking Water SRF;

(3) moneys appropriated by the State legislature as State Matching Funds for the purpose of deposit in the Drinking Water SRF or otherwise transferred by the State for deposit therein;

(4) except as otherwise required pursuant to the Related Tax Regulatory Agreement, investment earnings on amounts in the Drinking Water Equity Account and the Drinking Water Earnings Fund, subject to the provisions of the Master Trust Agreement;

(5) Drinking Water Direct Financing Recipient Payments;

(6) amounts transferred for deposit therein from the De-allocated Reserve Subaccount pursuant to the Master Trust Agreement; and

(7) any other moneys received for deposit therein.

The Custodian is required, upon receipt of written direction of the Corporation, to make the following transfers and payments from the Clean Water Unallocated Corpus Subaccount of the Clean Water Equity Account:

(1) for deposit in the Related Leveraged Financing Subaccount, if any, or the Related Construction Account for each Clean Water Direct Financing, amounts aggregating not more than the principal amount of such Clean Water Direct Financing;

(2) as provided in the Reserve Allocation Certificate, for each SRF Leveraged Financing, the principal amount of the Reserve Allocation for such SRF Leveraged Financing, but solely to the extent that such Reserve Allocation is available; and

(3) for deposit in the Clean Water Administrative Expenses Account, amounts allowed pursuant to federal and State law to be used by the Corporation to pay administrative expenses incurred by DEC or EFC in connection with the Clean Water SRF; and

(4) for transfer to, or upon the order of, the Corporation for any purpose certified by the Corporation to be allowed pursuant to the federal Water Quality Act, the EFC Act, and the State Clean Water Act.

The Custodian is required, upon receipt of written direction of the Corporation, to make the following transfers and payments from the Drinking Water Unallocated Corpus Subaccount of the Drinking Water Equity Account:

(1) Upon the written direction of the Corporation, for deposit in the related Leveraged Financing Subaccount, if any, or the Related Construction Account for each Drinking Water Direct Financing, amounts aggregating not more than the principal amount of such Drinking Water Direct Financing;

(2) as provided in the Reserve Allocation Certificate, for each SRF Leveraged Financing in the related Debt Service Reserve Fund, the principal amount of the Reserve Allocation for such SRF leveraged Financing, but solely to the extent that such Reserve Allocation is available;

(3) for deposit in the Drinking Water Administrative Expenses Account, amounts allowed pursuant to federal and State law to be used by the Corporation to pay administrative expenses incurred by DOH or EFC in connection with the Drinking Water SRF; and

(4) for transfer to, or upon the order of, the Corporation for any purpose certified by the Corporation to be allowed pursuant to the federal Safe Drinking Water Act, the EFC Act and the State Drinking Water Act.

The Master Trustee is required to promptly deposit in each Leveraged Financing Subaccount, if any, relating to a Clean Water Leveraged Financing or a Drinking Water Leveraged Financing:

(1) any amounts transferred from the Unallocated Clean Water Corpus Subaccount or the Unallocated Drinking Water Corpus Subaccount for deposit to the related Leveraged Financing Subaccount pursuant to the Master Trust Agreement; and

(2) any amounts made available by the Corporation or a Financing Indenture Trustee as reimbursement for amounts transferred to a Financing Indenture Trustee from such Leveraged Financing

Subaccount or from a Related Debt Service Reserve Fund account upon a Recipient Bond Payment default by the Related Recipient.

Upon the written direction of the Corporation, the Master Trustee is required to:

(1) transfer from any Leveraged Financing Subaccount to the Related Financing Indenture Trustee for deposit in the Related Debt Service Reserve Fund the amounts certified by the Corporation as being necessary to fund the Debt Service Reserve Fund for the Related series of senior SRF Bonds;

(2) except as otherwise required pursuant to the Related Tax Regulatory Agreement, transfer any investment earnings on amounts in any Leveraged Financing Subaccount to the related Unallocated Corpus Subaccount or, as set forth in an Authorized Officer's certificate or a Reserve Allocation Certificate, to or upon the order of the Corporation; provided, however, that if any Recipient Bond Payment default occurs, then all investment earnings on the related Leveraged Financing Subaccount accruing from the date of occurrence of such default, and for so long as such default continues, shall not be transferred to the related Unallocated Corpus Subaccount or to the related Earnings Fund pursuant to the Master Trust Agreement, but must instead be retained in such Leveraged Financing Subaccount and be made subject to the pledge and assignment of such Leveraged Financing Subaccount pursuant to the Master Trust Agreement;

(3) transfer from the Leveraged Financing Subaccount, if any, to the Related Financing Indenture Trustee for deposit in the Debt Service Reserve Fund for the related series of senior SRF Bonds, the amounts certified by such Financing Indenture Trustee to be necessary upon a Recipient Bond Payment default to make a debt service payment on the senior SRF Bonds;

(4) transfer from the Leveraged Financing Subaccount, if any, to the Related Financing Indenture Trustee for deposit in the Debt Service Reserve Fund for the Related series of senior SRF Bonds, the amounts certified by the Corporation as being necessary to fund the Debt Service Reserve Fund upon the curing of a Recipient Bond Payment default; and

(5) transfer from the Leveraged Financing Subaccount, if any, relating to an SRF Leveraged Financing to the related Unallocated Corpus Subaccount amounts certified by the Corporation pursuant to the Master Trust Agreement.

The Master Trustee is required to promptly deposit in the De-allocated Reserve Account any amounts transferred to it by a Financing Indenture Trustee which have been released from the lien of the related Financing Indenture and any amounts transferred from a Deficiency Reserve Account for deposit therein.

On the Business Day immediately following any deposit to the De-allocated Reserve Account, the Master Trustee is required to transfer such amount from each Subaccount within the De-allocated Reserve Account to the Custodian for deposit in the Unallocated Clean Water Corpus Subaccount and/or the Unallocated Drinking Water Subaccount, as appropriate; provided, however, that before making such transfer, the Master Trustee is required to reduce the amount of such transfer in the following amounts and make the following transfers:

> FIRST, to any Financing Indenture Trustee that has certified to the Master Trustee on or prior to such date that any payments of principal or interest on the Recipient Bonds are overdue, a sum equal to any resulting overdue payments on a series of senior SRF Bonds, for deposit into the Debt Service Fund for such series of senior SRF Bonds; and

SECOND, to the Master Trustee for deposit and retention in the Leveraged Financing Subaccount related to, and as further security for, such series of senior SRF Bonds, a sum equal to any deficiency in any Debt Service Reserve Fund certified to the Master Trustee by the Related Financing Indenture Trustee on or prior to such date; provided that, with respect to any such deficiency in a Debt Service Reserve Fund for a series of senior SRF Bonds other than Initial Indenture New York City Bonds, such amount shall be transferred to the Master Trustee for deposit and retention in the Deficiency Reserve Account related to, and as further security for, such series of senior SRF Bonds.

THIRD, to any Subordinated Indenture Trustee that has certified to the Master Trustee on or prior to such date that any debt service payments on the related Subordinated 2010 MFI Bonds are overdue, a sum equal to such overdue payments for deposit into the related debt service fund for such series of Subordinated 2010 MFI Bonds;

FOURTH, to the 2010 MFI Trustee, if the 2010 MFI Trustee has certified to the Master Trustee on or prior to such date that any debt service payments on the related 2010 MFI Obligations are overdue, a sum equal to such overdue payments for deposit into the debt service fund established under the 2010 MFI; and

FIFTH, to the CP Indenture Trustee, if the CP Indenture Trustee has certified to the Master Trustee on or prior to such date that any debt service payments on the CP Indenture Obligations are overdue, a sum equal to such overdue payments for deposit into the related debt service fund established under the CP Indenture.

Immediately succeeding any transfer of funds pursuant to the Master Trust Agreement, the Master Trustee shall confirm with such Financing Indenture Trustee, or Subordinated Indenture Trustee, 2010 MFI Trustee or CP Indenture Trustee, as appropriate, the outstanding balance, if any, due but unpaid on such Bonds, or Subordinated MFI Bonds, 2010 MFI Obligations or CP Indenture Obligations after such transfer.

If, as of such date, more than one Financing Indenture Trustee has certified to the Master Trustee that payments are overdue on a series of senior SRF Bonds and the aggregate of such overdue payments exceeds the amounts on deposit in the De-allocated Reserve Account, then the amount to be transferred pursuant to clause FIRST above shall be apportioned among the certifying Financing Indenture Trustees, in the same proportion to the total amount so transferred as the amount of overdue payments certified by such Financing Indenture Trustee bears to the total amount of certified overdue payments by all Financing Indenture Trustees.

If, as of such date, more than one Financing Indenture Trustee has certified to the Master Trustee that a deficiency exists in the Debt Service Reserve Fund for a series of senior SRF Bonds and the aggregate of such deficiencies exceeds the amount remaining on deposit in the De-allocated Reserve Account after the application of funds pursuant to clause FIRST above, then the amount to be transferred pursuant to clause SECOND above shall be apportioned among the Leveraged Financing Subaccounts and/or Deficiency Reserve Accounts, as appropriate, in the same proportion to the total amount so transferred as the amount of each deficiency certified by the Related Financing Indenture Trustee bears to the total amount of certified deficiencies by all Financing Indenture Trustees as of such date.

If, as of such date, more than one Subordinated Indenture Trustee has certified to the Master Trustee that payments are overdue or due on a series of subordinated SRF Bonds and the aggregate of such overdue or due payments exceeds the amount on deposit in the De-allocated Reserve Subaccount after the application of funds pursuant to clauses FIRST and SECOND above, then the amount to be

transferred pursuant to clause THIRD above shall be apportioned among the certifying Subordinated Indenture Trustees, in the same proportion to the total amount so transferred as the amount of overdue payments on a series of subordinated SRF Bonds certified by such Subordinated Indenture Trustee bears to the total amount of certified overdue or due payments by all Subordinated Indenture Trustees.

Following any transfer of funds pursuant to the preceding paragraph, the Master Trustee is required to confirm with such Financing Indenture Trustee or Subordinated Indenture Trustee, as appropriate, the remaining outstanding balance due but unpaid on the Related senior SRF Bonds after such transfer.

The Master Trustee is required to promptly deposit into the related Leveraged Financing Subaccount or Deficiency Reserve Account, as the case may be, for such series of senior SRF Bonds any amounts transferred to it under clause SECOND above for such series of senior SRF Bonds. Any amounts so transferred must be retained and continue to be pledged as security for such senior SRF Bonds.

The Master Trustee is required to make the following transfers from each Deficiency Reserve Account:

(1) to the Related Financing Indenture Trustee, the amount certified by such Financing Indenture Trustee to be necessary upon a Recipient Bond Payment default to make a debt service payment on senior SRF Bonds, but solely to the extent that the Master Trustee has determined that such amount is not available in the following order, from the related Recipient Accounts of the Related Debt Service Reserve Fund or the Related Leveraged Financing Subaccounts, if any, or from related undrawn amounts under the Capitalization Grant Agreements or State Matching Funds; and

(2) upon the written direction of the Corporation, to the De-allocated Reserve Account, any amount exceeding the aggregate of deficiencies at that time still continuing on the related series of senior SRF Bonds.

The Master Trustee shall promptly deposit in the related Enhanced Subsidy Fund any portion of a deposit to a Leveraged Financing Subaccount to the extent and in the manner directed by the Corporation in a Reserve Allocation Certificate or an Officer's Certificate. The Master Trustee shall make transfers of amounts on deposit in each Enhanced Subsidy Fund in accordance with the general provisions set forth above relating to transfers from Leveraged Financing Subaccounts.

Clean Water Earnings Fund. The Master Trust Agreement provides that there be deposited in the Clean Water Earnings Fund any amounts transferred to the Custodian for deposit therein pursuant to the terms of any Tax Regulatory Agreement. Periodically the Corporation may direct that amounts be transferred from the Clean Water Earnings Fund to the related Financing Indenture Trustee for deposit in the Related Rebate Fund. Except as otherwise provided in the related Tax Regulatory Agreement, the Corporation may direct that any amounts not transferred to a Financing Indenture Trustee be transferred to the Unallocated Corpus Subaccount.

Clean Water Administrative Expenses Account. The following receipts are deposited in the Clean Water Administrative Expenses Account: (1) amounts received under the Capitalization Grant Agreements allowed pursuant to federal law to be used to pay Clean Water SRF administrative expenses; (2) any amounts received from a Recipient or recipient of a Clean Water Direct Financing to pay or reimburse the Corporation or DEC for the State bond issuance charge or Clean Water SRF administrative expenses; (3) investment earnings on amounts on deposit therein; and (4) any other amounts made available for deposit therein.

The Custodian, upon the written direction of the Corporation, is required to make the following transfers and payments from the Clean Water Administrative Expenses Account: (1) to the State amounts to be used to pay the State bond issuance charge due for each series of SRF Bonds (or portion thereof); (2) to the State for deposit into a fund created pursuant to the State Finance Law amounts sufficient to reimburse the State for costs of administration and management of the Clean Water Program by DEC and the Corporation; and (3) to, or upon the order of, the Corporation for Clean Water SRF administrative expenses.

Drinking Water Earnings Fund. The Master Trust Agreement provides that there shall be deposited in the related account or subaccount of the Drinking Water Earnings Fund any amounts transferred to the Custodian for deposit therein pursuant to the terms of any Tax Regulatory Agreement. Periodically the Corporation may direct that amounts be transferred from the Drinking Water Earnings Fund to the related Financing Indenture Trustee for deposit in the Related Rebate Fund. Except as otherwise provided in the related Tax Regulatory Agreement, the Corporation may direct that any amounts not transferred to a Financing Indenture Trustee be transferred to the Unallocated Drinking Water Corpus Subaccount.

Creation and Custody of Prior Indenture Support Account (a) The Master Trust Agreement establishes a Prior Indenture Support Account in the Equity Fund. Within the Prior Indenture Support Account, to the extent so directed by the Corporation, there shall be established a Clean Water Subaccount and a Drinking Water Subaccount. The Prior Indenture Support Account shall be held by the Master Trustee for the benefit of the owners from time to time of Prior Indenture Bonds.

(b) The Master Trust Agreement pledges and assigns to the Master Trustee as security for the payment of all Prior Indenture Bonds, the Prior Indenture Support Account and all amounts from time to time on deposit therein and available for the payment of such Prior Indenture Bonds, in the manner and to the extent provided in the Master Trust Agreement.

(c) If any Financing Indenture Trustee has certified to the Master Trustee that any debt service payments on Prior Indenture Bonds are due or overdue and that the amounts due or overdue are not available from any amounts available therefor under the related Financing Indenture or from the related Leveraged Financing Subaccounts, if any, or from related undrawn amounts under the Capitalization Grant Agreements or from State Matching Share or any Financing Indenture has certified to the Master Trustee that a deficiency exists in a Debt Service Reserve Fund securing Prior Indenture Bonds, the Master Trustee shall so advise the Corporation and the Corporation shall direct the 2010 MFI Trustee to transfer amounts pursuant to the 2010 MFI Indenture. The Master Trustee shall promptly deposit in the Prior Indenture Support Account any amount transferred to it for such purpose by the 2010 MFI Trustee pursuant to the 2010 MFI.

(d) The Master Trustee shall make the following transfers from Prior Indenture Support Account:

FIRST, to any Financing Indenture Trustee that has certified to the Master Trustee on or prior to such date that any debt service payments on the Prior Indenture Bonds (other than Subordinated SRF Bonds) are due or overdue, the amount certified by such Financing Indenture Trustee to be necessary to make a debt service payment on Prior Indenture Bonds (other than Subordinated SRF Bonds), but solely to the extent that the Master Trustee has determined that such amount is not available from any amounts available therefor under the related Financing Indenture or from the related Leveraged Financing Subaccounts, if any, or from related undrawn amounts under the Capitalization Grant Agreements or from State Matching Share or a Deficiency Reserve Account, provided that if, as of such date, more than one Financing Indenture Trustee has certified to the Master Trustee that payments are due or overdue on a

series of Prior Indenture Bonds and the aggregate of such overdue payments exceeds the amount on deposit in the Prior Indenture Support Account then the amount to be transferred pursuant to this clause FIRST above shall be apportioned among the certifying Financing Indenture Trustees, in the same proportion to the total amount so transferred as the amount of the due or overdue payments on a series of Prior Indenture Bonds certified by such Financing Indenture Trustee bears to the total amount of certified due or overdue payments by all Financing Indenture Trustees; and

SECOND, a sum equal to any deficiency in any Debt Service Reserve Fund securing Prior Indenture Bonds certified to the Master Trustee by the related Financing Indenture Trustee on or prior to such date shall be transferred to the Master Trustee for deposit and retention in the Deficiency Reserve Account related to, and as further security for, such series of Prior Indenture Bonds, provided that if, as of such date, more than one Financing Indenture Trustee has certified to the Master Trustee that a deficiency exists in the Debt Service Reserve Fund or the related account thereof for a series of Prior Indenture Bonds and the aggregate of such deficiencies exceeds the amount remaining on deposit in the Prior Indenture Support Account after the application of funds pursuant to clause FIRST above, then the amount to be transferred pursuant to this clause SECOND above shall be apportioned among the Deficiency Reserve Accounts, as appropriate, in the same proportion to the total amount so transferred as the amount of each deficiency certified by the related Financing Indenture Trustee bears to the total amount of certified deficiencies by all Financing Indenture Trustees as of such date; and

THIRD, to any Subordinated Indenture Trustee that has certified to the Master Trustee on or prior to such date that any debt service payments on the related Subordinated SRF Bonds issued under a Prior Indenture are due or overdue, a sum equal to such overdue payments for deposit into the related debt service fund for such series of Subordinated SRF Bonds, provided that if, as of such date, more than one Subordinated Indenture Trustee has certified to the Master Trustee that payments are due or overdue on a series of Subordinated SRF Bonds issued under a Prior Indenture and the aggregate of such overdue payments exceeds the amount on deposit in the Prior Indenture Support Account after the application of funds pursuant to clauses FIRST and SECOND above, then the amount to be transferred pursuant to clause THIRD above shall be apportioned among the certifying Subordinated Indenture Trustees, in the same proportion to the total amount so transferred as the amount of overdue payments on a series of Subordinated SRF Bonds issued pursuant to a Prior Indenture certified by such Subordinated Indenture Trustee bears to the total amount of certified overdue payments by all Subordinated Indenture Trustees.

FOURTH, to the CP Indenture Trustee, if the CP Indenture Trustee has certified to the Master Trustee on or prior to such date that any debt service payments on the CP Indenture Obligations are overdue, a sum equal to such overdue payments for deposit into the related debt service fund established under the CP Indenture.

Immediately succeeding any transfer of funds pursuant to clauses FIRST, SECOND, THIRD OR FOURTH of the Master Trust Agreement, the Master Trustee shall confirm with such Financing Indenture Trustees, Subordinated Indenture Trustee, 2010 MFI Trustee or CP Indenture Trustee, as appropriate, the outstanding balance, if any, due but unpaid on such Bonds, Subordinated SRF Bonds, 2010 MFI Obligations or CP Indenture Obligations after such transfer.

At the direction of the Corporation, the balance, if any, of moneys remaining in the Prior Indenture Support Account shall be transferred to the Unallocated Clean Water Corpus Subaccount or the Unallocated Drinking Water Subaccount of the Equity Fund.

(e) For purposes of compliance with the Water Quality Act, the State Clean Water Act or the Act or regulations promulgated thereunder restricting the use of moneys within the Clean Water Revolving Fund, each Clean Water Subaccount within a Prior Indenture Support Account shall be

deemed to be within the Clean Water Revolving Fund. For purposes of compliance with the Safe Drinking Water Act, the State Drinking Water Act or the Act or regulations promulgated thereunder restricting the use of moneys within the Drinking Water Revolving Fund, each Drinking Water Subaccount within the Prior Indenture Support Account shall be deemed to be within the Drinking Water Revolving Fund.

(f) Notwithstanding anything in the Trust Agreement to the contrary, the Master Trustee shall apply amounts held in the Prior Indenture Support Account in accordance with the following priority. To the extent that any amounts are required to be transferred from a Prior Indenture Support Account to the related Financing Indenture Trustee by reason of a default by a Clean Water Recipient, such amounts shall be transferred solely from the Clean Water Subaccount in the Prior Indenture Support Account to the extent that there are sufficient moneys in such Subaccount for such purpose. If insufficient funds are available for such purpose within the Clean Water Account in the Deficiency Reserve Account, the Corporation acting on behalf of the Drinking Water Revolving Fund, shall make moneys within the Drinking Water Subaccount in the Prior Indenture Support Account available as an investment to cure such deficiency. Amounts within the Drinking Water Subaccount will be made available as an investment and will be transferred from the Drinking Water Subaccount in the Prior Indenture Support Account for such purpose only to the extent that there are not sufficient moneys in such Clean Water Subaccount. Similarly, to the extent that any amounts are required to be transferred from the Prior Indenture Support Account to the related Financing Indenture Trustee by reason of a default by a Drinking Water Recipient, such amounts shall be transferred solely from the Drinking Water Subaccount in the Prior Indenture Support Account to the extent that there are sufficient funds in such subaccount for such purpose. If insufficient funds are available for such purpose within the Drinking Water Subaccount in the Prior Indenture Support Account, the Corporation acting on behalf of the Clean Water Revolving Fund, shall make moneys within the Clean Water Subaccount in the Prior Indenture Support Account available as an investment to cure such deficiency. Amounts within the Clean Water Subaccount will be made available as an investment and will be transferred from the Clean Water Subaccount in the Prior Indenture Support Account for such purpose only to the extent that there are not sufficient moneys in such Drinking Water Subaccount. The obligation to repay any amounts made available by each State Revolving Fund to the other State Revolving Fund in accordance with the foregoing will be further evidenced by a Repayment Bond as provided in Master Trust Agreement.

Drinking Water Administrative Expenses Account. The following receipts are deposited in the Drinking Water Administrative Expenses Account: (1) amounts received under the Capitalization Grant Agreements allowed pursuant to federal law to be used to pay Drinking Water SRF administrative expenses; (2) any amounts received from a Recipient or a recipient of a Drinking Water Direct Financing to pay or reimburse the Corporation or DOH for the State bond issuance charge or Drinking Water SRF administrative expenses; (3) investment earnings on amounts on deposit therein; and (4) any other amounts made available for deposit therein.

The Custodian, upon the written direction of the Corporation, is required to make the following transfers and payments from the Drinking Water Administrative Expenses Account: (1) to the State amounts to be used to pay the State bond issuance charge for each series of SRF Bonds; (2) to the State for deposit into a fund created pursuant to the State Finance Law amounts sufficient to reimburse the State for costs of administration and management of the Drinking Water Program by DOH and the Corporation; and (3) to, or upon the order of, the Corporation for Drinking Water SRF administrative expenses.

Priority of Application of Moneys within De-allocated Reserve Account. If any amounts are required to be transferred from the De-allocated Reserve Account to a Leveraged Financing Subaccount or a Debt Service Reserve Fund by reason of a default by a Recipient receiving a Clean Water Leveraged

Financing, such amounts are required to be transferred solely from the Clean Water Subaccount in the De-allocated Reserve Account to the extent that there are sufficient moneys in such Subaccount for such purpose. The Master Trust Agreement provides that if sufficient funds are not available for such purpose within such Clean Water Subaccount, the Corporation acting on behalf of the Drinking Water SRF will make moneys within the Drinking Water Subaccount of the De-allocated Reserve Account available as an investment to cure such deficiency. Similarly, to the extent that any amounts are required to be transferred from the De-allocated Reserve Account to a Debt Service Reserve Fund by reason of a default by a Recipient receiving a Drinking Water Leveraged Financing, such amounts shall be transferred solely from the Drinking Water Subaccount in the De-allocated Reserve Account to the extent that there are sufficient funds in such subaccount for such purpose. The Master Trust Agreement provides that if sufficient funds are not available for such purpose within the Drinking Water Subaccount, the Corporation acting on behalf of the Clean Water SRF will make moneys within the Clean Water Subaccount in the De-allocated Reserve Account available as investment to cure such deficiency. Amounts within the Clean Water Subaccount will be made available as an investment and transferred from the Clean Water Subaccount in the De-allocated Reserve Account for such purpose only to the extent that there are not sufficient moneys in such Drinking Water Subaccount.

To the extent that any such investment by one subaccount occurs, the first moneys released from Recipient Accounts in a Debt Service Reserve Fund relating to the other State Revolving Fund and available for deposit in the De-allocated Reserve Account in accordance with the Master Trust Agreement are to be deposited in the Subaccount in the De-allocated Reserve Account of the State Revolving Fund making such investment in an amount equal in the aggregate of such investment.

Repayment Obligation. If moneys in the Deficiency Reserve Account, the De-allocated Reserve Account or the Prior Indenture Support Account are held as part of one State Revolving Fund and are required to satisfy any deficiency associated with SRF Leveraged Financings made from the other State Revolving Fund, the moneys so made available shall be repayable to the State Revolving Fund having furnished such moneys from the first available funds in such other State Revolving Fund. The obligation to repay any amounts made available by each State Revolving Fund to the other State Revolving Fund will be evidenced by delivery to the Custodian of a Repayment Bond of the Corporation acting on behalf of such State Revolving Fund. The principal amount of such Repayment Bonds outstanding at any time will equal the aggregate amount made available by such State Revolving Fund. Each Repayment Bond will be payable solely from the sources and in the manner described in the Master Trust Agreement and the related Financing Indenture and from other available moneys in the State Revolving Fund. Application of moneys available within the Deficiency Reserve Account, the De-allocated Reserve Account, the Prior Indenture Support Account and in any reserve established under the related Financing Indenture in accordance with the procedures set forth in the Master Trust Agreement and in the related Financing Indenture will constitute repayment of such Repayment Bond when made. The rights of the Custodian to receive payment of a Repayment Bond from any source will be subject to the liens in favor of owners of SRF Bonds created under the Master Trust Agreement and any Financing Indenture.

Security for and Investment of Funds

Uninvested moneys held by the Master Trustee. All moneys received by the Master Trustee or the Custodian under the Master Trust Agreement and not invested by the Master Trustee or the Custodian pursuant to the provisions of the Master Trust Agreement, to the extent not insured by the Federal Deposit Insurance Corporation or other federal agency, is required to be deposited with a member of the Federal Reserve System or with the Master Trustee or the Custodian, if so authorized by law with respect to trust funds in New York, or with a national or state bank or a trust company which has a combined capital and surplus aggregating not less than $100,000,000.

Investment of, and payment of interest on, moneys. Investments of moneys on deposit to the credit of any funds and accounts pursuant to the Master Trust Agreement are required to have maturity dates (or be subject to redemption or tender at the option of the Master Trustee or the Custodian) on the respective dates specified by the Corporation which must be on or prior to the respective dates on which the moneys invested therein are payable for the purposes of such funds and accounts. The interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund or account are required to be deposited by the Master Trustee to the credit of such fund or account, subject to the provisions of the Master Trust Agreement. Losses, if any, realized on securities held in any fund shall be debited to such fund. The Master Trustee and the Custodian are not liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized in the Master Trust Agreement. If at any time it becomes necessary that some or all of the securities purchased with the moneys in any such fund or account be redeemed or sold in order to raise the moneys necessary to comply with the provisions of the Master Trust Agreement, the Master Trustee or the Custodian, as the case may be, is required to cause such redemption or sale, employing in the case of a sale any commercially reasonable method of effecting such sale.

Concerning the Trustee and the Custodian

No responsibility for own acts save willful misconduct or negligence. The Master Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Corporation), approved by the Master Trustee in the exercise of reasonable care. The Master Trustee is not responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Master Trustee is not liable for the exercise of any discretion or power under the Master Trust Agreement or for anything whatsoever in connection with the trusts therein created, except only for its own willful misconduct or negligence.

Right to rely. The Master Trustee and the Custodian will be protected and will not incur any liability in acting or proceeding in good faith upon any paper or document which they in good faith believe to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the Master Trust Agreement. The Master Trustee and the Custodian are under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Master Trustee or the Custodian upon the request or consent of any Person who at the time of making such request or giving such consent is the Owner of any SRF Bond will be conclusive and binding upon all subsequent Owners of such SRF Bond or any SRF Bond issued on registration of transfer thereof. The Master Trustee and the Custodian will not have any responsibilities for determining whether the parties thereto have complied with the terms of any Tax Regulatory Agreement.

Removal of Master Trustee or Custodian. The Master Trustee at any time and for any reason may be removed by an instrument in writing, appointing a successor, filed with the Master Trustee so removed and executed by the Owners of a majority in aggregate principal amount of the SRF Bonds then outstanding. No such removal will become effective, however, until the acceptance of appointment by a successor Master Trustee in accordance with the Master Trust Agreement.

The Master Trustee or the Custodian at any time and for any reason may be removed by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Master Trustee or Custodian so removed. No such removal will become effective, however, until the acceptance of appointment by a successor Master Trustee or Custodian in accordance with the Master Trust Agreement.

Agreement of the State

In accordance with applicable provisions of the EFC Act, the Corporation, on behalf of the State, pledges to and agrees with the Owners of the SRF Bonds that the State will not limit or alter the rights and powers vested by the EFC Act in the Corporation to fulfill the terms of any contract made with Bondowners or in any way impair the rights and remedies of such Owners, until the SRF Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged.

Supplemental Trust Agreements

Supplemental Trust Agreements not requiring consent of Bondowners. Subject to the conditions and restrictions contained in the Master Trust Agreement, the Corporation and the Master Trustee may, without the consent of or notice to the SRF Bondowners, enter into one or more Supplemental Trust Agreements in order (i) to cure any ambiguity or formal defect or omission in the Master Trust Agreement, (ii) to grant to or confer upon the Master Trustee for the benefit of the SRF Bondowners any additional rights, remedies, powers or authority, (iii) to subject to the provisions of the Master Trust Agreement additional revenues, properties or collateral, (iv) to modify, amend or supplement the Master Trust Agreement in such manner as to permit the qualification thereof under any federal statute now or hereafter in effect or under any state Blue Sky Law, and, in connection therewith, if they so determine, to add to the Master Trust Agreement, such other terms, conditions and provisions as may be permitted or required by said federal statute or Blue Sky Law, provided that any such Supplemental Trust Agreement must not, in the judgment of the Trustee, be to the prejudice of the Owners of the SRF Bonds, (v) to provide for any change in the Master Trust Agreement which, in the opinion of the Master Trustee, is not prejudicial to the interests of the Master Trustee or the SRF Bondowners, and (vi) to establish one or more additional funds, accounts or subaccounts.

For the purpose of the Master Trust Agreement, without limiting the generality of the foregoing clause (v) above, a change will not be deemed prejudicial to Bondowners if such change will not materially adversely affect or diminish the security afforded Bondowners by (a) the pledge and assignment made pursuant to the Master Trust Agreement, (b) the funding of Reserve Allocations pursuant to and in accordance with the Master Trust Agreement, (c) the rights granted to Bondowners and the Trustee in the Master Trust Agreement and (d) the covenants of the Corporation in the Master Trust Agreement.

Supplemental Trust Agreements requiring consent of Bondowners. Except as otherwise provided in the Master Trust Agreement, any modification or amendment of the Master Trust Agreement may be made only with the consent of (a) in case all of the several series of senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds then outstanding are affected by such modification or amendment, the Owners of at least sixty percent (60%) in aggregate principal amount of the senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds then outstanding, or (b) in case less than all of the several series of senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds then outstanding are so affected, the Owners of at least sixty percent (60%) in aggregate principal amount of the aggregate of all senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds so affected then outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds, as the case may be, of any specified series remain outstanding, the consent of the Owners of such senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds , as the case may be, shall not be required and such senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds, as the case may be, shall not be deemed to be outstanding for the purpose of any such calculation of outstanding senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds under the Master Trust Agreement. No such modification may be made which will

reduce the percentages of aggregate principal amount of senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds, the consent of the Owners of which is required for any such modification or amendment, or change the provisions of the Master Trust Agreement relative to approval by series of senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds, or permit the creation by the Corporation of any lien prior to or, except to secure senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds, on a parity with the lien of the Master Trust Agreement upon the funds pledged under the Master Trust Agreement without the consent of the Owners of all senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds then Outstanding and affected thereby.

For the purposes of the Master Trust Agreement, a series is deemed to be affected by a modification of the Master Trust Agreement if the same materially adversely affects or diminishes the rights of the Owners of the senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds of such series. The Master Trustee may in its discretion determine whether or not in accordance with the foregoing provisions senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds of any particular series would be affected by any modification of the Master Trust Agreement and any such determination will be binding and conclusive on the Corporation and all Owners of the senior SRF Bonds, subordinated SRF Bonds and 2010 MFI Bonds.

If at any time the Corporation requests the consent of Bondowners to the execution of any such Supplemental Trust Agreement for any of the purposes enumerated in the Master Trust Agreement, the Master Trustee is required, upon being satisfactorily indemnified with respect to expenses, to mail notice of the proposed execution of such Supplemental Trust Agreement to Bondowners as provided in the Master Trust Agreement. If, within sixty (60) days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the required consent and approval of Bondowners is obtained, no Owner of any SRF Bond will have any right to object to any of the terms and provisions contained therein.

The Master Trustee is required to execute any Supplemental Trust Agreement executed and delivered in accordance with the Master Trust Agreement; provided that, if, in the opinion of the Master Trustee, any such Supplemental Trust Agreement adversely affects the rights, duties, immunities or obligations of the Master Trustee under the Master Trust Agreement or otherwise, the Master Trustee may in its discretion resign in accordance with the provisions of the Master Trust Agreement. Upon giving notice of such resignation, the Master Trustee has no obligation to execute such Supplemental Trust Agreement.

Remedies

Remedies. The Master Trustee and the Corporation may take whatever action at law or in equity may appear necessary or desirable to exercise its rights or enforce the other parties' obligations under the Master Trust Agreement.

Notice of actions commenced by or against the Master Trustee. The Master Trustee is required, within five (5) days after the initiation of any cause of action by or against the Master Trustee and concerning the benefits conferred on Bondowners under the Master Trust Agreement becomes known to it, to give notice thereof to each Financing Indenture Trustee unless such cause of action shall have been discontinued before the giving of such notice.

Termination

If at any time there are no SRF Bonds of any series outstanding under any Financing Indenture and provision shall also be made for paying the Master Trustee's fees and expenses with respect to such

SRF Bonds, then the Master Trustee, on demand of the Corporation, shall release the lien of the Master Trust Agreement with respect to such SRF Bond or SRF Bonds and must execute such documents as may be reasonably required by the Corporation. In the case of such release in respect of all SRF Bonds secured under the Master Trust Agreement, the Corporation may at any time thereafter elect to terminate the Master Trust Agreement. In the event of such termination, the Master Trustee is required to turn over to the Corporation any balances remaining in the De-allocated Reserve Account or any Leveraged Financing Subaccount created under the Master Trust Agreement to be used for State Revolving Fund purposes.

Exhibit 2B – Information Regarding Prior SRF Bonds
and SRF Recipient

SRF BONDS BY SERIES AND INDENTURE

2010 MFI Program Bonds

Series	Dated Date	Original Principal Amount	Outstanding Principal Amount as of September 30, 2020	Outstanding Principal Amount as of September 30, 2021	Final Maturity Date	Interest Rates on Outstanding Bonds
2010C	6/24/10	$140,850,000	$64,355,000	-	-	-
2011A	3/17/11	132,745,000	4,935,000	$ 850,000	August 15, 2022	4.00%-5.00%
2011C	7/21/11	191,735,000	104,540,000	93,350,000	May 15, 2041	4.00%-5.00%
2012B	6/21/12	88,950,000	48,150,000	42,180,000	February 15, 2042	3.00%-5.00%
2012C	6/21/12	14,440,000	6,920,000	5,700,000	December 15, 2029	2.745%-3.684%
2012E	11/15/12	98,640,000	65,595,000	61,315,000	November 15, 2042	3.00%-5.00%
2012F	11/15/12	33,465,000	9,855,000	6,610,000	November 15, 2024	2.306%-2.806%
2013B	8/1/13	166,585,000	119,405,000	112,285,000	May 15, 2043	3.50%-5.00%
2014B	7/2/14	213,635,000	163,520,000	152,970,000	May 15, 2044	2.00%-5.00%
2015B	8/20/15	80,520,000	70,195,000	68,005,000	March 15, 2045	3.00%-5.00%
2015C	8/20/15	31,370,000	20,110,000	18,020,000	July 15, 2030	2.85%-3.82%
2015D	8/20/15	367,455,000	264,795,000	243,970,000	March 15, 2037	3.00%-5.00%
2016B	9/22/16	104,415,000	94,855,000	92,300,000	August 15, 2046	4.00%-5.00%
2016C	9/22/16	29,260,000	22,475,000	20,605,000	July 15, 2039	1.889%-3.113%
2017C	11/9/17	91,580,000	84,045,000	81,515,000	August 15, 2047	3.00%-5.00%
2017D	11/9/17	66,445,000	59,805,000	55,910,000	January 15, 2047	2.269%-3.751%
2019A	6/13/19	120,700,000	116,555,000	113,955,000	February 15, 2049	3.00%-5.00%
2020B	12/17/20	123,110,000	-	120,950,000	October 15, 2050	3.00%-5.00%
Total 2010 MFI Bonds		$2,095,900,000	$1,320,110,000	$1,290,490,000		

NYCMWFA Program Bonds[1]

Series	Dated Date	Original Principal Amount	Outstanding Principal Amount as of September 30, 2020	Outstanding Principal Amount as of September 30, 2021	Final Maturity Date	Interest Rates on Outstanding Bonds
2004C[2]	4/7/04	$245,965,000	$65,760,000	$61,250,000	June 15, 2033	4.375%-4.50%
2010B	2/11/10	196,460,000	173,635,000	167,985,000	June 15, 2039	4.739%-5.807%
2011B	6/17/11	520,675,000	370,320,000	-	-	-
2012A	5/31/12	496,145,000	208,640,000	180,305,000	June 15, 2029	2.00%-5.00%
2012D[2]	7/12/12	316,790,000	101,855,000	100,370,000	June 15, 2028	3.00%-5.00%
2013A	7/11/13	401,090,000	276,770,000	256,770,000	June 15, 2033	4.00%-5.00%
2014A	3/27/14	347,385,000	259,010,000	241,630,000	June 15, 2034	3.00%-5.00%
2015A	7/2/15	219,770,000	181,495,000	173,465,000	June 15, 2045	3.00%-5.00%
2016A	6/29/16	500,955,000	449,220,000	433,385,000	June 15, 2046	2.625%-5.00%
2017A	4/13/17	588,745,000	511,435,000	483,800,000	June 15, 2046	3.125%-5.00%
2017B[2]	4/13/17	336,335,000	287,750,000	268,770,000	June 15, 2036	2.438%-3.916%
2017E	12/14/17	337,955,000	323,915,000	317,950,000	June 15, 2047	3.00%-5.00%
2018A	8/2/18	319,715,000	283,505,000	241,315,000	June 15, 2037	3.00%-5.00%
2018B	11/29/18	258,340,000	252,070,000	247,825,000	June 15, 2048	3.375%-5.00%
2019B	10/8/19	339,475,000	331,945,000	327,220,000	June 15, 2049	3.00%-5.00%
2020A	4/8/20	171,385,000	171,385,000	165,545,000	June 15, 2049	4.00%-5.00%
2021A	6/30/21	284,745,000	-	284,745,000	June 15, 2041	3.00%-5.00%
Retired Bonds [3]		8,337,970,000	-	-	-	-
Total NYCMWFA Bonds		$14,219,900,000	$4,248,710,000	$3,952,330,000		
Total SRF Bonds		$16,315,800,000	$5,568,820,000	$5,242,820,000		

(1) NYCMWFA subordinated bonds unless otherwise indicated.
(2) NYCMWFA senior bonds.
(3) NYCMWFA Retired Bonds includes series fully retired as of September 30, 2020.

2010 MFI PROGRAM BONDS BY YEAR (as of September 30, 2021)
(Amount in thousands)

The table below sets forth the aggregate net amount of financing payments (principal and interest) to be received from pledged recipient payments, the aggregate amount of debt service (principal and interest) on the 2010 MFI bonds and the 2010 MFI guarantee that is a 2010 MFI subordinate obligation and the excess of net recipient payments over debt service on the 2010 MFI bonds, all as of September 30, 2021. The table does not indicate amounts which may be made available to cure or prevent defaults on the 2010 MFI bonds in the De-allocated Reserve Account held by the MTA Trustee under the MTA or in the equity accounts of the clean water SRF or drinking water SRF.

The information in the table assumes that all recipients will make full payment of principal and interest on their bonds in a timely manner, there will be no release of any recipient financings as permitted under the 2010 MFI and that we will not issue any additional 2010 MFI bonds or incur any other 2010 MFI obligations. The table should be read in conjunction with **Part 3** and the provisions of the 2010 MFI including, without limitation, those relating to security and sources of payment for 2010 MFI obligations.

Bonds Outstanding, Scheduled Debt Service, Pledged Recipient Payments and Projected Coverage (1)

	A	B	C	D	E	F	G
Year Ending Sep. 30	**2010 MFI Bonds Outstanding**	**2010 MFI Bond Debt Service (2)**	**NYSERDA 2013A Bond Debt Service (3)**	**Aggregate 2010 MFI Obligations (B+C)**	**Net Recipient Financing Payments**	**Excess Coverage: (E - D)**	**Coverage: (E / D) (4)**
2022	$1,207,595	$140,741	$1,930	$142,671	$190,308	$47,637	1.33
2023	1,126,860	134,927	1,734	136,661	182,249	45,588	1.33
2024	1,047,960	129,459	1,625	131,084	171,397	40,313	1.31
2025	973,680	121,285	1,533	122,819	163,469	40,651	1.33
2026	901,070	116,189	1,503	117,692	154,769	37,078	1.32
2027	835,380	105,947	1,146	107,093	145,258	38,164	1.36
2028	769,365	103,232	687	103,919	142,976	39,057	1.38
2029	704,790	98,705	-	98,705	138,249	39,543	1.40
2030	638,620	97,375	-	97,375	134,109	36,734	1.38
2031	577,170	89,858	-	89,858	127,536	37,678	1.42
2032	519,510	83,189	-	83,189	120,607	37,418	1.45
2033	463,660	78,785	-	78,785	115,235	36,451	1.46
2034	409,790	74,315	-	74,315	108,638	34,322	1.46
2035	361,235	66,735	-	66,735	101,032	34,297	1.51
2036	314,755	62,554	-	62,554	96,484	33,931	1.54
2037	274,360	54,441	-	54,441	89,279	34,838	1.64
2038	234,805	51,769	-	51,769	86,423	34,653	1.67
2039	199,145	46,008	-	46,008	76,456	30,449	1.66
2040	164,650	43,198	-	43,198	71,807	28,610	1.66
2041	132,215	39,588	-	39,588	66,564	26,976	1.68
2042	101,930	35,917	-	35,917	61,244	25,328	1.71
2043	77,105	29,139	-	29,139	51,982	22,843	1.78
2044	55,885	24,427	-	24,427	43,710	19,283	1.79
2045	40,760	17,345	-	17,345	30,869	13,524	1.78
2046	27,500	14,834	-	14,834	25,640	10,806	1.73
2047	16,745	11,758	-	11,758	19,890	8,132	1.69
2048	8,945	8,382	-	8,382	14,440	6,058	1.72
2049	3,240	5,945	-	5,945	9,853	3,909	1.66
2050	775	2,550	-	2,550	4,366	1,816	1.71
2051	-	787	-	787	1,140	354	1.45
		$1,889,384	$10,159	$1,899,542	$2,745,980	$846,438	

(1) Column may not add due to rounding.
(2) 2010 MFI senior obligation.
(3) 2010 MFI subordinate obligation.
(4) Projected coverage will vary as additional 2010 MFI bonds are issued.

NYCMWFA PROGRAM BONDS BY YEAR
(Amounts in thousands)

Bonds Outstanding, Scheduled Debt Service and Projected Reserve De-Allocations[1][2]

Year Ending Sep. 30	Bonds Outstanding: Senior	Bonds Outstanding: Subordinated	Bonds Outstanding: Total	Scheduled Debt Service on Bonds: Senior	Scheduled Debt Service on Bonds: Subordinated	Scheduled Debt Service on Bonds: Total	Interest Subsidies	Net Authority Payments	Senior De-allocated Reserve Account Release Payments	Subordinated De-allocated Reserve Account Release Payments	Balance in Reserves[2]	Subordinated General Reserve Fund Payments [3]
2022	$370,110	$3,346,545	$3,716,655	$76,795	$345,541	$422,336	$59,973	$362,363	$38,803	$10,818	$489,307	$65,911
2023	346,120	3,131,215	3,477,335	38,007	377,504	415,511	53,024	362,487	40,041	11,078	438,187	63,226
2024	305,040	2,944,545	3,249,585	54,377	338,194	392,572	48,517	344,055	33,842	11,110	393,236	51,185
2025	263,715	2,754,765	3,018,480	53,015	332,053	385,068	44,754	340,313	34,272	9,574	349,390	52,513
2026	227,870	2,558,810	2,786,680	45,881	328,975	374,856	40,106	334,750	32,167	9,857	307,366	53,361
2027	191,560	2,371,580	2,563,140	44,941	310,852	355,793	35,246	320,547	32,887	9,998	264,481	71,179
2028	162,705	2,190,455	2,353,160	36,043	295,541	331,584	30,696	300,888	28,190	10,298	225,993	86,159
2029	138,975	2,007,340	2,146,315	29,928	288,616	318,544	26,623	291,921	24,416	10,598	190,980	90,422
2030	115,170	1,827,265	1,942,435	29,145	276,508	305,654	22,842	282,811	24,760	10,905	155,315	82,004
2031	90,990	1,649,580	1,740,570	28,631	265,028	293,660	19,142	274,518	25,430	11,225	118,660	78,967
2032	66,210	1,491,400	1,557,610	28,309	236,673	264,982	15,373	249,609	26,115	11,550	80,995	68,798
2033	40,845	1,340,245	1,381,090	27,930	221,894	249,823	12,024	237,800	26,818	4,930	49,248	64,918
2034	21,000	1,201,250	1,222,250	21,418	202,205	223,624	8,833	214,791	21,680	5,068	22,500	66,950
2035	8,695	1,073,140	1,081,835	13,121	184,395	197,516	6,173	191,344	13,228	-	9,273	69,125
2036	-	942,280	942,280	9,035	181,060	190,096	4,153	185,942	9,273	-	-	71,371
2037	-	833,250	833,250	-	153,357	153,357	2,279	151,079	-	-	-	73,310
2038	-	732,990	732,990	-	139,509	139,509	1,328	138,180	-	-	-	75,642
2039	-	647,600	647,600	-	120,078	120,078	655	119,422	-	-	-	75,890
2040	-	571,715	571,715	-	106,279	106,279	253	106,025	-	-	-	78,662
2041	-	492,240	492,240	-	106,243	106,243	126	106,116	-	-	-	78,326
2042	-	418,000	418,000	-	97,260	97,260	-	97,260	-	-	-	81,426
2043	-	340,300	340,300	-	97,208	97,208	-	97,208	-	-	-	84,534
2044	-	258,970	258,970	-	97,161	97,161	-	97,161	-	-	-	78,010
2045	-	173,820	173,820	-	97,132	97,132	-	97,132	-	-	-	81,621
2046	-	91,440	91,440	-	90,381	90,381	-	90,381	-	-	-	77,617
2047	-	42,485	42,485	-	53,143	53,143	-	53,143	-	-	-	45,901
2048	-	13,320	13,320	-	31,028	31,028	-	31,028	-	-	-	26,349
2049	-	-	-	-	13,853	13,853	-	13,853	-	-	-	12,431
Total				$536,577	$5,387,671	$5,924,248	$432,119	$5,492,128	$411,921	$127,007		$1,905,809

(1) Columns may not add due to rounding of yearly amounts.
(2) Recipient reserves associated with NYCMWFA bonds secure only such bonds and are only available as security for the payment of other SRF bonds to the extent released to the De-allocated Reserve Account in accordance with the applicable financing indenture.
(3) The Subordinated General Reserve is funded with direct financings made by the Corporation to the Authority and certain other recipients.

EQUITY ACCOUNT INVESTMENT BALANCES
Investment Market Values as of September 30, 2021

Investment Type	Amount	Percentage
Federated Treasury Obligations Fund (Taxable Money Market Mutual Fund)	$57,577,812	
U.S. Treasury Bills	786,969,470	
Other Investments[1]	85,785,414	
Total Short Term Equity Investments	$930,332,696	60.99%
Fixed-Rate Municipal Bonds [2]		
Total Long-Term Equity Investments	$595,022,272	39.01%
Total Equity Investments	$1,525,354,968	100.00%

(1) Includes additional short-term investments which EFC is authorized to hold as investments.
(2) Includes fixed-rate municipal bonds with sinking fund and serial maturities of less than one year. The weighted average maturity of the portfolio is 8.99 years.

FIXED-RATE MUNICIPAL BONDS
Investment Market Values as of September 30, 2021
by Rating Category

	Moody's		Standard & Poor's		Fitch	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Triple A (Aaa/AAA)	$89,090,544	14.97%	$104,731,957	17.60%	$107,747,496	18.11%
Double A (Aa1, Aa2, Aa3 / AA+, AA, AA-)	346,747,961	58.27%	309,168,695	51.96%	334,360,341	56.19%
Single A (A1, A2, A3 / A+, A, A-)	35,816,680	6.02%	128,877,554	21.66%	60,284,624	10.13%
Triple B (Baa1, Baa2, Baa3 / BBB+, BBB, BBB-)	50,451,485	8.48%	45,184,641	7.59%	45,184,641	7.59%
Rated Municipal Bonds	$522,106,670	87.75%	$587,962,847	98.81%	$547,577,102	92.03%
Non-Rated Bonds[1]	72,915,602	12.25%	7,059,425	1.19%	47,445,140	7.97%
Total	$595,022,272	100.00%	$595,022,272	100.00%	$595,022,242	100.00%

(1) Includes bonds which are non-rated or rated below investment grade.

RESERVE INVESTMENTS BY SERIES (NYCMWFA PROGRAM)

As of September 30, 2021

Series	Provider Name	Investment Type	Maturity Date of Reserve	Rate (%)	Minimum Collateral Required (%)	Reserve Balance by Investment and Series	Total Reserve Balance by Series
2004C	JPMorgan Chase Bank, N.A.	GIC	6/15/33	4.831	110	$61,083,333	$61,083,333
2012D	Tennessee Valley Authority (1)	Bond	6/15/28	3.770	0	75,987,500	75,987,500
2013A	Tennessee Valley Authority (1) (2)	Bond	6/15/33	3.770	0	65,558,333	65,558,333
2014A	Tennessee Valley Authority (1) (2)	Bond	6/15/34	3.770	0	57,265,833	57,265,833
2017A	U.S. Treasury (2)	Treasury Bills	6/15/24	0.051	0	4,182,500	4,182,500
2017B	Bank of America, N.A.	GIC	6/15/34	5.132	110	98,551,667	-
2017B	Societe Generale	GIC	6/15/36	4.69 - 5.43	110	176,298,333	274,850,000
	Total NYCMWFA Reserves					$538,927,499	$538,927,499

(1) These replacement investments were made in 2009. An additional principal amount, not shown here, was purchased by EFC with funds received from the break of the original investment, sufficient to provide recipient subsidy payments.

(2) Subordinated Reserves.

2010 MFI PLEDGED RECIPIENT FINANCINGS [1]

	Recipient [2]	Original Amount of Recipient Bonds as of Closing Date [3]	Principal Balance Outstanding September 30, 2020	Principal Balance Outstanding September 30, 2021	Aggregate 2022 Recipient Bond Payment [4]	Total Recipient Principal Outstanding as a Percent of Total 2010 MFI Principal Outstanding September 30, 2021
1	Westchester County	$474,765,319	$309,701,589	$325,694,627	$30,846,651	14.02%
2	Onondaga County	344,630,049	257,938,199	244,717,175	23,740,791	10.54%
3	Oneida County	212,647,331	148,301,145	197,240,000	11,337,635	8.49%
4	Rockland County	190,236,465	142,383,000	136,374,271	12,478,886	5.87%
5	City of Binghamton	122,110,320	100,753,157	96,490,000	7,325,294	4.15%
6	Village of Johnson City	94,484,992	83,607,604	80,695,000	5,491,031	3.47%
7	Suffolk County	75,668,677	66,570,000	64,065,000	4,527,857	2.76%
8	Town of North Hempstead	85,322,760	58,808,000	55,785,000	4,511,589	2.40%
9	Erie County	62,952,527	49,376,230	45,968,290	4,755,069	1.98%
10	Nassau County	106,745,544	51,177,971	43,392,235	10,112,910	1.87%
11	NYSERDA	69,537,500	47,760,000	43,005,000	5,898,209	1.85%
12	Town of Tonawanda	51,074,114	42,025,000	40,505,000	2,708,761	1.74%
13	Village of Kiryas Joel	41,235,452	35,600,862	34,220,000	2,312,698	1.47%
14	Buffalo Sewer Authority	45,827,831	35,015,714	33,205,714	3,381,435	1.43%
15	City of Middletown	40,763,203	30,410,000	28,965,000	2,642,794	1.25%
16	Monroe County Water Authority	34,550,341	27,625,000	26,530,000	2,277,349	1.14%
17	City of Rome	33,023,669	19,210,000	26,501,276	1,575,142	1.14%
18	City of Oswego	34,869,742	26,315,000	25,280,000	2,014,480	1.09%
19	City of Syracuse	38,948,930	25,915,000	24,775,000	2,181,368	1.07%
		$2,159,394,766	$1,558,493,471	$1,573,408,588	$140,119,949	67.74%
	All Other Recipients	$1,565,489,658	$774,302,372	$749,325,025	$91,917,995	32.26%
	Total	$3,724,884,424	$2,332,795,843	$2,322,733,613	$232,037,944	100.00%

(1) Column may not add due to rounding.
(2) Those recipients with a principal balance equal to or greater than 1% of the Outstanding 2010 MFI principal balance are detailed.
(3) Excludes refunding principal.
(4) Federal fiscal year payments ending September 30, 2022 (includes principal and interest).

Exhibit 2C – SRF Recipient General Information

EXHIBIT 2C

RECIPIENT INFORMATION

SRF RECIPIENT GENERAL INFORMATION

LOCAL GOVERNMENTS

The information set forth below includes summaries of State law concerning the operation of certain of, and certain legal restrictions applicable to, SRF Recipients that are Local Governments. It should be noted that, pursuant to the New York State Constitution (the "State Constitution"), local governments may adopt and amend local laws relating to their property, affairs or government to the extent that such laws are not inconsistent with the State Constitution and State law. The SRF Recipients may be impacted from time to time by the enactment of federal and state legislation and adoption of regulations by applicable federal and state regulatory agencies. Nothing contained in the summaries set forth below should be construed as a representation or a warranty of the financial condition of any Local Government.

Services Provided and Revenue Sources

COUNTIES, in general, provide services in the following areas: social services, public and mental health services and recreation. Specific services which may be provided include a court system, jails, police protection, traffic control, civil defense, building inspection, waste management and animal control. Public facilities which may be provided include water and sewer facilities, highways, roads, airports, hospitals, nursing homes, community colleges, parks, libraries and museums. CITIES, in general, provide services in the following areas: police, fire, sanitation, water and sewer, streets, parks and playgrounds. TOWNS, in general, provide the following services: construction and maintenance of a town road network, recreation and parks, building inspection, zoning administration, a local justice court system, police protection and water and sewer services. Fire protection and ambulance services generally are provided through paid or volunteer organizations or a combination thereof and government-funded equipment and facilities. VILLAGES, in general, provide the following services: construction and maintenance of a village road network, zoning, police protection and water and sewer services. Fire protection and ambulance services is provided through paid or volunteer organizations, or a combination thereof, and government-funded equipment and facilities. Counties and towns may establish districts to furnish sewer and water services.

Revenues of counties, cities, towns and villages are principally derived from real property and sales taxes, State and federal aid and departmental fees and charges. Except as otherwise expressly authorized by law, Counties may levy a sales tax of up to 3%, subject to preemption by cities within counties. Elimination of or substantial reduction in any source of revenues could have a material adverse effect upon an SRF Recipient, requiring a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Collection of Real Property Taxes

No later than December 31 of each year, the legislative body of each county must levy taxes for the county upon the basis of the full valuation of the taxable real property therein. The amount of all taxes levied upon any parcel of real property, except as otherwise provided

by law, becomes a lien thereon as of January 1 of the year in which levied and remains a lien until paid. Generally, the owner of real property upon which a tax has been levied is also personally liable for such taxes if such owner is a resident of the city or town in which such real property is assessed and the collecting officer may levy upon any personal property in the taxing jurisdiction belonging to such person. No later than December 31 of each year, the county legislative body must annex to the assessment roll of each city and town a warrant authorizing the collecting officer of such city or town to collect, generally not later than the following April 1, the amounts listed for each person on the roll. The assessment roll thus becomes the "tax roll." The City Receivers of Taxes are required to pay to the County Treasurer all County taxes they have collected. Generally, the warrant further directs the payment of all amounts, in the case of a collecting officer of a town (a) to the supervisor thereof, an amount equal to the sum levied for town purposes and (b) to the County Treasurer, the residue of the amount collected. As a result of this procedure, towns generally, except towns in Westchester County, have a 100% collection rate on their real property taxes. Town Receivers of Taxes allocate Town levies including all special districts within the Town, and then return the remainder to the County. If real property taxes remain unpaid, tax sale proceedings may be commenced for the payment of the tax and the interest thereon. The annual village tax is a lien on the real property on which it is levied until paid or otherwise satisfied. Real property taxes of villages are levied by the village board of trustees and collected by the village collecting officer upon receipt of the village tax roll and warrant. A village may, as an alternative method for collection of delinquent real property taxes, request that such taxes be collected by the county encompassing such village. Under this procedure, some counties may elect to pay the village all amounts remaining unpaid and take over responsibility for collecting delinquent taxes.

Under the State Constitution, the amounts that counties, cities and villages may raise by real property taxes is limited to certain percentages of the average full valuation of their taxable real property. See "Debt Incurrence Procedures – Debt Limit" for an explanation of average full valuation. The State Constitution provides that the State Legislature cannot further restrict the power of cities, counties, towns and villages to levy taxes on real estate for the payment of interest on or principal of outstanding indebtedness. The State Constitution provides that provision shall be made annually for appropriations by each county, city, town and village for the payment of interest on its indebtedness and for the payment of principal installments due on its bonds and notes. Notwithstanding the foregoing, State legislation enacted in 2011 imposes a limitation on increases in the real property tax levy of municipalities, subject to certain exceptions. Such legislation permits affected municipalities to increase overall real property tax levies over the tax levy of the prior year by no more than an "allowable growth factor", which is the lesser of one and two-one hundredths or the sum of one plus an inflation factor calculated by reference to various consumer price indices determined by the United States Department of Labor, provided that in no case will the allowable growth factor be less than one. Tax levies for certain purposes are excepted from such limitation, including a portion of certain retirement system contributions and tort judgments. Debt service on bonds and notes issued by municipalities are not excepted from such limitation. The governing body of an affected municipality may adopt a budget that exceeds the tax levy limit for a fiscal year only if the governing body first enacts, by a vote

of at least sixty percent of the total voting strength of such governing body, a local law to override such limit for such coming fiscal year.

State and Federal Aid

Certain of the SRF Recipients receive financial assistance from the State ("State Aid"). Many governmental Recipients do not receive State Aid. For example, Public Benefit Corporations, as a general matter, do not receive State Aid. To the extent that Recipients do receive State Aid, the amounts vary widely as a percentage of total revenues. The State is not constitutionally obligated to maintain or continue State Aid. The payment of State Aid is subject to appropriations being made by the State Legislature. Amounts of State Aid made available to municipalities in their current fiscal years may be less than amounts received in prior years. No assurances can be given as to the level of State Aid, if any, that may be available in the future to any of such SRF Recipients. If the State should for any reason delay in making State Aid payments to governmental Recipients, such governmental Recipients may be affected by such delay until such State Aid payments are made. Any unexpected delays in the receipt of State Aid might temporarily delay payment by the governmental Recipients of its anticipated and budgeted expenditures, including the payment of debt service on outstanding bonds. Should the governmental Recipients fail to receive State Aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State Aid, the governmental Recipients are authorized by the Local Finance Law to provide operating funds by borrowing on account of such uncollected State Aid.

Some SRF Recipients receive financial assistance from the federal government ("Federal Aid"). The federal government is not obligated under the United States Constitution to maintain or continue Federal Aid. The payment of Federal Aid is subject to appropriations being made by the United States Congress. Proposed alteration in the level of and method of funding certain federal programs may affect an SRF Recipient's ability to continue certain programs at its current level.

Debt Incurrence Procedures

Constitutional Requirements. In general, the State Constitution limits the power of Local Governments to issue obligations and otherwise to contract indebtedness. Such constitutional limitations, in summary form and as generally applicable to such Local Governments and related Recipient Bonds, include the following:

Purpose and Pledge. Each such Local Government may contract indebtedness only for a proper purpose of such Local Government and must pledge its faith and credit for the payment of principal and interest. Subject to certain enumerated exceptions, such Local Governments may not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan their credit to or in aid of any of the foregoing or any public corporation.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal years, indebtedness shall be paid in

annual principal installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose of such indebtedness as determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which it is contracted.

Debt Limit. Each Local Government has the power to contract indebtedness for any proper purpose of such Local Government so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed a constitutionally determined percentage (seven percent for counties (other than Nassau County, for which such limit is ten percent), towns, villages and cities with under 125,000 inhabitants and nine percent for cities with 125,000 or more inhabitants) of the average full valuation of taxable real estate of such Local Government. Certain enumerated exclusions and deductions exist such as debt issued for water and certain sewer facilities, certain self supporting enterprises, and cash or appropriations for current debt service. The constitutional method for determining full valuation is to take the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and divide the same by the equalization rate as determined by the State Board of Real Property Services for that specific assessment roll. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Procedure. In general, the State Legislature has authorized the power and procedure for Local Governments to incur indebtedness by the enactment of the Local Finance Law, subject to the Constitutional provisions set forth above. A Local Government may issue bonds or notes for any purpose authorized by the Local Finance Law. No principal installment may be more than 50% in excess of the smallest prior principal installment unless the SRF Recipient has elected to issue obligations with substantially level or declining annual debt service. If a Local Government issues bonds with a substantially level or declining annual debt service schedule, then the aggregate amount of debt service payable in each year may not exceed the lowest aggregate amount of debt service payable in any prior year by more than the greater of five percent or ten thousand dollars. Such Local Governments are required to provide an annual appropriation for the payment of interest due during the year on their indebtedness and for the amounts required in such year for amortization and redemption of their bonds and required annual installments on their notes. The power of the Local Governments to spend money, however, generally derives from other State and local law. Generally, bond anticipation notes may be issued for up to a five year term or may be renewed each year provided that such renewals, subject to certain exceptions, do not exceed five years beyond the original date of borrowing. In the case of assessable improvements, renewals may not extend beyond the period of probable usefulness for the financed improvements. The Local Finance Law also contains provisions providing the Local Governments with the power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget, deficiency, and capital notes.

Sewer and Water Districts and Systems

Counties. The legislative body of a county may establish or extend one or more county sewer, wastewater disposal, drainage, water and water quality treatment districts and may appoint an officer or body to act as an agency during the establishment of the district. In order to form such a district, a petition must be presented to the county legislative body requesting that an area of the county be established as a district and that certain improvements be constructed. The county legislative body may also act on its own motion. If the county legislative body determines after a public hearing that it is in the public interest to establish the district and that other legal requirements are satisfied, it may adopt a resolution approving the establishment of the district, which resolution is subject to a permissive referendum. The establishment of such district must also be approved by the New York State Department of Audit and Control if certain statutory cost thresholds are exceeded. When a county district has been established, the county legislative body may designate an officer or board to act as the administrative head of the district. Any changes in the plan of the district after it has been established may be effected by the submission of a report by the administrative head of such district, which may be adopted by resolution after a public hearing. In addition, if the county legislative body determines that it is necessary to make improvements to the facilities of a district, it may enact a resolution, after a public hearing, directing the administrative head of such district to proceed with such improvements. Expenditures associated with such improvements must be approved by the Comptroller of the State of New York if certain statutory cost thresholds are exceeded.

Subject to confirmation by the county legislative body, the administrative head of a district may establish (i) charges for the collection, conveyance, treatment and disposal of sewage and wastewater or may impose sewer rents as provided by the New York State General Municipal Law or (ii) wholesale and retail rate schedules for the sale of water, as the case may be. Before such charges, rents or rates are established, a public hearing must be held. The county treasurer collects and receives all rental charges or rates, and unpaid rentals, charges or rates constitute a lien upon the real property upon which such services were provided. The expenses of the establishment of a district and any improvements thereto and the annual expense of operation and maintenance may be assessed, levied and collected from the lots of land within the district, in the same manner and at the same time as other county taxes. Assessments may also be made in proportion to the benefit which each lot of land will derive from the improvement. Assessments may only be adopted after a public hearing. Debt issued for a county sewer or water district is a general obligation of the county. In general, assessments against the taxable property within such districts are levied to pay such debt. However, the taxable property within the entire county is subject to levy for the payment of such debt, not just the taxable property within the district, if the assessments against the property within such districts are insufficient.

Cities Sewer. The Second Class Cities Law (which may be superseded by a city charter or local law) provides that the legislative body of a city may, by ordinance approved by the board of estimate and apportionment, determine the amount and proportion of the expense which shall be borne by the city at large for constructing a public sewer which is not less than two feet in diameter. The amount and proportion of the expense of such improvements which shall be borne by the city at large shall be included in the budget and

raised by tax the same as other general city charges or may be financed pursuant to the Local Finance Law. An amount sufficient to pay, when due, any obligations issued to pay the portion of the expense of such improvements borne by the city at large, together with the accrued interest thereon, shall be included in the annual budget and raised by tax in the same manner as other general city charges. The proportion of the expense which is not borne by the city shall be assessed and charged upon the property affected by such improvement.

Cities Water. Cities may establish, construct and maintain a water supply system in the manner prescribed by local law. The Second Class Cities Law (which may be superseded by a city charter or local law) provides that the commissioner of public works of a city, with the approval of the board of estimate and apportionment, may set water rents to be charged and paid annually. Water rents, and the cost of establishing and maintaining the water supply system, are funded by local assessments upon the property the commissioner determines to be benefited by the system, and the commissioner apportions and assesses upon and collects the assessments from the property so benefited in proportion to the benefit.

Towns. The procedures relating to the establishment or improvement of town sewer and water districts are substantially similar to those applicable to counties, except that establishment or improvement may be effected on a town board's own motion. The expense of any public improvement made in connection with the establishment, extension or maintenance of a town sewer, sewage disposal, wastewater disposal, drainage, water quality treatment or water district (termed an "improvement district" under the Town Law of the State of New York) is generally funded by local assessments upon the land which the town board determines to be benefited by the improvement district, and the town board generally apportions and assesses upon and collects the assessments from the land so benefited in proportion to the amount of benefit. However, the real property of certain districts may be or in some cases is required to be levied upon an ad valorem basis. The commissioners of a district or the town board must annually prepare estimates of the anticipated revenues and expenditures for such district. The commissioners of the district or the town board annually assess such amount of the estimate of net expenses and prepare an "assessment roll." After a public hearing, such amounts are levied upon the lots on such assessment roll at the same time and in the same manner as other town taxes. The commissioners of a district or a town board may establish various rents and charges for water and sewer services in addition to assessments upon benefited real property. Debt issued for a town sewer or water district is a general obligation of the town. In general, assessments against the benefited property within such districts are levied to pay such debt. However, the taxable property within the entire town is subject to levy for the payment of such debt, not just the taxable property within the district, if the assessments against the property within such districts are insufficient.

Villages Sewer. The board of trustees of any village may establish, extend and maintain a sewer system. Before establishing or extending a sewer system, a map and plan of such system must be submitted to the State Commissioner of Health for approval. The village board of trustees may determine that the cost of construction of a sewer system, including debt service on any indebtedness issued to pay such cost, shall be paid by the village, or jointly by the village and the owners of property benefited by the system, or, under certain circumstances, entirely by the owners of the property benefited. The improvement is subject

to a hearing when paid by local assessments and the apportionment of such local assessments. Amounts levied as local assessments are collected in the same manner as other village taxes. The local law of villages may also provide for the collection of sewer rents from users of the sewer system. Debt issued for a village sewer system is a general obligation of the village. The taxable property within the entire village is subject to levy for the payment of such debt.

Villages Water. The board of trustees of any village may establish a water supply system. Before establishing or extending a water system, a map and plan of such system must be filed with the village clerk and the county clerk's office of each county in which the system is located. The village board of water commissioners may determine that the cost of extending a water system, including debt service on any indebtedness issued to pay such cost, shall be paid by the village, or jointly by the village and the owners of property benefited by the system, or, under certain circumstances, entirely by the owners of the property benefited. Amounts levied as local assessments are collected in the same manner as other village assessments. The board of water commissioners may also establish water rents, and the time and manner in which the rents will be paid. Such rents are a lien on the real property in connection with which the water is used. Debt issued for a village water system is a general obligation of the village. The taxable property within the entire village is subject to levy for the payment of such debt.

Special Provisions Affecting Remedies Upon Default

Remedies for enforcement of payment are not expressly included in a Local Government's contract with holders of its bonds and notes. However, under current law, provision is made for contract creditors of a Local Government (including holders of debt including the recipient bonds issued to the Corporation) to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of current funds or the proceeds of a tax levy.

The State has consented that any municipality in the State may file a petition with any United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, easier access to judicially approved adjustment of debts including judicial control over identifiable and unidentifiable creditors.

Title 6-A of Article 2 of the Local Finance Law authorizes any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the

emergency period. No such emergency has been declared with respect to any Local Government. As a result of a Court of Appeals (the State's highest court) decision in 1976 declaring invalid an act which created, in effect, a three-year moratorium on actions to enforce payment on certain short-term obligations of New York City, the constitutionality of said provisions of the Local Finance Law is subject to doubt.

PUBLIC BENEFIT CORPORATIONS

In general, the SRF Recipients that are Public Benefit Corporations are of these types: (i) solid waste management authorities; (ii) water and sewer finance authorities; (iii) water authorities; (iv) water and sewer authorities; (v)transportation authorities; (vi) municipal assistance corporations; (vii) airport authorities; (viii) sewer authorities; and (ix) certain state authorities.

The powers and functions of each Public Benefit Corporation that is or will be a SRF Recipient are primarily governed by the enabling legislation creating such entity (which for each such SRF Recipient is contained primarily in the Public Authorities Law of the State of New York). Accordingly, the powers and functions of Public Benefit Corporations vary widely, and the enabling legislation for a Public Benefit Corporation may authorize powers and functions that are not limited to those powers and functions normally associated with the type of such Public Benefit Corporation as characterized generally above. The bond resolutions or trust indentures or other related agreements which secure or will secure the recipient bonds issued by such Public Benefit Corporations and the security for the respective recipient bonds also vary widely as to certain matters, including, without limitation, the nature and priority of the pledge securing such bonds, rate covenants and conditions under which additional bonds may be issued. The SRF Recipients that are Public Benefit Corporations may also be impacted from time to time by the enactment of federal and state legislation and adoption of regulations by applicable federal and state regulatory agencies.

Nothing contained in the summary set forth herein should be construed as a representation or a warranty of the financial condition of any Public Benefit Corporation.

Exhibit 3A – Certain Definitions and Summary of Financing Indenture (2010 MFI Program)

EXHIBIT 3A

CERTAIN DEFINITIONS AND SUMMARY OF 2010 MFI (2010 MFI PROGRAM)

The following definitions apply to the summaries of the 2010 MFI.

Act or EFC 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 from time to time amended and supplemented.

Additional 2010 MFI Bonds means any additional bonds issued pursuant to the 2010 MFI.

Additional Program means a financing program identified as an "Additional Program" in a Supplemental Indenture, pursuant to which the Corporation is authorized to issue bonds and apply the proceeds thereof to the acquisition of obligations issued or incurred by recipients to finance programs or facilities or otherwise make such proceeds available to such recipients for such purpose.

Additional Release Tests means any additional restrictions on the release of Pledged Revenues under the 2010 MFI which may be set forth in a Supplemental Series Indenture. The First Supplemental Series Indenture provides that for so long as the Series 2010 C Bonds issued thereunder shall be Outstanding, as a condition to any release of any pledged recipient payments the Corporation must certify to the Trustee that as of the date of calculation, Projected Receipts are to expected to be available in an amount at least equal to 115% of the amount necessary to pay all Debt Service for all senior 2010 MFI Obligations in each Bond Year as and when due, as determined by the Corporation.

Additional Senior Obligations Test means that, as of any date of calculation, Projected Receipts are expected to be available when necessary to pay all Debt Service for all Senior 2010 MFI Obligations as and when due, as determined by the Corporation and evidenced by an Officer's Certificate.

Additional Subordinated Obligations Test means that, as of any date of calculation, Projected Receipts are expected to be available when necessary to pay all Debt Service for all 2010 MFI Obligations as and when due as determined by the Corporation and evidenced by an Officer's Certificate.

Arbitrage and Use of Proceeds Certificates means the Arbitrage and Use of Proceeds Certificates or other similar documents delivered by Recipients, as more particularly described or defined in the Related Supplemental Series Indenture.

Authorized Officer means the Chairman, the President, Chief Financial Officer, any Vice President, the Director of Corporate Operations or the Secretary of the Corporation or any other officer of the Corporation designated to act as an Authorized Officer by resolution of the Board of Directors of the Corporation.

Available De-allocated Reserve Account Release Payments means all monies received by the Trustees from the Master Trust Agreement Trustee pursuant to clause "FOURTH" of Section 402(f) of the Master Trust Agreement as described in Exhibit 2 to this Annual Information Statement.

Available Equity Fund Moneys means moneys which are on deposit in the Clean Water Equity Account or the Drinking Water Equity Account and which are available for the purpose of making Equity Support Payments on any date on which Equity Support Payments are due or past due.

Bond Counsel means Hawkins Delafield & Wood LLP or such other nationally recognized bond counsel selected by the Corporation and satisfactory to the Trustee.

Bond Funded Recipient Bonds means a Recipient Bond or any portion thereof purchased or otherwise financed from the proceeds of any Series of 2010 MFI Bonds.

Bond Year means any period commencing on and including January 1 of any year and ending on and including December 31 of such year.

Business Day means a day on which banks located in (i) The City of New York, New York, (ii) the city in which the principal office of the Trustee is located and (iii) the city in which the principal office of the Master Trust Agreement Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Capitalization Grant Agreements means the grant agreements or other instruments entered into by United States Environmental Protection Agency or any successor entity for the benefit of the State to make capitalization grant payments under the federal Water Quality Act or the federal Safe Drinking Water Act.

Clean Water Equity Account means the Clean Water Equity Account within the Equity Fund established pursuant to the Master Trust Agreement.

Clean Water SRF means the water pollution control revolving fund established by the State pursuant to the State Clean Water Act.

Code means the Internal Revenue Code of 1986, as amended, and the regulations of the U.S. Department of the Treasury promulgated thereunder, each as in effect upon the issuance of any series of 2010 MFI Bonds.

Committed Subsidy Amount means the portion of interest payable on any Recipient Bonds which the Corporation is contractually obligated to fund from moneys within a Revolving Fund pursuant to a Leveraged Financing Agreement.

Contract Obligations means any Reimbursement Agreement, Guarantee or Qualified Hedge Agreement.

Corporation means New York State Environmental Facilities Corporation, a public benefit corporation created by the EFC Act, and any successor entity which may succeed to its rights and duties respecting the 2010 MFI Bonds and the Clean Water SRF or the Drinking Water SRF.

Cost of Issuance Fund means the Cost of Issuance Fund established for any series of 2010 MFI Bonds pursuant to the 2010 MFI.

Credit Facility means a letter of credit, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company, financial institution or other Person which provides for payment for all or a portion of the principal or redemption price of, and interest on any Series of Bonds.

Custodian means Manufacturers and Traders Trust Company in its capacity as custodian under the Master Trust Agreement and its successors as custodian thereunder.

De-allocated Reserve Account means the De-allocated Reserve Account established by the Master Trust Agreement.

Debt Service means, as of any date, with respect to the Related Series, the sum of Bond Debt Service, Guaranteed Debt Service and other Scheduled Obligation Payments.

Debt Service Fund means the Debt Service Fund established pursuant to the 2010 MFI.

Debt Service Reserve Fund means a Debt Service Reserve Fund for a series of Bonds established pursuant to a Supplemental Indenture.

Debt Service Reserve Fund Requirement, with respect to any Series of 2010 MFI Obligations, means the amount determined in accordance with the Related Supplemental Series Indenture. With respect to all series of Outstanding Bonds, such amount is $0.

Debt Service Support Payments means any Available Equity Fund Moneys transferred to the 2010 MFI Trustee pursuant to the 2010 MFI for the purpose of paying Debt Service on 2010 MFI Obligations other than Guarantees.

Drinking Water Equity Account means the Drinking Water Equity Account within the Equity Fund established by the Master Trust Agreement.

Drinking Water Program means the Safe Drinking Water state revolving fund program administered by the Corporation and the New York State Department of Health established pursuant to the State Act and the Safe Drinking Water Act, including, without limitation, the Drinking Water Revolving Fund.

Drinking Water Revolving Fund or *Drinking Water SRF* means the New York State Drinking Water Revolving Fund established pursuant to the State Drinking Water Act.

Earnings Fund means an Earnings Fund established pursuant to the 2010 MFI.

Equity Fund means the Equity Fund established by the Master Trust Agreement.

Equity Support Payments means any Debt Service Support Payments or Guarantee Support Payments.

Escrow Fund means a Project Fund (as established in the 2010 MFI and more particularly set forth in the related Supplemental Indenture, for the benefit of such Recipients) or the portion thereof into which is deposited any portion of a Financing to be used to refinance Existing Indebtedness (as defined in the Related Financing Agreement).

Event of Default means any event of default specified in the 2010 MFI.

Financing(s) means financial assistance made available by the Corporation to a Recipient pursuant to a Financing Agreement.

Financing Agreement means any agreement providing for financial assistance to be made available to a Recipient in whole or in part from the proceeds of the Bonds of a Series, between a Recipient and the Corporation, as amended and supplemented in accordance with its terms from time to time.

Financing Indenture, with respect to a series of 2010 MFI Bonds, means the 2010 MFI and, with respect to any other series of SRF Bonds, means the indenture of trust or other similar document (including any applicable supplements thereto), pursuant to which such series of SRF Bonds is issued and delivered.

First Supplemental Series Indenture means the First Supplemental Series Indenture of Trust dated as of June 1, 2010 between the Corporation and the Trustee entered into in connection with the Series 2010 C Bonds.

Fund means any fund established by the 2010 MFI.

General Reserve Fund means the General Reserve Fund established pursuant to the 2010 MFI as described in this Exhibit 3A under "SUMMARY OF CERTAIN PROVISIONS OF THE 2010 MFI – Pledge of Funds created under the 2010 MFI."

Guaranteed Recipient Obligation Obligor means the issuer of any Guaranteed Recipient Obligations.

Guaranteed Recipient Obligations means any bond, note or other obligation of a Person guaranteed by a Guarantee issued pursuant to the 2010 MFI.

Guarantee means any guarantee of the Corporation delivered pursuant to and in accordance with the requirements of the 2010 MFI.

Guarantee Support Payment means any Available Equity Fund Moneys transferred to the Trustee pursuant to the 2010 MFI for the purpose of paying Debt Service on Guarantees.

Leveraged Financing means any financial assistance, including but not limited to a loan, the purchase of debt obligations of Recipients and other types of assistance, made by the Corporation to a Recipient pursuant to a Leveraged Financing Agreement and the State Clean Water Act or the State Drinking Water Act from proceeds of a series of Bonds to finance a Project.

Leveraged Financing Agreement means any agreement, including a loan agreement, project financing and loan agreement, project finance agreement, bond purchase agreement or other financing agreement, relating to a Leveraged Financing between a Recipient and the Corporation, entered into pursuant to the State Clean Water Act or the State Drinking Water Act to finance a Project, as such may be amended and supplemented from time to time.

Liquidity Facility means a letter of credit, revolving credit agreement, a standby bond purchase agreement or similar obligation, arrangement or instrument issued by a bank, insurance company, financial institution or other Person which provides for payment for all or a portion of the purchase price of 2010 MFI Bonds tendered or deemed tendered by the Owners thereof in accordance with the terms of the Related Supplemental Indenture.

Master Trust Agreement means the Amended and Restated Master Trust Agreement dated as of July 1, 2005 between the Corporation and Manufacturers and Traders Trust Company, as trustee and as custodian, as the same may be amended and supplemented.

Master Trust Agreement Trustee or *Master Trustee* means Manufacturers and Traders Trust Company, in its capacity as trustee under the Master Trust Agreement, and its successor or successors as

trustee under the Master Trust Agreement, including with limitations, as amended by the First Supplemental Master Trust Agreement, dated as of June 1, 2010 between the Corporation and the Trustee.

Maximum Annual Debt Service means, with respect to Obligations of any Series, as of any date of calculation, means an amount equal to the maximum Debt Service coming due on such Series then Outstanding in any Bond Year thereafter, excluding interest to be paid from the proceeds of Bonds or Subordinated Bonds or any other moneys and then on deposit in the Related Debt Service Fund.

Officer's Certificate means a certificate signed by an Authorized Officer of the Corporation.

Outstanding, when used with reference to a series of 2010 MFI Bonds, means, as of any particular date, the aggregate of all the 2010 MFI Bonds of such series, authenticated and delivered under the 2010 MFI, except:

(a) the 2010 MFI Bonds of such series cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) the 2010 MFI Bonds of such series for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Owners of such 2010 MFI Bonds, provided that if such 2010 MFI Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the 2010 MFI or provision therefor satisfactory to the Trustee has been made;

(c) the 2010 MFI Bonds of such series paid or deemed to be paid as provided in the 2010 MFI; and

(d) the 2010 MFI Bonds of such series paid or in lieu of or in substitution for which other 2010 MFI Bonds shall have been authenticated and delivered pursuant to the 2010 MFI, unless proof satisfactory to the Trustee shall be presented that any such 2010 MFI Bonds shall be held by a bona fide purchaser (as such term is defined in the Uniform Commercial Code of the State of New York); provided, however, that in determining whether the Owners of the requisite principal amount of the 2010 MFI Bonds of a series Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the 2010 MFI, the 2010 MFI Bonds of such series owned by or for the account of a Recipient shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only 2010 MFI Bonds of such series which the Trustee knows to be so owned shall be so disregarded. 2010 MFI Bonds of such series so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such 2001 MFI Bonds and that the pledgee is not a Recipient and that the pledgee is not holding such 2010 MFI Bonds for the account of a Recipient.

Owner or *Bondowner* (when used in reference to the Owner of any SRF Bond) means the person or persons in whose name or names the particular SRF Bond shall be registered on the bond register kept pursuant to the Related Financing Indenture.

Parity Contract Obligation means Parity Hedge Obligations and Parity Reimbursement Obligations.

Parity Hedge Obligation means Qualified Hedge Agreement Obligation, secured in such manner as set forth in the 2010 MFI.

Paying Agent(s) means any paying agent(s) for the 2010 MFI Bonds and any successor or successors as paying agent(s) appointed pursuant to the 2010 MFI.

Person means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Pledged Federal Interest Subsidy Payment means any cash subsidy received by the Corporation from the United States Treasury with respect to "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 or with respect to any other federally taxable 2010 MFI Bonds issued by the Corporation under any similar federal statute heretofore or hereinafter enacted to the extent such subsidy is designated as a Pledged Federal Interest Subsidy Payment in a Supplemental Series Indenture.

Pledged Recipient Bond Payments means payments of principal of, premium, if any, and interest on a Recipient Bond which are assigned and pledged as security for the benefit of the 2010 MFI Obligations, excluding (i) any Reserved Corporation Interests and (ii) any Released Recipient Bond Payments.

Pledged Revenues means (i) all Pledged Recipient Bond Payments, (ii) to the extent that, pursuant to a Supplemental Series Indenture, the earnings on and/or principal of investment obligations held in the Senior Debt Service Reserve Fund are expected to be applied to pay Debt Service on a Series of 2010 MFI Obligations, the earnings on and/or principal of such investment obligations, (iii) any Equity Support Payments received by the Trustee, and (iv) Pledged Federal Interest Subsidy Payments.

Prior Indenture Support Account means the Account created pursuant to the Master Trust Agreement, as amended by the First Supplemental Master Trust Agreement, dated as of June 1, 2010 between the Corporation and Trustee.

Program means the Clean Water SRF, the Drinking Water SRF or any Additional Program.

Program Account means a Clean Water SRF Account, a Drinking Water SRF Account or any other account within a Project Fund, Debt Service Reserve Fund, General Reserve Fund or any other Fund under the 2010 MFI which holds moneys solely allocable to a single Program.

Project Fund means any such fund established pursuant to the 2010 MFI for the purpose of depositing a portion of the proceeds of a series of 2010 MFI Obligations.

Projected Receipts means as of any date of calculation means the amount expected to be received as Pledged Revenues, as calculated by the Corporation and evidenced by an Officer's Certificate.

Qualified Hedge Agreement means with respect to any Series of Bonds or Subordinated 2010 MFI Bonds, any financial arrangement (i) which is entered into by the Corporation with a Qualified Hedge Provider, (ii) which is a cap, floor or collar, forward rate, future rate, swap (such swap may be used in an amount equal either to the principal amount of such Series of Bonds or Subordinated 2010 MFI Bonds as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Series of 2010 MFI Bonds or Subordinated 2010 MFI Bonds), asset, index, price or market linked transaction or agreement, or other exchange or rate protection transaction agreement, or similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing, executed by the Corporation, (iii) which has been designated as a Qualified Hedge

Agreement with respect to such Series of Bonds or Subordinated 2010 MFI Bonds in a written determination signed by a Authorized Officer of the Corporation and delivered to the Trustee, and (iv) which contains such terms addressing the posting and holding of collateral, if any, and such other terms as may be determined by the Corporation.

Rebate Amount, with respect to each series of 2010 MFI Bonds, shall have the meaning ascribed to such term in the related Tax Regulatory Agreement.

Rebate Fund, with respect to each series of 2010 MFI Bonds, means the rebate fund, if any, established under the 2010 MFI.

Recipient(s) means any municipality (as defined in the EFC Act) or a recipient (as defined in the EFC Act) entering into a Financing Agreement and their respective successors and assigns.

Recipient Obligations, with respect to each series of Bonds, means the bonds or notes of the Recipient that are purchased pursuant to or otherwise acquired by the related Leveraged Financing Agreement.

Recipient Bond Fund means the Recipient Bond Fund established under the 2010 MFI Bonds.

Recipient's Portion means as of any date, the amount determined by the Corporation to be (i) held within a Debt Service Reserve Fund as part of the Reserve Allocation for a particular Recipient, (ii) held within a Construction Fund for the account of a particular Recipient, or (iii) held within the Rebate Fund and allocable to a particular Recipient, in each case as evidenced in writing to the Trustee by an Authorized Officer.

Registered Owner(s) means the person or persons in whose name or names the particular 2010 MFI Bond shall be registered.

Related means (i) when used with respect to any Fund or account or subaccount within any such Fund established under the 2010 MFI, the fund, account or subaccount so designated and established by the Related Supplemental Series Indenture authorizing a particular series of 2010 MFI Obligations, (ii) when used with respect to a Supplemental Series Indenture, the Supplemental Series Indenture authorizing a particular series of 2010 MFI Obligations, (iii) when used with respect to Recipient Bonds, the Recipient Bonds issued to evidence the obligation to repay the loan of all or part of the proceeds for a particular series of 2010 MFI Obligations or purchased with such proceeds, as the case may be, (iv) when used with respect to an Agreement, an Agreement entered into in connection with a particular Series of 2010 MFI Obligations and, as appropriate, a particular Recipient, (v) when used with respect to a Credit Facility or Parity Reimbursement Obligation, the Credit Facility securing a particular series of 2010 MFI Bonds and the Parity Reimbursement Obligation entered into in connection therewith, (vi) when used with respect to a Tax Regulatory Agreement, the Tax Regulatory Agreement entered into in connection with a particular Series of 2010 MFI Bonds, and (vii) when used with respect to a Recipient's Portion, the Recipient's Portion being held for the benefit of such Recipient.

Related Program Act has the meaning set forth in the Master Trust Agreement.

Repayment Bond means a special obligation bond of the Corporation acting on behalf of one Revolving Fund delivered to the custodian of the other Revolving Fund in order to evidence the obligation of the Revolving Fund delivering such bond to repay the amounts invested by the Revolving Fund receiving such bond, as described in the Master Trust Agreement.

Reserve Allocation means, with respect to any Leveraged Financing made from the proceeds of SRF Bonds, that amount of funds derived or to be derived from the related Capitalization Grant Agreements and/or related State Matching Funds and/or other sources established as reserve for such Leveraged Financing pursuant to the Master Trust Agreement, and reflected in the Reserve Allocation Certificate relating to such Leveraged Financing.

Reserve Allocation Certificate means the Authorized Officer's certificate delivered pursuant to the Master Trust Agreement setting forth the Reserve Allocation for a series of SRF Bonds.

Reserved Corporation Interests means any interest in payments to be received under Recipient Obligations which is expressly reserved from any assignment to the Trustee of Pledged Recipient Bond Payments as security for any Series of 2010 MFI Obligations.

Revolving Fund means, collectively, the Clean Water SRF, the Drinking Water SRF and any fund established in connection with an Additional Program.

Safe Drinking Water Act means Article XIV of the Federal Public Health Services Act (commonly known as the "Safe Drinking Water Act"), 42 U.S.C. 300f et. seq., as amended from time to time, or any successor provisions.

Senior Debt Service Reserve Fund means a Debt Service Reserve Fund established for a series of Senior Obligations pursuant to Section 5.01.

Senior Debt Service Reserve Fund Requirement means, as of any date of calculation, the sum of all Debt Service Reserve Fund Requirements for all Outstanding Senior 2010 MFI Obligations.

Senior 2010 MFI Bond(s) means any bond or bonds or all the bonds, as the case may be, of the Corporation issued and secured by a senior lien pursuant to the 2010 MFI; provided, however, that, except as otherwise provided, no Subordinated 2010 MFI Bond shall be deemed to be a Senior 2010 MFI Bond.

Senior 2010 MFI Obligation(s) means any 2010 MFI Obligation or 2010 MFI Obligations or all the 2010 MFI Obligations, as the case may be, of the Corporation which are designated as Senior 2010 MFI Obligations in the Related Supplemental Series, including, without limitation, any Senior Bonds and Related Parity Contract Obligations; provided, however, that no Subordinated 2010 MFI Obligation and no Guarantee shall be deemed to be a Senior 2010 MFI Obligation.

Series means all of the 2010 MFI Bonds or other 2010 MFI Obligations of a particular Series authenticated and delivered on original issuance and pursuant hereto and a Supplemental Series Indenture and identified as such pursuant to such Supplemental Series Indenture, and any 2010 MFI Bonds or other 2010 MFI Obligations of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds or 2010 MFI Obligations pursuant to applicable provisions of the Related Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

Series 2010 C Bonds means the State Clean Water and Drinking Water Revolving Funds Revenue Bonds, Series 2010 C of the Corporation.

SRF means the Clean Water SRF or the Drinking Water SRF.

SRF Bond(s) means any bond or bonds or all the bonds, as the case may be, of the Corporation issued and secured pursuant to one or more Financing Indentures and further secured under the Master Trust Agreement.

State means the State of New York.

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

State Drinking Water Act means Title 2 of Article 56 of the Environmental Conservation Law of the State of New York, as amended.

State Program Act means the State CWSRF Act, the State DWSRF Act or any State statute establishing an Additional Program, which may include the EFC Act.

Subordinated 2010 MFI Bond(s) means any bond or bonds of the Corporation delivered pursuant to the 2010 MFI as described under "SUMMARY OF CERTAIN PROVISIONS OF THE 2010 MFI – Security for 2010 MFI Obligations; Issuance of 2010 MFI Obligations – Issuance of and Lien Created by Subordinated 2010 MFI Bonds."

Subordinated Debt Service Reserve Fund means a Debt Service Reserve Fund established in connection with a Series of Subordinated Bonds in accordance with Section 5.01(a)(iii).

Subordinated 2010 MFI Obligations or *Subordinated 2010 MFI Obligations* means all Subordinated 2010 MFI Bonds, all Guarantees and all other Obligations which are designated as Subordinated 2010 Obligations in the Related Supplemental Series Indenture.

Supplemental Indenture means any indenture which supplements or amends the 2010 MFI or a Supplemental Series Indenture now or hereafter duly executed and delivered in accordance with the provisions of the 2010 MFI.

Supplemental Series Indenture means a Supplemental Indenture providing for the issuance of a series of 2010 MFI Obligations, as such Supplemental Indenture may be amended and supplemented.

Support Facility means a Credit Facility or Liquidity Facility.

Tax Regulatory Agreement means, with respect to a series of 2010 MFI Bonds, the Tax Regulatory Agreement, dated the date of initial delivery of such series of 2010 MFI Bonds, between the Corporation and the Trustee, as the same may be amended or supplemented.

Trustee means Manufacturers and Traders Trust Company, in its capacity as trustee under the 2010 MFI, and its successor or successors as trustee thereunder.

2010 MFI means the Financing Indenture of Trust dated as of June 1, 2010 between the Corporation and Trustee as the same may be amended and supplemented in accordance with its terms.

2010 MFI Bonds means any Bonds issued under the 2010 MFI.

2010 MFI Bonds of a Series means any or all 2010 MFI Bonds issued pursuant to any Supplemental Series Indenture.

2010 MFI General Reserve Fund means the General Reserve Fund established pursuant to the 2010 MFI.

2010 MFI General Reserve Fund Requirement means as of any date of calculation the difference between (a) the sum of all Debt Service Reserve Fund Requirements for all Outstanding Senior 2010 MFI Obligations and (b) the sum of the amounts on deposit in the Senior Debt Service Reserve Funds.

2010 MFI Obligations means any 2010 MFI Bonds or Contract Obligations issued or incurred under the 2010 MFI.

2010 MFI Obligations of a Series means all 2010 MFI Obligations issued or incurred pursuant to any particular Supplemental Series Indenture.

2010 MFI Trustee means Manufacturers and Traders Trust Company, as trustee under the 2010 MFI, and any successor in such capacity.

Water Quality Act means the federal Water Quality Act of 1987, as amended from time to time, or any successor provisions.

SUMMARY OF THE 2010 MFI

THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE AND REFERENCE SHOULD BE MADE TO THE 2010 MFI FOR A FULL AND COMPLETE STATEMENT OF SUCH DOCUMENT AND ALL PROVISIONS THEREIN.

Liability under 2010 MFI Obligations

The 2010 MFI Obligations are not general obligations of the Corporation, and do not constitute an indebtedness of or a charge against the general credit of the Corporation. The liability of the Corporation under the 2010 MFI Obligations is enforceable only to the extent provided in the 2010 MFI, and the 2010 MFI Obligations are payable solely from the Pledged Revenues and any other funds held by the Trustee under the 2010 MFI which are available for such payment. The 2010 MFI Obligations are not a debt of the State of New York or any Recipient and neither the State of New York nor any Recipient is liable thereon.

Security for 2010 MFI Obligations; Issuance of 2010 MFI Obligations

Pledge and assignment effected by 2010 MFI; 2010 MFI Obligations equally and ratably secured; option of Corporation to assign certain further rights and remedies to Trustee. The 2010 MFI provides that all Senior 2010 MFI Obligations issued and to be issued under the 2010 MFI are, to the extent provided in and subject to the 2010 MFI, equally and ratably secured by the 2010 MFI without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption or prepayment of the Senior 2010 MFI Obligations, or any of them. All Senior 2010 MFI Obligations issued and to be issued under the 2010 MFI are to the extent provided in the 2010 MFI, equally and ratably secured by the 2010 MFI with like effect as if they had all been executed, authenticated and delivered simultaneously.

As security for the payment of the principal of, and premium, if any, and interest on the Outstanding 2010 MFI Obligations and for the performance of each other obligation of the Corporation under the 2010 MFI, the Corporation may pledge and assign to the Trustee any portion of the Corporation's estate, right, title and interest and claim in, to and under any Financing Agreement or Recipient Bond 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 the Financing Agreements or Recipient Bonds, subject to the following conditions: (i) that the owners of the 2010 MFI Obligations will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Corporation and (ii) that, unless and until the Trustee has, in its discretion when an Event of Default has occurred and is continuing, so elect, by instrument in writing delivered to the Corporation and the Recipient (and then only to the extent that the Trustee elects), the Trustee will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in any Financing Agreement to be performed by the Corporation (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Corporation, however, will remain obligated to observe and perform all the conditions and covenants in the Financing Agreements provided to be observed and performed by it, notwithstanding any such pledge and assignment.

Issuance of Senior 2010 MFI Bonds. Senior 2010 MFI Bonds may be issued from time to time under the 2010 MFI for the purpose of making Financings available to any Recipient for any purpose permitted to be financed from the proceeds of bonds under the EFC Act and under the applicable State Program Act, subject to certain conditions. The Senior 2010 MFI Bonds of any series shall be issued only upon the receipt by the Trustee of proceeds (including accrued interest, if any) of sale of such series of senior 2010 MFI bonds. On or before the authentication and delivery of the Senior 2010 MFI Bonds of each series, the Trustee must also receive, among other documents, the following:

(a) A copy of the resolutions adopted by the Corporation authorizing the execution of the Related Supplemental Series Indenture, the Related Parity Contract Obligations and the issuance of such series of 2010 MFI Bonds;

(b) A copy of the Related Tax Regulatory Agreement (if any), the Master Trust Agreement, the 2010 MFI, the Related Supplemental Series Indenture, any Related Support facility, any Related Non Qualified Hedge Obligation and any Related Parity Hedge Obligations;

(c) An Officer's Certificate to the effect that the Corporation has received the Recipient Bonds which are to be the source of the Pledged Recipient Bond Payments;

(d) An Officer's Certificate evidencing compliance with the Additional Senior Obligations Test;

(e) The Officer's Certificate or Certificates, if any, relating to such Series specifying the amounts of funds, if any, derived or to be derived from any source within any Revolving Fund as a source of a Debt Service Reserve Fund deposit, if any, for such Series;

(f) An Officer's Certificate establishing one or more additional funds, accounts or subaccounts, if any.

(g) An Officer's Certificate that the Corporation has received an opinion of counsel to each Related Recipient to the effect that the Recipient Bonds from which Pledged Recipient Bond Payments are to be received have been duly authorized, executed and delivered and issued;

(h) An opinion of Bond Counsel to the effect that the Bonds of such Series have been duly authorized, that all conditions precedent to the issuance thereof have been fulfilled and, that the Bonds are valid and legally binding special obligations of the Corporation, secured by the 2010 MFI, and are payable as to principal, premium, if any, and interest from, and are secured by a valid lien on and pledge of, the Pledged Revenues and moneys held by the Trustee under the 2010 MFI and available therefor under the terms of the 2010 MFI, all in the manner provided therein, together with a letter to the effect that the Trustee may rely on such opinion as if it were addressed to it;

(i) A written order and authorization to the Trustee on behalf of the Corporation, signed by an Authorized Officer to authenticate and deliver such Series of 2010 MFI Bonds to or upon the order of the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price (including accrued interest, if any) of such Series of 2010 MFI Bonds;

(j) A written order signed by an Authorized Officer of the Corporation specifying how the proceeds of such Series of 2010 MFI Bonds are to be deposited and disbursed; and

(k) Any additional instrument specified in the Related Supplemental Series Indenture.

A Supplemental Series Indenture may, in lieu of specifying all or any of the Recipients, require that such specification be a condition to the disbursement of all or a portion of the proceeds of the Series of 2010 MFI Bonds to be issued pursuant thereto and, in such event, such Supplemental Series Indenture may specify that any of the conditions set forth above which relate to any Recipients and any Financing not specified in the Supplemental Series Indenture are conditions to disbursement of such Bond proceeds to any Recipient or for any Financing not so specified.

Issuance of 2010 MFI Guarantees. 2010 MFI Guarantees may be issued from time to time for the purpose of guarantying bonds, notes or other obligations issued by any Person for any purpose which the Corporation is authorized to guaranty under the EFC Act and under the applicable State Program Act, subject to the following conditions. Any Guarantee must be executed by the Corporation and delivered to the Trustee for authentication and thereupon such Guarantee will be authenticated by the Trustee and delivered to or upon the written order of an Authorized Officer. Prior to, or simultaneously with, the authentication and delivery of any Guarantee, the Trustee must receive the following:

(a) A copy of the resolutions adopted by the Corporation authorizing the execution and delivery of the Related Supplemental Series Indenture, which specifies that such Guarantee is a Subordinated 2010 MFI Obligation, and such 2010 MFI guarantee, certified by the Secretary or an Assistant Secretary of the Corporation to have been duly adopted by the Corporation and to be in full force and effect on the date of such certification;

(b) An original executed counterpart or a copy, certified by the Corporation, the Master Trust Agreement, the 2010 MFI, the Related Supplemental Series Indenture, and such Guarantee;

(c) An Officer's Certificate establishing one or more additional funds, accounts or subaccounts, if any

(d) An Officer's Certificate that the Corporation has received an opinion of nationally recognized bond counsel to each Guaranteed Recipient Obligation Obligor to the effect that the Guaranteed Recipient Obligations have been duly authorized, executed and delivered and issued;

(e) An opinion of Bond Counsel to the effect that such Guarantee has been duly authorized, that all conditions precedent to the issuance thereof have been fulfilled and, that the Guarantee is a valid and legally binding special obligation of the Corporation, secured as a Subordinated 2010 MFI Obligation by the 2010 MFI in the manner therein, together with a letter to the effect that the Trustee may rely on such opinion as if it were addressed to it;

(f) A written order and authorization to the Trustee on behalf of the Corporation, signed by an Authorized Officer to authenticate and deliver such Guarantee to or upon order of the person therein identified upon such conditions, if any, as specified therein; or

(g) Any additional instrument specified in the Related Supplemental Series Indenture.

Issuance of and Lien Created by Subordinated 2010 MFI Bonds. The Corporation, in addition to the Senior 2010 MFI Bonds authorized to be executed, authenticated and delivered pursuant to the

other provisions of the 2010 MFI, may execute and deliver to the Trustee Subordinated 2010 MFI Bonds for the purpose of refunding all or any part of any 2010 MFI Bonds then outstanding or for the purpose of making Financings available to any Recipient for any purpose permitted to be financed from the proceeds under the EFC Act and under the applicable State Program Act. The rights of owners of Subordinated 2010 MFI Bonds to payment of the principal of and interest on the Subordinated 2010 MFI Bonds are subordinated to the rights of owners of Senior 2010 MFI Obligations issued under the 2010 MFI and to Related Parity Contract Obligations to the extent and in the manner provided in the 2010 MFI. The Subordinated 2010 MFI Bonds, together with other Subordinated 2010 MFI Obligations are secured by a lien on and pledge under the 2010 MFI junior and inferior to the lien on and pledge created for the payment of Senior 2010 MFI Bonds issued under the 2010 MFI and Parity Contract Obligations.

The Trustee is required to authenticate and deliver the Subordinated Partial Refunding 2010 MFI Bonds to or upon the written order of an Authorized Officer of the Corporation, only upon the receipt by the Trustee of the items required and described above under paragraphs (a) through (c) and paragraphs (f) through (k), inclusive, under the caption "Issuance of Senior 2010 MFI Bonds". On or before the authentication and delivery of the Subordinated 2010 MFI Bonds of each series, the Trustee must also receive, among other documents, an Officer's Certificate evidencing compliance with the Additional Subordinated Obligations Test.

A Supplemental Series Indenture may, in lieu of specifying all or any of the Recipients, require that such specification be a condition to the disbursement of all or a portion of the proceeds of the Series of Subordinated 2010 MFI Bonds to be issued pursuant thereto and, in such event, such Supplemental Series Indenture may specify that any of the conditions set forth above which relate to any Recipients and any Financing not specified in the Supplemental Series Indenture are conditions to disbursement of such Bond proceeds to any Recipient or for any Financing not so specified.

Release of Pledged Revenues from Lien of the 2010 MFI; Pledge of Additional Pledged Revenues. The Corporation may release specific Pledged Revenues from the lien created by the 2010 MFI or substitute and add to the lien by providing and filing with the Trustee, (1) a revised schedule describing the specific Pledged Revenues to be released and, if applicable, substituted therefor or added thereto, and (2) a certificate which demonstrates that in each year the Related Series of 2010 MFI Obligations are scheduled to be Outstanding compliance with the Additional Senior Obligations Test, the Additional Subordinated Obligations Test and any Additional Release Tests.

Additional Financial Assistance to Recipients. The 2010 MFI does not limit the right of the Corporation to provide for any additional financial assistance or loans to the Recipients or any other Person or to issue bonds, notes, guarantees or other obligations pursuant to another indenture of trust or resolution.

Amendment of Financing Agreements, Recipient Bonds and Tax Regulatory Agreement

Amendments to Financing Agreements not requiring consent of Bondowners. The Corporation may without the consent of or notice to the Trustee or Bondowners of any series of 2010 MFI Bonds amend or modify any provision of any Related Financing Agreement in any manner which will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds of the Related Series.

Amendments to Recipient Bonds from which Pledged Recipient Bonds Payments are to be received. The Corporation may without the consent of or notice to the Trustee or the Bondowners, consent to any amendment or modification of any Recipient Bond (i) which is required for the purpose of curing any ambiguity or formal defect or omission, (ii) if the Corporation delivers to the Trustee an

Officer's Certificate which demonstrates, after taking any such amendment in account, compliance with the Additional Senior Obligations Test and the Additional Subordinated Obligations Test, in each year the Related Series of 2010 MFI Bonds are scheduled to be Outstanding, or (iii) which will not materially adversely change or diminish the rights of the owners of the 2010 MFI Obligations of any Related Series then Outstanding.

The Corporation may in its discretion determine whether or not in accordance with the foregoing provisions the rights of the owners of 2010 MFI Obligations of a Series would be materially adversely changed or diminished by any modification or amendment of Recipient Bonds and any such determination will be binding and conclusive on all owners of 2010 MFI Obligations.

Amendments to the Tax Regulatory Agreement. The Corporation may, without the consent of the Trustee and without notice to or consent of Bondowners, enter into any amendment or modification of the Tax Regulatory Agreement or Arbitrage and Use of Proceeds Certificate upon the delivery to the Trustee of an opinion of Bond Counsel to the effect that the proposed amendment or modification will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the 2010 MFI Bonds.

Pledge of Funds Created under the 2010 MFI

Creation and custody of pledged funds and accounts. The following funds and accounts are established with respect to and for the benefit of all 2010 MFI Obligations and all Series of 2010 MFI Bonds in accordance with the provisions of the 2010 MFI, subject to application in accordance with the priority established in the 2010 MFI:

(1) Cost of Issuance Fund;
(2) Debt Service Fund;
(3) Recipient Bond Fund; and
(4) 2010 MFI General Reserve Fund.

At the election of the Corporation, a Senior Debt Service Reserve Fund with respect to and for the benefit of one or more Series of Senior 2010 MFI Obligations may be established pursuant to the Related Supplemental Series Indenture. ***No Debt Service Reserve Fund is established with respect to the Series 2010 C Bonds.***

At the election of the Corporation, a Subordinated Debt Service Reserve Fund with respect to and for the benefit of one or more Series of Subordinated MFI Obligations may be established pursuant to the Related Supplemental Series Indenture.

All Recipient Obligations and payments thereon are required to be deposited in the Recipient Bond Fund. Moneys held therein constituting Pledged Revenues shall be applied from time to time in accordance with the 2010 MFI and as described under the caption "application of Pledged Revenues". Moneys held therein not constituting Pledged Revenues may be applied as determined by the Corporation.

All funds are held by the Trustee, other than the Recipient Bond Fund, which is held by the Corporation.

The Corporation may, by Supplemental Indenture or by Authorized Officer's certificate, establish one or more additional funds, accounts or subaccounts.

Cost of Issuance Fund. A portion of the fees payable by Related Recipient under the Related Financing Agreement as determined by the Corporation will be deposited in the Cost of Issuance Fund. Such amounts will be paid by the Trustee upon requisition of the Corporation to pay issuance costs incurred in connection with 2010 MFI Bonds. Upon certification by an Authorized Officer that no further costs of issuance are to be paid from such Cost of Issuance Fund, the Trustee is required to transfer any amounts remaining on deposit in such Fund in accordance with written directions of the Corporation.

Application of Pledged Revenues. On or before each date on which Debt Service is due on 2010 MFI Obligations (hereinafter, a "Debt Service Payment Date"), subject to certain limitations as to the use of any particular Pledged Revenues, the Corporation is required to cause to be transferred to the Trustee such portion of Pledged Revenues as is necessary to provide for the payment of such Debt Service and, to the extent there are sufficient remaining Pledged Revenues available, any other applications of Pledged Revenues required to be made pursuant to paragraphs "FIRST" through "SEVENTH" summarized below. On or before any Debt Service Payment Date, the Trustee is required to apply such Pledged Revenues so transferred (other than Equity Support Payments which are required to be applied as described under the caption "Debt Service Fund") to the funds and accounts set forth below in the following amounts in the following order of priority:

FIRST: To the Debt Service Fund the amount, if any, required so that the balance therein equals the amount of Debt Service due on the Senior 2010 MFI Obligations on such Debt Service Payment Date; provided that for the purpose of computing the amount to be paid to the Debt Service Fund there is required to be deducted the amount, if any, set aside in such Debt Service Fund for the payment of such Senior 2010 MFI Obligations, including any amounts which were deposited therein as accrued interest and any amounts transferred to such Debt Service Fund from the Project Fund, together in each case with investment earnings thereon; and

SECOND: To the 2010 MFI General Reserve Fund, the amount, if any, necessary so that the amount in the 2010 MFI General Reserve Fund is equal to the lesser of (i) one-half of Maximum Annual Debt Service on the Senior 2010 MFI Obligations or (ii) the 2010 MFI General Reserve Fund Requirement, each calculated as of such Debt Service Payment Date and as confirmed to the Trustee by the Corporation; and

THIRD: To the Debt Service Fund the amount, if any, required so that the balance therein is equal to the amount of Debt Service due on the Debt Service Payment Date on the Subordinated 2010 MFI Obligations; provided that for the purpose of computing the amount to be paid to the Debt Service Fund for the payment of such Subordinated 2010 MFI Obligations, there is required to deducted the amount, if any, set aside in such Debt Service Fund, including any amount which was theretofore deposited therein as accrued interest and any amounts transferred to such Debt Service Fund from a Project Fund, together in each case with investment earnings thereon;

FOURTH: To the 2010 MFI General Reserve Fund, the additional amount, if any, necessary so that the amount therein is equal to the 2010 MFI General Reserve Fund Requirement, calculated as of such Debt Service Payment Date and as confirmed to the Trustee by the Corporation;

FIFTH: To the Rebate Fund, the amount, if any, of any deficiency therein, calculated as of such Debt Service Payment Date and as confirmed to the Trustee by the Corporation;

SIXTH: Subject to the limitations set forth in the 2010 MFI, to the Master Trust Agreement Trustee for deposit in the Prior Indenture Support Account the amount of any deficiency in such Account: and

SEVENTH: Subject to the limitations set forth in the 2010 MFI, to the Master Trust Agreement Trustee for deposit in the Equity Fund to reimburse the Programs in the amount of any payments from the De-allocated Reserve Account, any Equity Fund Support Payment or any Guarantee Support Payment due to a Recipient Bond payment default, together with interest, if any, in respect of such payments.

Debt Service Fund. The Trustee is required to deposit the following receipts in the Debt Service Fund:

(1) The amount, if any, of the proceeds of any series of 2010 MFI Bonds, required by the 2010 MFI to be deposited in the Debt Service Fund in respect of interest.

(2) All amounts required to be transferred to the Debt Service Fund pursuant to "FIRST" and "THIRD" under the caption "Application of Pledged Revenues".

(3) Any amounts required to be transferred to the Debt Service Fund from a Senior Debt Service Reserve Fund which amounts may be applied solely to pay the Related Series of Senior 2010 MFI Obligations

(4) Any amounts required to be transferred to the Debt Service Fund from a Subordinated Debt Service Reserve Fund, which amounts are required to be applied in accordance with any restrictions established in the Related Supplemental Series Indenture.

(5) Any amounts required to be transferred from the 2010 MFI General Reserve Fund or the De-allocated Reserve Account which amounts are required to be applied first to cure any deficiency in the amounts available to pay Debt Service on the Senior 2010 MFI Obligations and second to cure any deficiency in the amounts available to pay Debt Service on the Subordinated 2010 MFI Obligations.

(6) Any Equity Support Payments received from the Corporation are required to be applied to cure any deficiency in the amounts available to pay Debt Service on the Senior 2010 MFI Obligations and Subordinated 2010 MFI Obligations on a pro rata basis as to the amount due and owing as Debt Service on such 2010 MFI Obligations on the date such Equity Support Payments are received, without any distinction between Senior 2010 MFI Obligations and Subordinated 2010 MFI Obligations (including 2010 MFI guarantees).

(7) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by a Recipient or the Corporation and any other amounts made available by the Corporation as Committed Subsidy Amount.

The Trustee is required to pay out of the Debt Service Fund from moneys available for such purpose in accordance with the priority set forth under the caption "Application of Pledged Revenues" to any Paying Agents for each Series of 2010 MFI Bonds (i) on each interest payment date, the amount required for the payment of interest on such Series of 2010 MFI Bonds due on such interest payment date and (ii) on any redemption date, the amount required for the payment of accrued interest on such Series of 2010 MFI Bonds redeemed unless the payment of such accrued interest is otherwise provided for, and such amounts are required to be applied by the Paying Agents to such payment. The Trustee also is

required to pay out of the Debt Service Fund the accrued interest included in the purchase price of the Related Series of 2010 MFI Bonds purchased for retirement.

The Trustee is required to pay out of the Debt Service Fund to any Paying Agents for each Series of 2010 MFI Bonds on each principal payment date and redemption date for such Series of 2010 MFI Bonds, the amounts required for the payment of such principal or redemption price on such date, and such amounts are required to be applied by the Paying Agents to such payments.

Amounts made available by the Corporation or any Recipient for the purpose of purchasing Bonds of a Series of 2010 MFI Bonds may, and if so directed by the Corporation are required to, be applied by the Trustee prior to the forty-fifth (45th) day preceding any sinking fund redemption date to the purchase of such Bonds of a Series of 2010 MFI Bonds of the maturity that are subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bond of such Series of 2010 MFI Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Upon such purchase of any Bond of such Series, the Trustee is required to credit an amount equal to the principal of the Bond of such Series so purchased toward the next succeeding sinking fund installment for such Bond. In connection with any such purchase, the Trustee, at the direction of the Corporation, is required to permit a Recipient making funds available for the purpose of purchasing any Series of 2010 MFI Bonds to purchase a like principal amount of such Recipient's Recipient Bonds of the same maturity at a purchase price equal to the price (including brokerage and other charges) paid for the purchase of the Related Bonds.

As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed to call for redemption on such redemption date Bonds of the maturity and Series for which sinking fund redemption is required in such amount as is necessary to complete the retirement of the principal amount specified for such sinking fund redemption of such Series of 2010 MFI Bonds. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable redemption price thereof and interest thereon to the redemption date. The Trustee is required to pay out of the Debt Service Fund to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount are required to be applied by such Paying Agents to such redemption.

By no later than 1:00 P.M. on the Business Day next preceding any Debt Service Payment Date, the Corporation is required to notify the Trustee and the Master Trust Agreement Trustee in the event that the Pledged Revenues available therefore under the 2010 MFI will not be sufficient to pay such Debt Service when due. The Corporation also is required to transfer to the Trustee any portions of the Reserve Allocation which has not yet been deposited in a Debt Service Reserve Fund attributable to a Financing, the nonpayment of which has resulted in or contributed to such deficiency, and are available to be drawn in accordance with the Related Reserve Allocation Certificate that will be required to pay principal of or interest on such Series of 2010 MFI Obligations. To the extent that a Debt Service payment due on any Debt Service Payment Date, including any amounts which may be overdue on such Debt Service Payment Date, is expected to exceed the full amount available therefore in the Debt Service Fund and any amount in any Related Debt Service Reserve Fund which may be available therefore, the Trustee is required to transfer to the Debt Service Fund from amounts, if any, on deposit and available with respect thereto in the 2010 MFI General Reserve Fund an amount sufficient to cure the deficiency. To the extent the aggregate of all such amounts are not sufficient to pay all Debt Service payments then due as of such Debt Service Payment Date, including any Debt Service amounts which may be overdue on such Debt Service Payment Date, the Trustee is required to immediately deliver to the Master Trust Agreement Trustee a notice requesting that an amount equal to such insufficiency be transferred from the De-allocated Reserve Account to the Trustee for deposit in the Debt Service Fund.

To the extent that a deficiency in available moneys in the Debt Service Fund to pay a Debt Service payment then due, including any Debt Service amounts which are overdue, and there are insufficient moneys available to address such deficiency from the sources described in above other than the Equity Support Payments, the Trustee is required to so advise the Corporation of the remaining portion of the deficiency and the Corporation is required to transfer to the Trustee an Equity Fund Support Payment in the amount of the remaining portion of such deficiency, or, if less, the amount then available as Available Equity Fund Moneys and is required to continue to make such transfers from Available Equity Fund Moneys until such deficiency is satisfied. To the extent that Available Equity Fund Moneys are insufficient to satisfy any deficiency described in this paragraph including any amount then payable under any Guarantee, then the Available Equity Fund Moneys is required to be allocated and made available by the Corporation as Debt Service Support Payments and Guarantee Support Payments on a pro rata basis among all 2010 MFI Obligations with respect to which Equity Support Payments are then due based upon the amounts then due in respect thereto, including any amounts then overdue, without any distinction between Senior 2010 MFI Obligations and Subordinated 2010 MFI Obligations (including 2010 MFI Guarantees).

Senior Debt Service Reserve Funds; 2010 MFI General Reserve Fund. The Trustee is required to promptly deposit in each Senior Debt Service Reserve Fund the following receipts:

(1) any amounts required to be deposited therein in accordance with the Related Supplemental Series Indenture;

(2) subject to any transfer of investment earnings to the Earnings Fund or Rebate Fund required by the Related Tax Regulatory Agreement, any investment earnings on amounts on deposit in such Senior Debt Service Reserve Fund;

(3) any amounts made available by the Corporation in order to reimburse such account for transfers to the Debt Service Fund to provide for payment of principal of and interest on 2010 MFI Obligations; and

(4) any other amounts made available by the Corporation for deposit therein.

All such deposits are required to be made in accordance with written directions of the Corporation.

The Trustee is required to make the following transfers and payments from each Senior Debt Service Reserve Fund in the following order or priority:

(1) On any Debt Service Payment Date on which any payment of interest on any Related Series of Senior 2010 MFI Obligations, the Trustee is required to deposit in the Senior Debt Service Fund the portions held in such Senior Debt Service Reserve Fund and certified by the Corporation to be all or a portion of the Committed Subsidy Amount then available to all Related Recipients, determined in accordance with the Related Financing Agreements and Reserve Allocation Certificates;

(2) On any Debt Service Payment Date for any Related Series of Senior 2010 MFI Obligations, the Trustee is required to transfer from the Senior Debt Service Reserve Fund and, to the extent that such amount is insufficient, from the 2010 MFI General Reserve Fund in each case for deposit in the Debt Service Fund, any amounts due on such Debt Service Payment Date but as yet unavailable in the Debt Service Fund for such payment because of the failure of any Recipient

to make full and timely payment on the Related Recipient Bonds (as defined in the Related Supplemental Series Indenture); and

(3) After making any transfers required by clauses (1) and (2) above, the Trustee is required to transfer from any excess amount in a Senior Debt Service Reserve Fund in excess of the Senior Debt Service Reserve Fund Requirement to the 2010 MFI General Reserve Fund the amount, if any, required to be transferred to the 2010 MFI General Reserve Fund pursuant to paragraph "SECOND" under the caption "Application of Pledged Revenues".

After making any transfers required by the immediately preceding paragraph, to the extent that sufficient monies are not available in the Debt Service Fund or in the Related Subordinated Debt Service Reserve Fund, if any, to pay any principal or interest due on Subordinated 2010 MFI Obligations, the Trustee is required to transfer from any amount in excess of the 2010 MFI General Reserve Fund Requirement to the Debt Service Fund an amount sufficient to pay Debt Service on such Subordinated 2010 MFI Obligations then due;

After making any transfers required by the three immediately preceding paragraphs, the Trustee is required to transfer from any amount in a Senior Debt Service Reserve Fund in excess of the related Debt Service Reserve Fund Requirement to the 2010 MFI General Reserve Fund the amount, if any, required to be transferred to the 2010 MFI General Reserve Fund pursuant to paragraph "FOURTH" under the caption "Application of Pledged Revenues".

At the direction of the Corporation, the Trustee is required to transfer any amounts held within the 2010 MFI General Reserve Fund in excess of the 2010 MFI General Reserve Fund Requirement to the Master Trust Agreement Trustee for deposit in the Prior Indenture Support Account to the extent of any deficiency in the amount available therein and then, to the extent of any additional excess amount, to the Equity Fund. No such transfers to the Master Trust Agreement Trustee will be made unless all amounts due and owing on any 2010 MFI Obligations on such date have been paid as of such date and all transfers required by the immediately preceding four paragraphs have been made. The Corporation is required to provide the Trustee with written information in order to make the transfers and payments described under this caption.

***Project Funds; Escrow Funds*.** To the extent so specified and more particularly set forth in the Related Supplemental Series Indenture, the Trustee, as the depository bank of the Recipients issuing Bond Funded Recipient Bonds, is required to establish one or more Project Funds or Escrow Funds for the benefit of such Recipients. The Depository Bank is required, upon the direction of the Corporation, to transfer any investment earnings on amounts on deposit in a Project Fund or Escrow Fund and held for the account of any Recipient which amounts constitute a portion of a Rebate Amount relating to amounts so held, or any amounts constituting a penalty payable in lieu of the Rebate Amount relating to amounts so held, to the Rebate Fund.

Subject to any required transfer to the Rebate Fund, (i) at the direction of the Corporation, the Trustee is required to transfer from time to time any investment earnings realized on any amounts on deposit in a Project Fund or Escrow Fund and held for the account of any Recipient (except for amounts on deposit with an escrow agent which must be applied in accordance with the related escrow agreement) either (x) to apply such amounts to the payment of principal of or interest on the Related Recipient Bonds and such amounts will constitute a credit against amounts payable by the Related Recipient or (y) to such funds or accounts as the Corporation may direct in reimbursement for Revolving Fund moneys applied to the payment of principal or interest on the Related Recipient Bonds and credited against amounts payable by the Related Recipient, and (ii) amounts on deposit in a Project Fund or Escrow Fund and held for the account of any Recipient after completion of the Related Financed Project or the refinancing of the

Related Existing Indebtedness, as appropriate, are required to be transferred to the Debt Service Fund upon the written instruction of the Corporation, and such amounts will be applied to the payment of debt service on the Related Series of 2010 MFI Bonds in accordance with the written instruction of the Corporation.

If a Supplemental Series Indenture provides for the creation of a single Project Fund for the purpose of holding the proceeds of Financing for multiple Recipients adequate records are required to be maintained to establish each Recipient's Portion of such Project Fund.

Earnings Fund; Rebate Fund

To the extent provided in a Supplemental Indenture, the 2010 MFI establishes an Earnings Fund and a Rebate Fund for each series of 2010 MFI Bonds.

The Rebate Fund and amounts on deposit therein are not available for and are not pledged for the payment of 2010 MFI Bonds. The Trustee is required to promptly deposit in the related account of each Rebate Fund any amounts received pursuant to the Master Trust Agreement and any other amounts provided for such purpose by the Corporation. Except as otherwise permitted by the Related Tax Regulatory Agreement, amounts deposited in a Rebate Fund are required to be applied to pay amounts, if any, determined owed to the United States of America under Section 148 of the Code in connection with such Series of 2010 MFI Bonds.

To the extent required by any Tax Regulatory Agreement, income or gain on moneys deposited in each Cost of Issuance Fund, Debt Service Fund, Earnings Fund, Debt Service Reserve Fund and the appropriate account within the 2010 MFI General Reserve Fund are required to be deposited in the Related Earnings Fund. All income or gain on moneys deposited in any Rebate Fund are required to be deposited in such Rebate Fund. Amounts held in the Earnings Fund will be applied as provided in the Related Tax Regulatory Agreement.

Recycling of Financing Proceeds

The Corporation, in its sole discretion, may permit any Recipient receiving any portion of the proceeds of a Series of 2010 MFI Bonds to return all or any portion of its Financing funded with Bond proceeds to the Corporation and be released from its obligations in respect of the portion of the Financing returned to the extent such returned funds are made available as financial assistance to another Recipient or Recipients, provided that the conditions described in the following paragraph have been satisfied and, to the extent that the Related Recipient Bonds are the source of Pledged Recipient Bond Payments, the conditions described under the caption "Release of Pledged Revenues from Lien of 2010 MFI; Pledge of Additional Pledged Revenues" have been satisfied. A Recipient receiving such returned Financing proceeds is referred to below as a "substitute Recipient".

Prior to accepting the return of all or a portion of the amounts advanced to a Recipient and releasing the original Recipient from its obligations with respect to a Financing to the extent of the principal amount returned, the Corporation is required to deliver to the Trustee any related amendment to the Tax Regulatory Agreement (if any) related to the Series of 2010 MFI Bonds issued to finance the Financing to the original Recipient and is required to have received (i) the executed Recipient Bonds of such substitute Recipient evidencing the payment obligations of such substitute Recipient, (ii) an opinion of bond counsel to such substitute Recipient as to the validity of its Recipient Bonds, (iii) an opinion of Bond Counsel to the effect that the delivery of the Recipient Bonds of such substitute Recipient and the execution and delivery of the Financing Agreement by the Corporation and substitute Recipient will not adversely affect the exclusion of interest on the Series of 2010 MFI Bonds which financed the original

Recipient's Financing, and (iv) a written instruction of an Authorized Officer as to the establishment of any accounts as is necessary to effectuate the lending of amounts returned by the original Recipient to the substitute Recipient.

Upon satisfaction of such conditions and upon receipt by the Corporation of the portion of the original Recipient's Financing being returned, the Corporation will apply the portion of the Financing returned to the purchase of the substitute Recipient's Recipient Bonds. Amendments to Financing Agreements or Recipients Bonds do not require Bondowner consent.

Priority of Application of Moneys within any Fund established under the 2010 MFI as between Programs

To the extent that any amounts are required to be transferred from any Fund by reason of a default by a Recipient or a Guaranteed Obligation Obligor, such amounts are required to be transferred solely from the Account within such Fund relating to the Program which was the source of such Financing or pursuant to which the Related Guarantee was delivered to the extent that there are sufficient moneys in such Account for such purpose. If insufficient funds are available for such purpose within that Program's Account, to the extent permitted by applicable law the Corporation is required to make moneys within the other Programs' Accounts available as an investment to cure such deficiency. In such case, amounts within such other Programs' Accounts will be made available as an investment and will be transferred from such Programs' Accounts within the applicable Fund for such purpose only to the extent that there are not sufficient moneys in the first Program's Account within such Fund. Any investment of moneys in a Program Account of any Fund by reason of a shortfall in another Program's Account will constitute an investment (hereinafter referred to as an "Investment") by the Program (the "Investing Program") providing funds to cure such shortfall and will be recorded as such in the financial records of the Corporation. The Program having a shortfall in its Account is referred to herein as the "Obligated Program."

The obligation to repay any Investment by a Program in another Program will be evidenced by delivery to the Custodian of a Repayment Bond (as defined in the Master Trust Agreement) of the Corporation acting on behalf of such Program the principal amount of which shall equal the aggregate amount invested by such Program then outstanding. The terms of each Repayment Bond are described in Section 417 of the Master Trust Agreement and are required to be repaid by the Obligated Program in accordance therewith.

Requests for De-allocated Reserve Account Release Payments

To the extent that there are not sufficient funds available hereunder on any Debt Service Payment Date, the Trustee is required to request an immediate transfer from the Master Trust Agreement Trustee pursuant to the Master Trust Agreement of an amount equal to any deficiency of funds under the 2010 MFI from any amounts available under such clause FOURTH Section 402(f) for the payment of New Master Indenture Obligations (as defined in the Master Trust Agreement). Amounts so transferred will be deposited by the Trustee in accordance with the provisions described under "Debt Service Fund".

Requests for Guarantee Support Payments

To the extent that there are not sufficient funds available under the 2010 MFI on any date on which payments on any Guaranteed Recipient Obligations are due, including, without limitation, any Available De-allocated Reserve Account Release Payments made available in accordance with the provisions described under "Requests for De-allocated Reserve Account Release Payments", the Trustee is required to request a payment from the Corporation in accordance with the Related Guarantee of an

amount equal to any such deficiency of funds from any amounts under the terms of such Guarantee, including any Available Equity Fund Moneys.

Security for and Investment of Moneys

Uninvested moneys held by the Trustee. All moneys received by the Trustee under the 2010 MFI and not invested by the Trustee, to the extent not insured by the Federal Deposit Insurance Corporation or other federal agency, is required to be deposited with the Trustee, or with a national or state bank or a trust company which has a combined capital and surplus aggregating not less than $250,000,000.

Investment of, and payment of interest on, moneys. Moneys on deposit in the Cost of Issuance Fund, Debt Service Fund, Senior Debt Service Reserve Fund, Earnings Fund, Rebate Fund or the General Reserve Fund may be retained uninvested as trust funds. At the direction of an Authorized Officer, such moneys are required to be invested by the Trustee in (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 such banks or trust companies as may be designated by the Corporation, each such bank or trust company deposit being continuously and fully secured by obligations described in clauses (a) or (b); (d) investment agreements as and to the extent permitted by the EFC Act; (e) obligations the interest on which is not included in gross income under Section 103 of the Code, or (c) any other obligations from time to time permitted by the Related Program Act and the EFC Act.

Moneys on deposit to the credit of a Project Fund may be retained uninvested as trust funds or invested in such obligations as are specified in the Related Supplemental Series Indenture as are directed from time to time by an Authorized Officer, be invested by the Trustee in obligations described in the preceding paragraph or in any such other additional obligations provided for in the Related Supplemental Indenture.

The securities purchased with the moneys in each fund are required to be held by or under the control of the Trustee and will be deemed a part of such fund. The interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund is required to be deposited by the Trustee to the credit of such fund, subject to the provisions of any Tax Regulatory Agreement. Losses, if any, realized on securities held in any fund will be debited to such fund. The Trustee will not be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment.

Defaults and Remedies

Events of Default. The occurrence and continuation of one or more of the following events with respect to 2010 MFI Obligations constitute an Event of Default:

(a) default in the payment of any installment of interest, principal, premium, if any, or sinking fund installment in respect of any Bond as the same shall become due and payable; or

(b) default in the payment of any other amount due under any 2010 MFI Obligation; or

(c) failure on the part of the Corporation duly to observe or perform any other of the covenants or agreements on the part of the Corporation contained in the 2010 MFI, in the Master Trust Agreement (but solely to the extent that any such covenants or agreements would preserve

the security for any 2010 MFI Bonds afforded by the Master Trust Agreement) or in any Bond for a period of thirty (30) days after the date on which written notice of such failure, requiring the Corporation to remedy the same, has been given to the Corporation by the Trustee; provided that, if such failure cannot be corrected within such thirty (30) day period, it does not constitute an Event of Default if corrective action is instituted by the Corporation within such period and is diligently pursued until the failure is corrected.

The remedy of acceleration is not available to the Owners of any 2010 MFI Bonds. The Corporation may, pursuant to a Supplemental Series Indenture, provide for a particular series of Additional MFI Bonds different or additional Events of Default and remedies upon the occurrence thereof including, but not limited to, Events of Default upon the occurrence of events specified in any agreement entered into in connection with the delivery of a Support Facility or any Qualified Hedge Agreement, provided that notwithstanding any additional remedies which may be granted, in all events the 2010 MFI Bonds and other 2010 MFI Obligations shall not be payable from amounts in the General Reserve Fund or from De-allocated Reserve Account Payments or Equity Support Payments, except in accordance with the original amortization schedule or, in the case of Contract Obligations, the schedule established therein.

Judicial proceedings by Trustee. Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, and if the Trustee receives written request of the Owners of at least twenty-five percent (25%) in aggregate principal amount of a series of 2010 MFI Obligations then Outstanding and has received indemnity to its satisfaction it is then required, (a) by suit, action or special proceeding, enforce all rights of the Owners of the 2010 MFI Obligations and require the Corporation to perform its duties under the EFC Act, the Related Financing Agreements, the Obligations and the 2010 MFI, (b) bring suit upon the 2010 MFI Obligations which may be in default, (c) by action or suit in equity require the Corporation to account as if it were the trustee of an express trust for the Owners of the 2010 MFI Obligations, or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the 2010 MFI Obligations.

Power of Bondowners to direct proceedings. The Owners of a majority in aggregate principal amount of the 2010 MFI Obligations then Outstanding have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the 2010 MFI, provided, however, such direction is not in conflict with any rule of law or with any provision of the 2010 MFI and does not unduly prejudice the rights of the owners of 2010 MFI Obligations who are not in such majority and does not involve the Trustee in liabilities for which it does not reasonably expect reimbursement. The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the 2010 MFI Obligations.

Limitation on actions by Bondowners. No Owner of any series of 2010 MFI Bonds has any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the 2010 MFI, or any other remedy thereunder or under such series of 2010 MFI Bonds, unless (i) such Owner has previously given to the Trustee written notice of an Event of Default as provided in the 2010 MFI, (ii) the Owners of at least twenty-five percent (25%) in aggregate principal amount of the 2010 MFI Bonds then Outstanding have made written request of the Trustee so to do after the right to exercise such powers or rights of action, as the case may be, has accrued, (iii) the Trustee has been given a reasonable opportunity either to proceed to exercise the powers granted by the 2010 MFI, or to institute such action, suit or proceeding in its or their name, (iv) the Trustee has been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and (v) the Trustee has not complied with such request within a reasonable time.

Application of moneys received by Trustee. Any moneys received by the Trustee or by any receiver pursuant to the exercise of remedies upon the occurrence of an event of default in respect of any 2010 MFI Obligations, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of any fees, charges, expenses and indemnities owed to the Trustee, any Paying Agent or their agents in connection with services rendered under the 2010 MFI, be applied, together with any other moneys held by the Trustee under the 2010 MFI as follows:

(a) Unless the principal of all 2010 MFI Obligations shall have become due and payable, all such moneys shall be applied:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on the Senior 2010 MFI Obligations, in the order of the maturity of the installments of such interest including (to the extent provided with respect to such Senior 2010 MFI Obligations and permitted by law) interest on overdue installments of interest at the rate borne by the Senior 2010 MFI Obligations on which such interest shall then be due, and, if the amount available shall not be sufficient to pay in full any particular installment or installments, then to the payment ratably, according to the amounts due on such installment or installments, to the Persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Senior 2010 MFI Obligations which shall have become due (other than Senior 2010 MFI Obligations called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the 2010 MFI) in the order of their due dates, with interest on such Senior 2010 MFI Obligations from the respective dates, upon which they become due and, if the amount available shall not be sufficient to pay in full Senior 2010 MFI Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or preference.

THIRD: To the payment to the Persons entitled thereto of all installments of interest then due on the Subordinated 2010 MFI Obligations, in the order of the maturity of the installments of such interest including (to the extent provided with respect to such Subordinated 2010 MFI Obligations and permitted by law) interest on overdue installments of interest at the rate borne by the Subordinated 2010 MFI Obligations on which such interest shall then be due, and, if the amount available shall not be sufficient to pay in full any particular installment or installments, then to the payment ratably, according to the amounts due on such installment or installments, to the Persons entitled thereto, without any discrimination or preference;

FOURTH: To the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Subordinated 2010 MFI Obligations which shall have become due (other than Subordinated 2010 MFI Obligations called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the 2010 MFI) in the order of their due dates, with interest on such Subordinated 2010 MFI Obligations from the respective dates, upon which they become due and, if the amount available shall not be sufficient to pay in full Subordinated 2010 MFI Obligations due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or preference.

(b) If the principal of all the Senior 2010 MFI Obligations Bonds shall have become due and payable in accordance with the 2010 MFI, all such moneys (other than amounts in the 2010 MFI General Reserve Fund which shall not be available for such payments except in accordance with the original amortization schedule for such 2010 MFI Obligations) shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Senior 2010 MFI Obligations, with interest on overdue principal, premium, if any, and interest as aforesaid, without preference or priority of principal and premium, if any, over interest or of interest over principal and premium, if any, or of any installment of interest over any other installment of interest, or of any Senior 2010 MFI Obligations over any other Senior 2010 MFI Obligations, ratably, according to the amounts due respectively for principal, premium, if any, and interest, to the Persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date any interest on the amounts of principal or interest to be paid on such dates shall cease to accrue. The Trustee shall give notice to the Corporation and all Registered Owners of the Related 2010 MFI Obligations, in the manner required by the 2010 MFI of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Concerning the Trustee and Paying Agent

No responsibility for own acts save willful misconduct or negligence. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Corporation or each Recipient), approved by the Trustee in the exercise of reasonable care. The Trustee is not responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Trustee is not liable for the exercise of any discretion or power under the 2010 MFI or for anything whatsoever in connection with the trusts therein created, except only for its own willful misconduct or negligence.

Right to rely. The 2010 MFI provides that the Trustee will be protected and will not incur liability in acting or proceeding in good faith upon any paper or document which it believes in good faith to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the 2010 MFI. The Trustee is not under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Trustee upon the request or consent of any Person who at the time of making such request or giving such consent is the Owner of any Bond is conclusive and binding upon all subsequent Owners of such Bond or any Bond issued on registration of transfer thereof. The Trustee has no responsibilities for determining whether the parties thereto have complied with the terms of the Tax Regulatory Agreement.

Removal of Trustee. The Trustee at any time and for any reason may be removed from the trusts relating to a series of 2010 MFI Bonds by an instrument in writing, appointing a successor, filed with the Trustee so removed and executed by the Owners of a majority in aggregate principal amount of the 2010 MFI Obligations then Outstanding. No such removal may become effective, however, until the acceptance of appointment by a successor Trustee in accordance with the 2010 MFI. The Trustee at any time, other than during the continuance of an Event of Default relating to a series of 2010 MFI Bonds,

and for any reason may be removed from the trusts relating to any series of 2010 MFI Bonds created by the 2010 MFI by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed. No such removal may become effective, however, until the acceptance of appointment by a successor Trustee in accordance with the 2010 MFI.

Supplemental Indentures

Supplemental Indentures not requiring consent of Bondowners. Subject to certain conditions and restrictions, the Corporation and the Trustee may, without the consent of or notice to the 2010 MFI Bondowners, enter into an indenture or indentures supplemental to the 2010 MFI, for any one or more of the following purposes (a) to cure any ambiguity or formal defect or omission in the 2010 MFI, (b) to grant to or confer upon the Trustee for the benefit of the 2010 MFI Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the 2010 MFI Bondowners or the Trustee or either of them, (c) to subject to the provisions of the 2010 MFI additional revenues, properties or collateral, (d) to modify, amend or supplement the 2010 MFI or any Supplemental Indenture in such manner as to permit its qualification under any federal statute now or hereafter in effect or under any state Blue Sky Law and, in connection therewith, if they so determine, to add to the 2010 MFI or any Supplemental Indenture, such other terms, conditions and provisions as may be permitted or required by said federal statute or Blue Sky Law, provided that any such Supplemental Indenture does not, in the judgment of the Trustee, prejudice the Owners of the 2010 MFI Bonds, and provided that in making such judgment the Trustee is entitled to rely on an opinion of counsel, (e) to provide for the issuance of Additional 2010 MFI Bonds under the 2010 MFI, (f) to establish one or more additional funds, accounts or subaccounts, or (g) to provide for any change in the 2010 MFI which, in the opinion of the Trustee, does not materially adversely affect or diminish the rights or interests of the Trustee or the 2010 MFI Bondowners, provided that in making such determination the Trustee is entitled to rely on an opinion of counsel.

Supplemental Indentures requiring consent of Bondowners. Except as otherwise provided in the 2010 MFI, any modification or amendment of the 2010 MFI affecting a series of 2010 MFI Bonds may be made only with the consent of the Owners of not less than a majority in aggregate principal amount of Outstanding 2010 MFI Bonds of such series. No modification or amendment may be made which will reduce the percentages of aggregate principal amount of 2010 MFI Bonds, the consent of the Owners of which is required for any such modification or amendment, or change the provisions of the 2010 MFI relative to the approval by series of 2010 MFI Bonds, or permit the creation by the Corporation of any lien prior to or, except solely to secure Additional 2010 MFI Bonds, on a parity with, the lien of the 2010 MFI upon the rights and interest pledged to each series of 2010 MFI Bonds issued under the 2010 MFI, or which will affect the times, amounts and currency of payment of the principal (including sinking fund payments, if any) of and premium, if any, and interest on the 2010 MFI Bonds without the consent of the Owners of all 2010 MFI Bonds then outstanding and affected thereby.

For the purposes of the 2010 MFI, a series of 2010 MFI Bonds is deemed to be affected by a modification or amendment of the 2010 MFI if such modification materially adversely changes or diminishes the rights of the Owners of such series of 2010 MFI Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, 2010 MFI Bonds of a series would be affected by any modification or amendment of the 2010 MFI and any such determination is binding and conclusive on the Corporation and all Owners of the 2010 MFI Bonds. For all purposes of the 2010 MFI, the Trustee is entitled to rely upon an opinion of counsel with respect to the extent, if any, as to which such action affects the rights under the 2010 MFI of any Owners of 2010 MFI Bonds then Outstanding.

If at any time the Corporation requests the consent of Bondowners to the execution of any such Supplemental Indenture for any of the purposes of the 2010 MFI, the Trustee must, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to Bondowners in the manner provided in the 2010 MFI. If, within sixty (60) days or such longer period as shall be prescribed by the Corporation following the giving of such notice, the required consent and approval of Bondowners is obtained, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Corporation or the Trustee from executing the same or restrain the Corporation or the Trustee from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture, the 2010 MFI shall be and be deemed to be modified and amended in accordance therewith.

The Trustee will execute any Supplemental Indenture executed and delivered in accordance with the 2010 MFI; provided that, if, in the opinion of the Trustee, any such Supplemental Indenture adversely affects the rights, duties, immunities or obligations of the Trustee under the 2010 MFI or otherwise, the Trustee may in its discretion resign in accordance with the provisions of the 2010 MFI, and upon giving notice of such resignation the Trustee, will have no obligation to execute such Supplemental Indenture.

Defeasance

If at any time (a) there is delivered to the Trustee for cancellation any or all of the 2010 MFI Bonds (other than any 2010 MFI Bonds which have been mutilated, lost, stolen or destroyed and which shall have been replaced or paid as provided in the 2010 MFI except for any such 2010 MFI Bonds as are shown by proof satisfactory to the Trustee to be held by bona fide purchasers), or (b) with respect to any or all of the 2010 MFI Bonds not theretofore delivered to the Trustee for cancellation, the whole amount of the principal and the interest and the premium, if any, due and payable or to become due and payable on such 2010 MFI Bond or 2010 MFI Bonds then Outstanding is paid or deemed to be paid, and provisions are also made for paying all other sums payable under the 2010 MFI, including the Corporation's, Trustee's and Paying Agents' fees and expenses with respect to such 2010 MFI Bonds, then the Trustee, on demand of the Corporation, is required to release the lien of the 2010 MFI with respect to such 2010 MFI Bond or 2010 MFI Bonds. Upon such release, the Trustee is required to turn over to or at the direction of the Corporation any balances remaining in any fund created under the 2010 MFI, other than moneys and Investment Obligations (as defined below) retained for redemption or payment of 2010 MFI Bonds; otherwise, the 2010 MFI shall continue and remain in full force and effect.

Notwithstanding the foregoing, the Trustee may not release any funds held pursuant to the 2010 MFI with respect to a series of 2010 MFI Bonds to the Corporation pursuant to the defeasance provisions until it has received an opinion of Bond Counsel to the effect that such funds may be transferred to the Corporation without adversely affecting the exclusion of interest on the 2010 MFI Bonds of such series from gross income for federal income tax purposes.

2010 MFI Bonds are deemed to be paid whenever there shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such 2010 MFI Bonds) either moneys in an amount which is sufficient, or noncallable obligations issued or guaranteed by or backed by the full faith and credit of, the United States of America (including certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon) (herein referred to as "Investment Obligations") certified by an independent accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without the necessity of further investment or reinvestment of either the principal amount thereof or interest therefrom, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due

the principal of, premium, if any, and interest due and to become due on all such 2010 MFI Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if redeemed prior to maturity an irrevocable instruction to mail the redemption notice as provided in the 2010 MFI has been given, and the Trustee has given notice to the 2010 MFI Bondowners in the manner provided in the 2010 MFI that a deposit meeting the requirements of this paragraph has been made and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on, such 2010 MFI Bonds; provided, however, that neither Investment Obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any Investment Obligations may be withdrawn, or used for any purpose other than, and will be held in trust for, the payment of the principal of, and premium, if any, and interest on such 2010 MFI Bonds.

No Individual Liability

No covenant or agreement contained in any 2010 MFI Bonds or in the 2010 MFI is the covenant or agreement of any director, officer, agent, or employee of the Corporation in his or her individual capacity. Neither the directors of the Corporation nor any official executing such 2010 MFI Bonds are liable personally on such 2010 MFI Bonds or subject to any personal liability or accountability by reason of the issuance thereof.

Exhibit 4A - Certain Definitions and Summary of
Financing Indenture (NYCMWFA Program)
(Senior NYCMWFA Bonds)

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN BASIC AGREEMENTS (NYCMWFA PROGRAM)

DEFINITION OF CERTAIN TERMS

The following definitions apply to the summaries of each of the Project Finance Agreement and the Financing Indenture hereinafter set forth. Any terms used and not otherwise defined herein are used as defined in the Master Trust Agreement.

Account shall mean any account established pursuant to the terms of the Financing Indenture or the Master Trust Agreement, as applicable.

Act shall mean 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 from time to time amended and supplemented.

Additional Corporation Bonds shall mean Bonds of any additional series of Bonds hereafter issued, duly authenticated and delivered in accordance with the provisions of the Financing Indenture entered into in connection with the Bonds.

Authority shall mean New York City Municipal Water Finance Authority, a public benefit corporation, and its successors and assigns.

Authority Bonds shall mean any series of "Bonds" as defined in and issued by the Authority pursuant to the Authority Second Resolution and delivered to the Corporation pursuant to the Project Finance Agreement.

Authority Second Resolution shall mean the Authority's Water and Sewer Second General Revenue Bond Resolution adopted March 30, 1994, as amended and supplemented.

Authorized Officer shall mean (i) in the case of the Recipient, the Chairman or Executive Director of the New York City Municipal Water Finance Authority, or such other person, or persons so designated by resolution of the New York City Municipal Water Finance Authority and (ii) in the case of the Corporation, the Chairman, President, Executive Vice President, Chief Financial Officer or Secretary of the Corporation and any other officer of the Corporation designated to act as an Authorized Officer for purposes of a financing.

Board shall mean the New York City Water Board created pursuant to Section 1046 of the Public Authorities Law of the State.

Bond or *Bonds* shall mean any bond or bonds or all the bonds, as the case may be, of the Corporation issued as "Senior Bonds" under the Financing Indenture and executed, authenticated and delivered in one or more series thereunder.

Bond Counsel shall mean Hawkins Delafield & Wood LLP or such other nationally recognized bond counsel selected by the Corporation and satisfactory to the Trustee.

Business Day shall mean a day on which banks located in (i) The City of New York, New York, (ii) the city in which the principal office of the Trustee is located and (iii) the city in which the principal office of the Master Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Capitalization Grant Agreements shall mean the grant agreement or agreements or other instrument or agreement established or entered into, in the case of a Clean Water Leveraged Financing, by the Corporation or DEC with EPA for the benefit of the State to make capitalization grant payments under the Water Quality Act or, in

the case of a Drinking Water Leveraged Financing, by the Corporation or DOH with EPA for the benefit of the State to make capitalization grant payments under the Safe Drinking Water Act, which payments are allocated by the Corporation as a source of Reserve Allocation for any financial assistance provided with the proceeds of Corporation bonds.

City shall mean The City of New York, New York.

Clean Water Leveraged Financing shall mean any Leveraged Financing of a Clean Water Project.

Clean Water Project shall mean any municipal water pollution control facilities financed with one or more series of Bonds, which shall constitute an eligible project as defined in the Act.

Clean Water Revolving Fund, *Clean Water SRF* or *CWSRF* shall mean the water pollution control revolving fund established by the State pursuant to the State CWSRF Act.

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

Corporation shall mean New York State Environmental Facilities Corporation, a public benefit corporation created by the Act, and any successor or entity which may succeed to its rights and duties respecting the Bonds and the Clean Water Revolving Fund or the Drinking Water Revolving Fund.

Cost of Issuance Fund shall mean a Cost of Issuance Fund established pursuant to the Financing Indenture for a series of Bonds.

Credit Facility shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the principal or redemption price of, and interest on, any series of Bonds or provides funds for the purchase of such Bonds or portions thereof.

De-allocated Reserve Account shall mean the De-allocated Reserve Account established by the Master Trust Agreement.

De-allocated Reserve Subaccount shall mean a subaccount of the De-allocated Reserve Account within the Equity Account established by the Master Trust Agreement.

Debt Service Fund shall mean a Debt Service Fund established by the Financing Indenture for a series of the Bonds.

Debt Service Reserve Fund shall mean a Debt Service Reserve Fund established by the Financing Indenture for a series of the Bonds.

DEC shall mean the New York State Department of Environmental Conservation or any successor entity which may succeed to its rights and duties respecting the Clean Water Revolving Fund.

Deficiency Reserve Account shall mean, with respect to any series of Senior SRF Bonds, the related Deficiency Reserve Account in the Equity Fund established by the Master Trust Agreement.

DOH shall mean the Department of Health of the State of New York or any successor entity which may succeed to its rights and duties respecting the Drinking Water Revolving Fund.

Drinking Water Leveraged Financing shall mean any Leveraged Financing made to finance a Drinking Water Project.

Drinking Water Project shall mean drinking water facilities financed with one or more series of corporation bonds, which shall constitute eligible projects as defined in the Act.

Drinking Water Revolving Fund, *Drinking Water SRF* or *DWSRF* shall mean New York State Drinking Water Revolving Fund established pursuant to the State DWSRF Act.

Earnings Fund shall mean the Earnings Fund established by the Master Trust Agreement or the related Financing Indenture, as the context may require.

Earnings on Reserve Allocation shall mean net earnings derived from investment of the Reserve Allocation on deposit in any payment fund established under the Financing Indenture or in the Enhanced Subsidy Fund relating to the Recipient Bonds, as and when such earnings are received.

Enhanced Subsidy Fund shall mean, with respect to each Leveraged Financing, the Enhanced Subsidy Fund within the Leveraged Financing Subaccount established pursuant to the Master Trust Agreement.

EPA shall mean the United States Environmental Protection Agency or any successor entity which may succeed to the administration of the water pollution control program established by the Water Quality Act or the administration of the drinking water program established by the Safe Drinking Water Act, as applicable.

Equity Fund shall mean the Equity Fund established by the Master Trust Agreement.

Event of Default shall mean any event of default specified in Section 10.01 of the related Financing Indenture.

Financing Indenture or Indenture, with respect to the Bonds, shall mean the Financing Indenture dated as of July 1, 2001, between the Corporation and Manufacturers and Traders Trust Company, as trustee, as amended and supplemented from time to time in accordance with its terms, and with respect to any other series of SRF Bonds, shall mean the financing indenture of trust or other similar document between the Corporation and a trustee, pursuant to which such series of SRF Bonds is issued and delivered.

General Resolution Trustee shall mean The Bank of New York and its successors and any other person which may be substituted in its place as trustee under the General Resolution.

Investment Fund shall mean the Investment Fund established by the Financing Indenture.

Investment Obligations shall mean noncallable obligations issued or guaranteed by or backed by the full faith and credit of the United States of America (including certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof which may consist of specified portions of the principal thereof or the interest thereon).

Lease shall mean the Agreement of Lease, dated as of July 1, 1985, by and between the Board, as lessee, and the City, as lessor, of the System, as amended by Amendment No. 1 dated as of November 1, 1985 and as the same may be further amended or supplemented.

Leveraged Financing shall mean any financial assistance made available by the Corporation to a Recipient pursuant to a Leveraged Financing Agreement, which financial assistance may be made available in the form of a loan or through the purchase of a Recipient Bond.

Leveraged Financing Agreement shall mean any agreement providing for financial assistance to be made available to a Recipient from proceeds of SRF Bonds between the Recipient and the Corporation, as amended and supplemented in accordance with its terms from time to time and, in connection with the Bonds, shall mean the Project Finance Agreement.

Leveraged Financing Subaccount shall mean a Leveraged Financing Subaccount established pursuant to the Master Trust Agreement.

Master Trust Agreement shall mean the Amended and Restated Master Trust Agreement dated as of July 1, 2005 between the Corporation and Manufacturers and Traders Trust Company, as trustee and as custodian, as it may be amended and supplemented in accordance with its terms.

Officer's Certificate shall mean a certificate signed by an Authorized Officer of the Corporation.

Outstanding, when used with reference to the Bonds, shall mean, as of any particular date, the aggregate of all the Bonds authenticated and delivered under the Financing Indenture, except:

(a) the Bonds cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) the Bonds for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Owners of such Bonds, provided that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Financing Indenture or provision therefor satisfactory to the Trustee has been made;

(c) the Bonds paid or the Bonds deemed to be paid as provided in the Financing Indenture; and

(d) the Bonds paid or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Financing Indenture, unless proof satisfactory to the Trustee shall be presented that any such Bond shall be held by a bona fide purchaser (as such term is defined in the Uniform Commercial Code of the State of New York);

provided, however, that in determining whether the owners of the requisite principal amount of the Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Financing Indenture, Bonds owned by or for the account of the Recipient shall be disregarded and deemed not to be Outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only the Bonds which the Trustee knows to be so owned shall be so disregarded. The Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Recipient and that the pledgee is not holding such Bonds for the account of the Recipient.

Owner or *Bondowner* (when used in reference to the owner of any Bond) shall mean the person or persons in whose name or names the particular Bond shall be registered on the bond register kept pursuant to the related Financing Indenture.

Parity Corporation Reimbursement Obligation shall mean an obligation of the Corporation to reimburse directly the issuer of a Credit Facility for amounts paid by such issuer thereunder, the payment of such obligation being secured by a pledge and lien on a parity with the lien created by the granting clauses of the Financing Indenture with respect to the Related Series of Bonds.

Paying Agent or *Paying Agents* shall mean any paying agent(s) for the Bonds and any successor or successors as paying agent(s) appointed pursuant to the Financing Indenture.

Permitted Investments shall mean (i) obligations of the State or the United States of America, (ii) obligations the principal and interest of which are guaranteed by the State or the United States of America, (iii) deposits with such banks or trust companies as may be designated by the Corporation, each such bank or trust company deposit being continuously and fully secured by obligations described in clauses (i) or (ii), (iv) investment agreements as and to the extent permitted by the Act, (v) obligations the interest on which is not included in gross income under Section 103 of the Code; provided, that such obligations shall be rated in one of the two highest rating

categories of each such rating agency, or (vi) any other obligations from time to time permitted by the State CWSRF Act, the State DWSRF Act or the Act.

Person shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Pledged Recipient Bonds shall mean, when used with respect to a series of Bonds, the series of bonds or notes constituting "Bonds" as defined in the Authority Second Resolution issued by the Recipient pursuant to the Authority Second Resolution in connection with the issuance of such Bonds.

Project shall mean the facilities being financed with the proceeds of a series of Bonds and any additional facilities financed pursuant to the related Leveraged Financing Agreement.

Project Cost(s) shall mean the incurred costs of the Recipient or the City which are eligible for financial assistance from a Revolving Fund under the State CWSRF Act or the State DWSRF Act, as applicable, which are allowable costs under the Regulations and which are reasonable, necessary and allocable by the Recipient to the Project under generally acceptable accounting principles.

Project Finance Agreement, in connection with the Bonds, shall mean the Project Finance agreement, dated as of July 1, 2001, by and among the Corporation, the Authority and The City of New York, as amended and supplemented from time to time in accordance with its terms.

Rebate Amount shall have the meaning ascribed to such term in the related Tax Regulatory Agreement.

Rebate Fund, with respect to each series of SRF Bonds, shall mean the rebate fund established under the related Financing Indenture.

Recipient shall mean, in the case of Bonds issued to provide financial assistance to the Authority, the Authority.

Recipient Bond Payments shall mean the amounts payable by the Authority under the Recipient Bonds, which amounts are pledged and assigned to the Trustee.

Recipient Bonds shall mean in the case of a Leveraged Financing relating to the Authority, Authority Bonds.

Registered Owner or *Registered Owners* shall mean the person or persons in whose name or names the particular Bond shall be registered.

Regulations shall mean the regulations of the Corporation, DEC or DOH, adopted pursuant to and in furtherance of the State CWSRF Act or the State DWSRF Act, as applicable, as such may be amended from time to time.

Reimbursement Obligation shall mean an obligation of the Corporation as described in the Financing Indenture which directly reimburses the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Related, as the context may require, means (i) when used with respect to any Cost of Issuance Fund, Investment Fund, Debt Service Reserve Fund, Rebate Fund, Earnings Fund or Debt Service Fund, or any account within any such fund, the fund, account or subaccount so designated and established by the Supplemental Series Indenture authorizing a particular Series of Bonds, (ii) when used with respect to a Supplemental Series Indenture, the Supplemental Indenture authorizing a particular Series of Bonds, (iii) when used with respect to Recipient Bonds, the Recipient Bonds issued to evidence the obligation to repay the loan of all or part of the proceeds for a particular Series of Bonds or purchased with such proceeds, as the case may be, (iv) when used with respect to a

Leveraged Financing Agreement, a Leveraged Financing Agreement entered into in connection with a particular Series of Bonds and, as appropriate, a particular Recipient, (v) when used with respect to a Credit Facility or Parity Reimbursement Obligation, the Credit Facility securing a particular Series of Bonds, and the Parity Reimbursement Obligation entered into in connection therewith, (vi) when used with respect to a Tax Regulatory Agreement, the Tax Regulatory Agreement entered into in connection with a particular Series of Bonds, and (vii) when used with respect to a Recipient's Portion, the Recipient's Portion being held for the benefit of such Recipient.

Reserve Allocation shall mean, with respect to any Leveraged Financing, that amount or those amounts of funds derived or to be derived from the related Capitalization Grant Agreements and/or related State Matching Share (as defined in the Master Trust Agreement) and/or other sources established as Reserve Allocation for such Leveraged Financing pursuant to the Master Trust Agreement, and reflected in the related Reserve Allocation Certificate.

Reserve Allocation Certificate, in connection with any Leveraged Financing, shall mean the certificate delivered pursuant to the Master Trust Agreement with respect to the series of bonds financing such Leveraged Financing.

Revolving Fund Program shall mean the program administered by the Corporation and DEC or DOH, as the case may be, relating to the Clean Water SRF or the Drinking Water SRF, as the case may be, and established pursuant to the State CWSRF Act, as amended, or the State DWSRF Act, as amended, as the case may be.

Safe Drinking Water Act shall mean the federal Safe Drinking Water Act (42 U.S.C. 300f et seq.) as amended.

Senior SRF Bond or *Senior SRF Bonds* shall mean any bond or bonds or all the bonds, as the case may be, relating to the Revolving Fund Program other than any Subordinated SRF Bonds issued and secured pursuant to one or more Financing Indentures and further secured under the Master Trust Agreement as "Bonds" as defined in the Master Trust Agreement; provided, however, that, except as otherwise provided, no Subordinated SRF Bond shall be deemed to be a Senior SRF Bond.

SRF Bond or *SRF Bonds* shall mean any bond or bonds or all the bonds, as the case may be, of the Corporation in one or more series, relating to the Revolving Fund Program, issued and secured pursuant to one or more Financing Indentures and further secured under the Master Trust Agreement.

State shall mean the State of New York.

State CWSRF Act or *State Clean Water Act* shall mean Chapter 565 of the Laws of New York of 1989, as amended.

State DWSRF Act or *State Drinking Water Act* shall mean Title 2 of Article 56 of the Environmental Conservation Law of the State of New York, as amended.

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

State Revolving Fund or *SRF* or *Revolving Fund* shall mean the Clean Water Revolving Fund or the Drinking Water Revolving Fund.

Subordinated SRF Bond or *Subordinated SRF Bonds* shall mean any bond or bonds or all the bonds, as the case may be, of the Corporation in one or more series, relating to the State Revolving Fund, issued and secured pursuant to one or more Subordinated Financing Indentures and further secured under the Master Trust Agreement.

Subordinated Financing Indenture or *Subordinated Indenture* shall mean an indenture or other similar document, pursuant to which a series of subordinated Bonds has been or is issued and delivered.

Supplemental Indenture shall mean any indenture supplementary to, or amendatory of, the Financing Indenture duly executed and delivered in accordance with the provisions the Financing Indenture.

Supplemental Project Finance Agreement shall mean an agreement supplementing or amending the Project Finance Agreement.

Supplemental Series Indenture shall mean a Supplemental Indenture providing for the issuance of a Series of Bonds, as such Supplemental Indenture may be amended and supplemented.

System shall mean the water and sewer system serving the City.

System Financing Agreement shall mean the Financing Agreement, dated as of July 1, 1985, entered into pursuant to Section 1045-i of the Act, by and among the Recipient, the Board and the City, as amended to date and as the same may be further amended or supplemented.

Tax Regulatory Agreement shall mean, with respect to any series of Bonds, the Tax Regulatory Agreement, dated the date of initial delivery of such series of Bonds, among the Corporation, the Recipient and the Trustee, as the same may be amended or supplemented.

Trustee shall mean Manufacturers and Traders Trust Company, a corporation organized and existing under the laws of the State of New York, having its principal office in Buffalo, New York, in its capacity as trustee under the Financing Indenture, and its successor or successors as trustee under the Financing Indenture.

Water Quality Act shall mean the federal Water Quality Act of 1987, as amended.

SUMMARIES OF CERTAIN BASIC DOCUMENTS

The following are summaries of the terms and provisions of the Project Finance Agreement and the Financing Indenture. Such summaries do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such and all provisions therein.

SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT FINANCE AGREEMENT

Leveraged Financing Provisions

Leveraged Financing Clauses in connection with Senior Bonds. Subject to the conditions and in accordance with the terms of the Project Finance Agreement, the Recipient agrees to sell the related series of Recipient Bonds and Corporation hereby agrees to purchase such series of Recipient Bonds.

The Corporation agrees to establish Reserve Allocations for each of the Projects financed under the Financing Indenture. The Corporation shall, as of the fifth Business Day preceding any date on which an interest payment is due on the Recipient Bonds, calculate the Earnings on Reserve Allocations available as of such date of calculation for application on such payment date in accordance with the Project Finance Agreement and the net amount of interest which is expected to be owed on the Recipient Bonds on such payment date, which shall be an amount such that the amount of principal, premium, if any, and interest payable on the Recipient Bonds, together with such Earnings on Reserve Allocation, will equal the amount of principal, premium, if any, and interest due on the Recipient Bonds on such payment date. Notwithstanding the foregoing, in the event the Recipient shall fail to make any payment when due on the Recipient Bonds, unless the Corporation shall waive the applicability of this sentence, interest shall thereafter be payable on the Recipient Bonds on each interest payment date in an amount such that the aggregate amount of principal, premium, if any, and interest payable on such date on the Recipient Bonds will equal the amount of principal, premium, if any, and interest on the Bonds payable on such date and Earnings on Reserve Allocations will thereafter be payable to the Recipient on the Business Day succeeding each interest payment date on the Bonds. In the event the Recipient fails to pay when due any sum owing to the Corporation pursuant to the Recipient Bonds or certain provisions of the Project Finance Agreement, the Corporation may, in addition to all rights and remedies provided in or permitted by the Project Finance Agreement, deduct such sum from any Earnings on Reserve Allocations otherwise transferable pursuant to the Project Finance Agreement, 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, upon the Recipient's curing of all such payment defaults, Earnings on Reserve Allocation, if such amounts were not used to make payments on the Bonds, shall be paid to the Recipient; provided, however, that such Earnings on Reserve Allocation shall be reduced in the amount of any Corporation expenses incurred by reason of the Recipient's untimely payment.

So long as the Recipient shall not be in default and whenever the Recipient so requests, the Corporation may, subject to the provisions of the Act, but shall not be obligated to, issue Additional Corporation Bonds in aggregate principal amounts agreed to from time to time by the Recipient (i) to complete the payment of the Project Costs of the related Project, or (ii) to finance the Project Cost of any additional project comprising a portion of the Project, or (iii) to refund any SRF Bonds issued for the benefit of the Recipient or any outstanding obligations of the Recipient, or (iv) any combination of the foregoing, provided that the Corporation shall comply with the requirements of the Financing Indenture, the Recipient shall comply with the requirements of the Project Finance Agreement and the Corporation and the Recipient shall enter into one or more Supplemental Project Finance Agreement with respect to the issuance of such Additional Corporation Bonds.

Disbursement of Proceeds. The Project Finance Agreement provides that the General Resolution Trustee will be directed to make payments of proceeds to the Recipient upon submission by the Recipient of a requisition to the General Resolution Trustee for such proceeds for Project Costs. The General Resolution Trustee will be irrevocably directed not to make any disbursement unless the requisition for such disbursement shall have been

approved by the Corporation; provided, however, that if the Corporation shall not expressly approve or deny such requisition within ten (10) Business Days of its receipt, then such party shall be deemed to have approved such requisition on the eleventh Business Day next succeeding actual receipt of the request by such party. If the amount of the Recipient Bonds exceeds the actual Project Costs to be financed thereby, the related Project Finance Agreement may be amended to permit application of excess proceeds to additional projects or other parts of the Project.

Reimbursement of Fund. If the Corporation determines that funds disbursed pursuant to the Project Finance Agreement have been expended by the Recipient for costs that are not permissible Project Costs, the Recipient shall promptly reimburse, or cause to be reimbursed, the account from which such amounts were disbursed in an amount equal to the amount of those funds improperly applied. The Corporation is authorized to withhold all further transfers of Earnings on Reserve Allocation to the Recipient pursuant to the Project Finance Agreement and apply such amounts to reimburse the Clean Water Revolving Fund or the Drinking Water Revolving Fund, as applicable, until the subject account is reimbursed for amounts misapplied.

Defaults; Remedies. If the Corporation determines that the Recipient, the Board or the City is not complying with federal or State laws, regulations or requirements, or instructions of DEC or DOH, as applicable, relating to a Project or terms of the Project Finance Agreement and following due written notice such Project is not brought into compliance, the Corporation may deny certification of disbursement requests until such Project is brought into compliance.

In the event of any default of the Recipient under the terms of the Project Finance Agreement, the Corporation shall have, in addition to the remedies set forth in the Project Finance Agreement, all other remedies permitted by law and by the Project Finance Agreement, including the right to seek enforcement, at law or in equity, including but not limited to specific performance, of any right or obligation under the Project Finance Agreement; provided that such remedies, except with respect to payments due under the Recipient Bonds, shall be available only after failure on the part of the Recipient to correct such default for a period of thirty (30) days after the date on which written notice of such default, requiring the Recipient to remedy the same, shall have been given to the Recipient; provided further that, if such default can not be corrected within such thirty (30) day period, such remedies shall not be available if corrective action is instituted by the Recipient within such period and diligently pursued until such default is corrected.

Effective Date and Term. The Project Finance Agreement shall become effective upon its execution and delivery by the involved parties, shall remain in full force and effect from such date and shall expire on such date as all Bonds (including refunding bonds) issued for the purpose of purchasing any Recipient Bonds under the Project Finance Agreement shall be discharged and satisfied in accordance with the provisions thereof and all obligations of the Recipient to the Corporation as required by the Project Finance Agreement are satisfied.

Execution and Delivery of Recipient Bonds to Trustee. Concurrently with the authentication by the Trustee and delivery of Bonds of any series, the Corporation and the Recipient agree that the Recipient will execute and deliver to the Trustee its Recipient Bond or Bonds relating to such series of the Corporation Bonds, in accordance with the Authority Second Resolution. Such Recipient Bond or Bonds shall (a) provide for payments of principal of, premium, if any, and interest sufficient in the aggregate, together with any Earnings on Reserve Allocation transferred and applied as described above, to pay in full the payments of principal of, premium, if any, and interest on, the related Bonds as and when due and (b) require that all payments of principal of, or premium, if any, and interest on, the Recipient Bond or 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 on or before the due date thereof.

Certification of the City

On or before the date of issuance of any series of Bonds pursuant to the Project Finance Agreement, the Corporation shall have received a certificate of the City, dated as of the date of issuance of such series, confirming as of such date the representations, warranties and covenants of the City contained in the Project Finance Agreement, as applicable, and making such further certifications, representations, warranties, covenants or agreements as may be reasonably requested by the Corporation in furtherance of the purposes of the Project Finance Agreement.

Payment of Additional Project Costs

In the event that proceeds are not sufficient to pay the costs of the Project in full, the Recipient shall not be entitled to any reimbursement for that portion of the Project Costs as may be in excess of available proceeds from the Corporation, the Trustee or the holders of any Bonds, except from the proceeds of any additional financing which the Corporation may, in its sole and absolute discretion, provide. In the event that the Corporation does not provide additional financing, the Recipient nevertheless shall be obligated to complete the Project in accordance with the Project Finance Agreement.

Tax Covenants

The Recipient covenants and agrees that it shall not take any action or omit to take any action within its reasonable control (i) which would result in the loss of the exclusion of the interest on any Bonds from gross income for purposes of Federal income taxation as that status is governed by Section 103(a) of the Code as in effect upon the issuance of such Bonds, (ii) which would cause any Bonds to be "Private Activity Bonds" within the meaning of section 141(a) of the Code as in effect upon the issuance of the Bonds or (iii) which would directly or indirectly permit the use of any proceeds of any Bonds (or amounts replaced with such proceeds) or any other funds, which use or action or omission would cause any Bonds to be "Arbitrage Bonds" within the meaning of Section 148(a) of the Code as in effect upon the issuance of such Bonds.

Payment of the Recipient Bonds

The Recipient covenants and agrees that it shall duly and punctually pay or cause to be paid (but solely from the sources therein provided) the principal or redemption price of its Recipient Bonds and the interest thereon, at the dates and places and in the manner stated in such Recipient Bonds 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 Reserve Allocations) it might otherwise have against the Corporation, DEC, DOH, the Trustee or the owner of any Bond.

Compliance With Authority Second Resolution; Enforcement of Certain Agreements

The Recipient agrees to comply with the provisions of the Authority Second Resolution, the Project Finance Agreement and the Lease and to duly perform its covenants and agreements under the System Financing Agreement.

Amendments, Supplements and Modifications

The Project Finance Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Corporation and the Recipient and upon compliance with the Financing Indenture.

Assignment of the Project Finance Agreement or the Recipient Bonds

The Recipient consents to the pledge and assignment of (i) any portion of the Corporation's estate, right, title and interest and claim in, to and under certain enumerated sections of the 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 the 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 Financing Indenture provides that, except during the continuance of a default under the Project Finance Agreement or an Event of Default under the Financing Indenture, the Trustee shall not sell, assign, transfer, convey or otherwise dispose of its interest in the Project Finance Agreement, if any, or in the Recipient Bonds without the express written consent of the Corporation and the Recipient. Except as provided in the Project Finance Agreement, the Corporation shall not sell, assign, transfer, convey or otherwise dispose of its interest in the Project Finance Agreement during the term of the Project Finance Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING INDENTURE RELATING TO SENIOR NYCMWFA BONDS

Liability Under Bonds

The Financing Indenture relating to the Bonds provides that the Bonds shall not be general obligations of the Corporation, and shall not constitute an indebtedness of or a charge against the general credit of the Corporation. The liability of the Corporation under the Bonds shall be enforceable only to the extent provided in the Financing Indenture and they shall be payable solely from the Recipient Bond Payments and any other funds held by the Trustee under the Financing Indenture, and available for such payment. The Bonds shall not be a debt of the State of New York or The City of New York and neither the State of New York nor The City of New York shall be liable thereon. No owner of any Bond shall have the right to demand payment of the principal of, or premium, if any, or interest on the Bonds out of any funds raised by taxation.

Credit Facilities

In connection with the issuance of any series of Bonds, the Corporation may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, redemption price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Corporation. The Corporation may, in an agreement with the issuer of such Credit Facility, agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation, including any Parity Corporation Reimbursement Obligation, shall be created, for purposes of the Financing Indenture, until the related principal or interest payments on the Bonds are made from such Credit Facility; provided further that it shall be a condition to obtaining any Credit Facility that any Reimbursement Obligation (including a Parity Corporation Reimbursement Obligation) or other obligation of the Corporation, to make any payments to the issuer of such Credit Facility shall be secured by a corresponding obligation of the Recipient to make payments in the same amounts to the Corporation, to reimburse the Corporation therefor. Any Parity Corporation Reimbursement Obligation shall be deemed to be a part of the series of Bonds to which the Credit Facility which gave rise to such Parity Corporation Reimbursement Obligation relates. Any Credit Facility shall be for the benefit of and secure such series of Bonds or portion thereof as specified in the applicable Supplemental Indenture.

Security for Bonds; Issuance of Bonds

Pledge and assignment effected by Financing Indenture; Bonds equally and ratably secured; option of Corporation to assign certain further rights and remedies to Trustee. The Financing Indenture provides that all Bonds issued and to be issued under the Financing Indenture and all Parity Corporation Reimbursement Obligations are, and are to be, to the extent provided and subject to the Financing Indenture, equally and ratably secured by the Financing Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption of the Bonds and Parity Corporation Reimbursement Obligations, or any of them, so that, subject to the provisions of the Financing Indenture, all Bonds and Parity Corporation Reimbursement Obligations at any time Outstanding under the Financing Indenture shall have the same right, lien and preference under and by virtue of the Financing Indenture and shall all be equally and ratably secured with like effect as if they had all been simultaneously executed, authenticated and delivered. The aggregate principal amount of Bonds which may be executed and delivered by the Corporation and authenticated by the Trustee and secured by the Financing Indenture is not limited except as is or may be provided in the Financing Indenture or as may be limited by law.

As security for the payment of the principal of, and premium, if any, and interest on the Outstanding Bonds and for the performance of each other obligation of the Corporation under the Financing Indenture, the Corporation may pledge and assign to the Trustee certain portions of the Corporation's estate, right, title and interest and claim in, to and under the 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 the Project Finance Agreement, subject to certain conditions set forth in the Financing Indenture.

Except during the continuance of a default under the Project Finance Agreement or an Event of Default under the Financing Indenture, the Trustee shall not sell, assign, transfer, convey or otherwise dispose of its interest in the Recipient Bonds without the express written consent of the Corporation and the Recipient.

Issuance of Additional Corporation Bonds to finance Clean Water Projects and Drinking Water Projects. One or more series of Additional Corporation Bonds may be issued for the purpose of providing funds to finance all or a portion of the cost of construction of any Clean Water Project or Drinking Water Project, or both. The Corporation may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate, such Additional Corporation Bonds and deliver them to the purchaser or purchasers thereof, provided that, prior to, or simultaneously with, such delivery, there shall have been delivered to the Trustee the proceeds (including accrued interest, if any) of the sale of such Additional Corporation Bonds in the amount specified in a written order of the Corporation as described in the Financing Indenture and the other documents required under the Financing Indenture, including, but not limited to, the following:

(a) A copy of a resolution or resolutions of the Corporation authorizing (i) the execution and delivery of a Supplemental Indenture authorizing the issuance of Additional Corporation Bonds, (ii) the execution and delivery of a Supplemental Project Finance Agreement with respect to such Additional Corporation Bonds, and (iii) the issuance, sale, execution and delivery of such Additional Corporation Bonds;

(b) An original executed counterpart of the Supplemental Indenture authorizing the issuance of such Additional Corporation Bonds and providing for the terms and conditions upon which and the purpose for which such Additional Corporation Bonds shall be issued;

(c) An original executed counterpart of a Supplemental Project Finance Agreement executed by the Corporation and the Recipient with respect to the issuance of such Additional Corporation Bonds, containing such provisions, not inconsistent with the related Project Finance Agreement, as the Corporation and the Recipient shall agree upon;

(d) Original executed counterparts or copies, certified by the Corporation of any related Tax Regulatory Agreement or any amendment or supplement to the Master Trust Agreement;

(e) A written statement by an authorized representative of the Recipient certifying that the Recipient is then in compliance with the Project Finance Agreement;

(f) The executed Recipient Bonds securing such Additional Corporation Bonds delivered by the Recipient in accordance with the Project Finance Agreement;

(g) An original executed counterpart of the related Reserve Allocation Certificate delivered to the Master Trustee, which Reserve Allocation Certificate, under the terms of the Master Trust Indenture, must provide for the establishment of a Reserve Allocation for such series of Additional Corporation Bonds in an amount at least equal to 33 1/3% of the principal amount of the financial assistance made with the proceeds thereof;

(h) A copy of the opinion of nationally recognized bond counsel to the Recipient to the effect that the issuance of such Recipient Bonds has been duly authorized and that all conditions precedent to the issuance thereof have been fulfilled; and

(i) An opinion of Bond Counsel to the effect that the issuance of such series of Additional Corporation Bonds has been duly authorized and that all conditions precedent to the issuance thereof have been fulfilled and that such issuance will have no adverse effect upon the exemption from Federal income taxes of interest on any Bonds then Outstanding.

The proceeds of such Additional Corporation Bonds shall be deposited with and held and disbursed by the Trustee as provided in a Supplemental Indenture providing for such Additional Corporation Bonds.

Issuance of Additional Corporation Bonds for refunding purposes. From time to time the Corporation, in addition to the Bonds authorized to be executed, authenticated and delivered pursuant to the other provisions of the Financing Indenture, may issue Additional Corporation Bonds for the purpose of refunding all or any part of any obligations then outstanding issued or incurred by the Corporation pursuant to an agreement with the Recipient or certain other outstanding obligations of the Recipient, but only upon the receipt by the Trustee of the documents required under the Financing Indenture, including those described in the preceding paragraph.

If the obligations to be refunded are Bonds, the amounts estimated by the Corporation and the Trustee for payment of their respective expenses in connection with the redemption of the Bonds to be refunded and the issuance of such Additional Corporation Bonds shall be set aside by the Trustee out of such proceeds and applied by it in payment of such expenses upon receipt of an Officer's Certificate directing payment of such expenses, which Officer's Certificate, to the extent it relates to expenses of the Trustee, may rely on a certificate of the Trustee as to such expenses. The balance of such proceeds shall be held and applied by the Trustee in the manner set forth in the Financing Indenture. Any amount of the moneys set aside for the payment of such expenses remaining after receipt of an Officer's Certificate to the effect that all such expenses have been paid or provided for shall be transferred by the Trustee to the Debt Service Fund.

The balance of the proceeds of any such Additional Corporation Bonds issued to refund Bonds (excluding accrued interest, if any, but including any premium) shall be held, or shall be used to purchase Investment Obligations which shall be held by the Trustee or any Paying Agent in trust for the sole and exclusive purpose of paying the principal of and premium, if any, and interest on the Bonds to be refunded. The amount, if any, paid as accrued interest on such Additional Corporation Bonds shall be deposited by the Trustee in the Debt Service Fund. The balance of the proceeds of any such Additional Corporation Bonds shall be applied as specified in the Supplemental Indenture providing for the issuance of such Additional Corporation Bonds.

Additional financial assistance to the Recipient. Nothing contained in the Financing Indenture shall be construed to limit the right of the Corporation to provide for any additional financial assistance to the Recipient pursuant to another indenture of trust or resolution or to require the Corporation to issue Additional Corporation Bonds under the Financing Indenture to provide such financial assistance to the Recipient.

Amendment of Project Finance Agreement, Recipient Bonds, Authority Second Resolution and Tax Regulatory Agreement

Amendments to Project Finance Agreement not requiring consent of Bondowners. The Corporation may, with prior written notice to the Trustee, but without consent of or notice to the Bondowners, amend or modify any provision of the Project Finance Agreement in any manner which (i) is required in connection with the issuance of Additional Corporation Bonds under the Financing Indenture; (ii) is required for the purpose of curing any ambiguity or formal defect or omission in the Project Finance Agreement; or (iii) will not affect the Bonds then Outstanding, as determined in accordance with the Financing Indenture as described in the second succeeding paragraph.

Amendments to Project Finance Agreement requiring consent of Bondowners. Except for amendments or modifications described in the Financing Indenture, the Corporation shall not enter into any amendment or modification of the Project Finance Agreement without providing notice to the Trustee and obtaining the written consent of (a) in case all of the several series of Bonds then Outstanding are affected by such modification or amendment, the owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several series of Bonds then Outstanding are so affected, the owners of not less than sixty percent (60%) in aggregate principal amount of the aggregate of all Bonds so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified series remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Financing Indenture.

A series of Bonds shall be deemed to be affected by a modification or amendment of the Project Finance Agreement if the same materially adversely affects or diminishes the rights of the owners of any Bonds of such series. The Corporation may in its discretion determine whether or not in accordance with the provisions of the Financing Indenture the Bonds of any particular series would be affected by any modification or amendment of the

Project Finance Agreement and any such determination shall be binding and conclusive on the Trustee and all owners of Bonds. The Corporation shall be entitled to rely upon an opinion of Bond Counsel with respect to the extent, if any, as to which any modification or amendment of the Project Finance Agreement affects the rights of any owners of Bonds then Outstanding.

Amendments to the Pledged Recipient Bonds or the Authority Second Resolution. The Corporation shall not consent to any amendment or modification of any outstanding Recipient Bonds or of the Authority Second Resolution without providing notice to the Trustee and obtaining the prior written consent of (a) in case all of the several series of Bonds then Outstanding are affected by such modification or amendment, the owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several series of Bonds then Outstanding are so affected, the owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds of each particular series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified series remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Financing Indenture. No such modification or amendment shall be made which will affect the times, amounts and currency of payment of the principal, including sinking fund installments, if any, and of premium, if any, and interest on any Recipient Bond.

A series shall be deemed to be affected by a modification or amendment of the Recipient Bonds or the Authority Second Resolution if the same materially adversely affects or diminishes the rights of the owners of the Bonds of such series. The Corporation may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular series would be affected by any modification or amendment of the Recipient Bonds or the Authority Second Resolution and any such determination shall be binding and conclusive on all owners of such Bonds. The Corporation shall be entitled to rely upon an opinion of counsel with respect to the extent, if any, any modification or amendment of the Recipient Bonds or the Authority Second Resolution affects the rights of any owners of Bonds then Outstanding, in accordance with the Financing Indenture. The Corporation may in its discretion assign to the Trustee the right to consent to any amendment or modification of any Outstanding series of Recipient Bonds or of the Authority Second Resolution.

Amendments to Tax Regulatory Agreements. The Corporation may, without the consent of the Trustee and without notice to or consent of the Bondowners, enter into any amendment or modification of a Tax Regulatory Agreement upon the delivery to the Trustee of an opinion of Bond Counsel to the effect that the proposed amendment or modification will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Cost of Issuance Fund; Investment Fund; Debt Service Fund; Debt Service Reserve Fund

Creation and custody of pledged funds and accounts. The following funds and accounts are established under the Financing Indenture with respect to each series of Bonds:

(1) Cost of Issuance Fund;
(2) Investment Fund;
(3) Debt Service Fund; and
(4) Debt Service Reserve Fund.

All such funds and accounts shall be held by the Trustee. Within the Investment Fund and the Debt Service Reserve Fund of each series of Bonds there is established an Account consisting of a Clean Water SRF Subaccount and a Drinking Water SRF Subaccount, as applicable, relating to such Bonds of a series. The Corporation may, by Supplemental Indenture or by Officer's Certificate, establish one or more additional funds, accounts or subaccounts.

All funds and accounts established pursuant to the Financing Indenture as described above and any amounts on deposit therein except interest earnings, which shall be applied in accordance with the Financing Indenture, shall be available for and pledged for the payment of the Bonds unless the Supplemental Indenture establishing a fund, or any account or subaccount therein provides otherwise. Subject to the provisions set forth under the heading "Priority of Application of Moneys Within Debt Service Reserve Fund" below, amounts on

deposit in any account or subaccount of the Debt Service Reserve Fund shall be available for the payment of debt service on any series of Bonds secured by the Financing Indenture.

Cost of Issuance Fund. From the proceeds of a series of Bonds, the amount set forth in the Financing Indenture shall be deposited in the Cost of Issuance Fund. Such amounts shall be paid by the Trustee upon requisition of the Corporation to pay issuance costs. Upon certification by an Authorized Officer that no further costs of issuance are to be paid from such Account, the Trustee shall transfer any amounts remaining on deposit therein in accordance with the instructions of such Authorized Officer.

Investment Fund. The Trustee shall promptly deposit and hold in the Clean Water SRF Subaccount or the Drinking Water SRF Subaccount of the Investment Fund, as applicable, the Recipient Bonds and the Recipient Bond Payments. On or before the date any payment of principal of, premium, if any, or interest on, the related series of Bonds is due, the Trustee shall withdraw from the Investment Fund and transfer to the funds and accounts set forth below the following amounts in the following order of priority:

FIRST: To the Debt Service Fund created with respect to such Bonds the amount, if any, required so that the balance therein equals the amount of principal and interest due on the applicable interest payment date; provided that for the purpose of computing the amount to be paid to such Debt Service Fund, there shall be excluded the amount, if any, set aside in such Debt Service Fund which was deposited therein as accrued interest or interest to be paid from the proceeds of the Bonds during the period of construction of the related Project;

SECOND: To the Rebate Fund, the amount, if any, of any deficiency therein;

THIRD: To the Master Trustee (a) for deposit in the related Leveraged Financing Subaccount, if any, the amount, to reimburse the Revolving Fund in the amount of any draws in the Related Debt Service Reserve Fund due to an Recipient Bond Payment default, or (b) for deposit in the related De-allocated Reserve Subaccount to reimburse the Revolving Fund in the amount of any payments from such Subaccount due to an Recipient Bond Payment default; and

FOURTH: To the extent that the Corporation certifies that amounts remaining in the Investment Fund are not required to make any future transfers pursuant to FIRST above, (assuming for purposes of such certification that unless an Event of Default shall exist under the Financing Indenture or the Authority Second Resolution, all future Recipient Bond Payments will be made in full when due), then all or any portion of remaining amounts in the Investment Fund, at the written direction of the Corporation, shall be paid (i) to the Corporation to reimburse the Corporation for any amounts owed by the Recipient to the Corporation pursuant to the Project Finance Agreement or (ii) to the Recipient.

Debt Service Fund. The Trustee shall promptly deposit the following receipts in the Debt Service Fund with respect to each series of Bonds:

(1) The amount, if any, of the proceeds of each series of Bonds, required by the Financing Indenture to be deposited in the Debt Service Fund with respect to interest.

(2) All amounts required to be transferred to the Debt Service Fund from the Investment Fund pursuant to paragraph “FIRST” above.

(3) Any amounts required to be transferred to the Debt Service Fund from the Debt Service Reserve Fund or the De-allocated Reserve Account held under the Master Trust Agreement, which shall be deposited first in the Debt Service Fund.

(4) With respect to a Clean Water Leveraged Financing, any amounts transferred from the Enhanced Subsidy Fund within the Leveraged Financing Subaccount, which shall be deposited in the Debt Service Fund.

(5) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by the Recipient or the Corporation, including amounts made available pursuant to the Financing Indenture.

The Trustee shall pay out of the Debt Service Fund to the Paying Agents for any of such Bonds (i) on each interest payment date, the amount required for the payment of interest on such Bonds due on such interest payment date and (ii) on any redemption date, the amount required for the payment of accrued interest on such Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment. The Trustee shall also pay out of the Debt Service Fund the accrued interest included in the purchase price of such Bonds purchased for retirement pursuant to the Financing Indenture.

The Trustee shall also pay out of the Debt Service Fund to the Paying Agents for any of such Bonds on each principal payment date and redemption date for any of such Bonds, the amounts required for the payment of such principal or redemption price on such date, and such amounts shall be applied by the Paying Agent to such payments.

Amounts made available by the Corporation or the Recipient for such purpose may, and if so directed by the Corporation shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding any sinking fund redemption date to the purchase of Bonds of the series and maturity that are subject to sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Any amounts so applied shall be credited to the next succeeding sinking fund installment for such Bonds. In connection with any such purchase, the Trustee, at the direction of the Corporation shall permit the Recipient to purchase a like principal amount of the Recipient Bonds of the same series and maturity.

By 1:00 P.M. on the fourth Business Day prior to any interest payment date and on any date scheduled for the payment of principal or redemption price of Bonds, the Trustee shall promptly notify the Corporation, the Master Trustee and the Recipient as to any portion of such scheduled payment that will not be paid or will be paid from amounts on deposit in the related account of the Debt Service Reserve Fund. Such notice shall include a request for immediate transfer to the Trustee of any portions of the related Reserve Allocation attributable to such Bonds, including amounts on deposit in the related Leveraged Financing Subaccount and the amounts, if any, relating to the Bonds available to be drawn under the Capitalization Grant Agreements and from State matching funds, that have not yet been deposited in the related account of the Debt Service Reserve Fund, and that will be required to pay the principal of or interest on the Bonds. To the extent that a debt service payment is expected to exceed the full amount of Reserve Allocation, such notice shall include a request for amounts from the De-allocated Reserve Account or the Deficiency Reserve Account, in that order. After the giving of such notice, the Trustee shall notify the Master Trustee of any remaining amount due or past due and of any deficiency in the related account of the Debt Service Reserve Fund (i) immediately succeeding any payment on the Bonds from any source and (ii) from time to time when there is a change in the amount due or past due on the Bonds or the Recipient Bonds or in the amount of the deficiency in the Debt Service Reserve Fund.

Debt Service Reserve Fund. The Trustee shall promptly deposit in the respective accounts of the Debt Service Reserve Fund the following receipts:

(1) any amounts attributable to the Reserve Allocation for each series of Bonds;

(2) any investment earnings on amounts on deposit in the Debt Service Reserve Fund for each series of Bonds subject to any transfer of investment earnings to the Earnings Fund or Rebate Fund required by the Financing Indenture;

(3) any amounts made available by the Corporation in order to reimburse such account for transfers to the Debt Service Fund to provide for payment of principal of and interest on the Bonds; and

(4) any other amounts made available by the Corporation for deposit therein.

The Trustee shall make the following transfers and payments from the respective accounts of the Debt Service Reserve Fund:

(1) On the date on which any payment of principal of or interest on the related series of Bonds is due, the Trustee shall deposit in the Debt Service Fund any amounts due on such payment date but as yet unavailable because of the failure of the Recipient to make full and timely payment of such amounts, provided that in no event shall the amounts transferred from such account be used to fund any shortfall in the related recipient portion.

(2) On the fifth Business Day next preceding each interest payment date, the Trustee shall deposit in the Debt Service Fund such amount, if any, certified in writing by the Corporation to be the interest rate subsidy payable from earnings on the Debt Service Reserve Fund and transferable to the Debt Service Fund as determined by the Corporation in accordance with the Project Finance Agreement and the related Reserve Allocation Certificate;

(3) Upon the written direction of the Corporation, on any interest payment date, the Trustee shall transfer to the Rebate Fund the amount, if any, of any deficiency therein.

(4) Upon the written direction of the Corporation, not later than the Business Day of any payment of principal on the Bonds, the Trustee shall transfer to the Master Trustee for deposit in the related De-allocated Reserve Subaccount an amount such that the amount remaining in the related subaccount of the Debt Service Reserve Fund (together with the amount on deposit in the related Leveraged Financing Subaccount, if any, and the amount available to be drawn under the related Capitalization Grant Agreement and from State Matching Share and allocated as Reserve Allocation for each purchase of Recipient Bonds from the Recipient made with the proceeds of the Bonds) shall be equal to the Reserve Allocations for the Leveraged Financing; and

(5) Not later than the Business Day next succeeding each interest payment date and after any required transfers described above, the Trustee shall pay to the Recipient such amount, if any, certified in writing by the Corporation to be the interest rate subsidy from earnings on the Debt Service Reserve Fund which is directly payable to the Recipient in accordance with the Project Finance Agreement and the Reserve Allocation Certificates.

Priority of Application of Moneys within Debt Service Reserve Fund. The Trustee shall apply amounts held in the Debt Service Reserve Fund in accordance with the following priority. To the extent that any amounts are required to be transferred from the Debt Service Reserve Fund by reason of a default with respect to a Clean Water Leveraged Financing, such amounts shall be transferred solely from the Clean Water SRF Subaccount within the Debt Service Reserve Fund to the extent that there are sufficient moneys in such account for such purpose. If insufficient funds are available for such purpose within the Clean Water SRF Subaccount in the Debt Service Reserve Fund, moneys within the Drinking Water SRF Subaccount in the Debt Service Reserve Fund will be made available as an investment to cure such deficiency. Amounts within the Drinking Water SRF Subaccount will be made available as an investment and will be transferred from the Drinking Water SRF Subaccount within the Debt Service Reserve Fund for such purpose only to the extent that there are not sufficient moneys in such Clean Water SRF Subaccount within the Debt Service Reserve Fund. Similarly, to the extent that any amounts are required to be transferred from the Debt Service Reserve Fund to the Debt Service Fund by reason of a default relating to a Drinking Water Leveraged Financing, such amounts shall be transferred solely from the Drinking Water SRF Subaccount within the Debt Service Reserve Fund to the extent that there are sufficient funds in such account for such purpose. If insufficient funds are available for such purpose within the Drinking Water SRF Subaccount in the Debt Service Reserve Fund, moneys within the Clean Water SRF Subaccount in the Debt Service Reserve Fund will be made available as an investment to cure such deficiency. Amounts within the Clean Water SRF Subaccount will be made available as an investment and transferred from the Clean Water SRF Subaccount within the Debt Service Reserve Fund for such purpose only to the extent that there are not sufficient moneys in such Drinking Water SRF Subaccount within the Debt Service Reserve Fund.

If any such investments occurs, the first moneys released from the account in the Debt Service Reserve Fund relating to the other State Revolving Fund and available for deposit in the Debt Service Reserve Fund in accordance with the Financing Indenture are required to be deposited in the account of the State Revolving Fund making such investment in an amount equal in the aggregate of such investment.

The obligation to repay any amounts invested by each Revolving Fund in the other Revolving Fund shall be evidenced by a Repayment Bond, the terms of which are set forth under the heading "Repayment Obligation," of the Corporation acting on behalf of such Revolving Fund the principal amount of which shall equal the aggregate amount invested by such Revolving Fund then outstanding.

Earnings Fund; Rebate Fund

Creation and Custody of Earnings Fund and Rebate Fund. The Financing Indenture establishes an Earnings Fund and a Rebate Fund with respect to each series of Bonds. Each such fund shall be held by the Trustee. Within the Earnings Fund there is established an Account consisting of a Clean Water SRF Subaccount and a Drinking Water SRF Subaccount, as applicable. The Rebate Fund and amounts on deposit therein are not available for and are not pledged for the payment of Bonds. The Earnings Fund and amounts on deposit therein are available for and are pledged for the payment of Bonds.

Earnings Fund. To the extent required in the Tax Regulatory Agreement relating to any series of Bonds, all income or gain on moneys deposited in the Cost of Issuance Fund, the Debt Service Fund, the related account in the Earnings Fund and the Debt Service Reserve Fund shall be deposited in the Earnings Fund.

The Financing Indenture provides for the periodic transfers of certain amounts from the Earnings Fund to the Rebate Fund. Computations of the amounts to be deposited in each fund under the Financing Indenture and of the Rebate Amount shall be furnished to the Trustee by the Corporation in accordance with the Tax Regulatory Agreement. The Trustee is entitled conclusively to rely upon the accuracy of any such computation so furnished. Upon receipt of written instructions from an Authorized Officer, any amounts remaining in an account or subaccount of the Earnings Fund after the calculation of the related Rebate Amount and the transfer of the required amount, if any, to the Rebate Fund shall be withdrawn by the Trustee and (i) with respect to all amounts derived from the related account of the Debt Service Reserve Fund, redeposited in the related account of the Debt Service Reserve Fund and (ii) with respect to all amounts derived from any other fund or account, paid at the direction of the Corporation.

Rebate Fund. The Trustee shall promptly deposit in the Rebate Fund any amounts received pursuant to the Financing Indenture or the Master Trust Agreement and any other amounts provided for such purpose by the Corporation or the Recipient. Amounts deposited in the Rebate Fund are to be applied in accordance with instructions of the Corporation to pay amounts, if any, determined owed to the United States of America under Section 148 of the Code, except to the extent otherwise permitted by the Financing Indenture. The Trustee, upon the receipt of written instructions from an Authorized Officer specifying the amount of such excess, is authorized to withdraw the amount in excess of any then applicable Rebate Amount and pay it to or at the direction of the Corporation.

Security for and Investment of Moneys

Uninvested moneys held by the Trustee. All moneys received by the Trustee under the Financing Indenture and not invested by the Trustee pursuant to the provisions thereof, to the extent not insured by the Federal Deposit Insurance Corporation or other Federal agency, shall be deposited with the Trustee, or with a national or state bank or a trust company which has a combined capital and surplus aggregating not less than $100,000,000.

Investment of, and payment of interest on, moneys. Moneys on deposit to the credit of the Cost of Issuance Fund, Debt Service Fund, Debt Service Reserve Fund, Investment Fund, Earnings Fund or Rebate Fund may be retained uninvested as trust funds. Such moneys shall, at the direction of an Authorized Officer, be invested by the Trustee in Permitted Investments. Investments of moneys on deposit to the credit of the Cost of Issuance Fund, Earnings Fund, Rebate Fund, Debt Service Fund, Debt Service Reserve Fund or Investment Fund pursuant to the Financing Indenture shall have maturity dates, or shall be subject to redemption or tender at the option of the Trustee, on the respective dates specified by an Authorized Officer, which dates shall be on or prior to the respective dates on which the moneys invested therein are payable for the purposes of such funds. The securities purchased with the moneys in each such fund shall be held by or under the control of the Trustee and shall be deemed a part of such fund. The interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund shall be deposited by the Trustee to the credit of such fund, subject to the provisions of the Financing Indenture. Losses, if any, realized on securities held in any fund shall be debited to such fund. The

Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized by the Financing Indenture.

Defaults and Remedies

Events of Default. The occurrence and continuation of one or more of the following events shall constitute an Event of Default:

(a) default in the payment of any installment of interest in respect of any Bond as the same shall become due and payable; or

(b) default in the payment of the principal of or premium, if any, in respect of any Bond as the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(c) default in the payment of any sinking fund installment in respect of any Bond as the same shall become due and payable; or

(d) payment of the principal of and interest on the Recipient Bonds shall have been accelerated in accordance with the Authority Second Resolution; or

(e) failure on the part of the Corporation duly to observe or perform any other of the covenants or agreements on the part of the Corporation contained in the Financing Indenture, in the Master Trust Agreement (but solely to the extent that any such covenants or agreements would preserve the security for any Bonds afforded by the Master Trust Agreement and the pledge and assignment effected pursuant to the Master Trust Agreement) or in any Bond for a period of thirty (30) days after the date on which written notice of such failure, requiring the Corporation to remedy the same, shall have been given to the Corporation by the Trustee; provided that, if such failure can not be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and is diligently pursued until the failure is corrected;

Upon the happening and continuance of any Event of Default specified in clause (d) of this paragraph, the Trustee may, and upon written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding shall, by written notice given to the Corporation and to the Recipient and provided that the default has not theretofore been cured, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Financing Indenture or in the Bonds to the contrary notwithstanding. Except upon the occurrence and continuance of an Event of Default specified in clause (d) above, the Bonds will not be subject to acceleration. With respect to an Event of Default specified in clause (d) relating to the acceleration of the Recipient Bonds or clause (e) above relating to a Corporation default under the Master Trust Agreement, the Trustee shall not be charged with knowledge of such default until the Trustee shall have received or been deemed to have received notice thereof in accordance with the Financing Indenture.

If, after the principal of said Bonds has been so declared to be due and payable but before all the Bonds shall have matured by their terms, all arrears of interest upon the Bonds are paid by the Corporation, and the Corporation also performs all other things in respect to which it may have been in default under the Financing Indenture and pays the reasonable compensation and expenses of the Trustee and the Bondowners, including reasonable attorneys' fees, or provision satisfactory to the Trustee shall be made for such payments, then, and in every such case, the owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Corporation and to the Trustee, may annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and upon all owners of Bonds issued under the Financing Indenture, or, if the Trustee shall have acted in the absence of a written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of all Outstanding Bonds, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled; but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or remedy consequent thereon.

Judicial proceedings by Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, and upon the written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction shall (a) by suit, action or special proceeding, enforce all rights of the Bondowners and require the Corporation or the Recipient to perform its or their duties under the Act, the Project Finance Agreement, the Bonds, the Recipient Bonds and the Financing Indenture, (b) bring suit upon the Bonds, (c) by action or suit in equity require the Corporation to account as if it were the trustee of an express trust for the Bondowners, or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners.

Limitation on actions by Bondowners. No owner of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Financing Indenture, or any other remedy under the Financing Indenture or under the Bonds, unless such owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Financing Indenture and unless also the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Financing Indenture, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time.

Concerning the Trustee and Paying Agent

No responsibility for own acts save willful misconduct or negligence. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Corporation or the Recipient), approved by the Trustee. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Trustee shall not be liable for the exercise of any discretion or power under the Financing Indenture or for anything whatever in connection with the trusts created in the Financing Indenture, except only for its own willful misconduct or negligence.

Right to rely. The Financing Indenture provides that the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any paper or document which it shall in good faith believe to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the Financing Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Trustee upon the request or consent of any Person who at the time of making such request or giving such consent is the owner of any Bond shall be conclusive and binding upon all subsequent owners of such Bond or any Bond issued on registration of transfer thereof. The Trustee shall have no responsibilities for determining whether the Corporation and the Recipient have complied with the terms of the Tax Regulatory Agreement.

Removal of Trustee. The Trustee at any time and for any reason may be removed by an instrument in writing, appointing a successor, filed with the Trustee so removed and executed by the owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Financing Indenture. In addition, the Trustee at any time other than during the continuance of an Event of Default and for any reason may be removed by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Financing Indenture.

Supplemental Indentures

Supplemental Indentures not requiring consent of Bondowners. Subject to the conditions and restrictions contained in the Financing Indenture, the Corporation and the Trustee may, without the consent of or notice to the Bondowners, enter into an indenture or indentures supplemental to the Financing Indenture, for any one or more of the following purposes (a) to cure any ambiguity or formal defect or omission in the Financing Indenture, (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or

authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them, (c) to subject to the provisions of the Financing Indenture additional revenues, properties or collateral, (d) to modify, amend or supplement the Financing Indenture or any Supplemental Indenture in such manner as to permit its qualification under any Federal statute now or hereafter in effect or under any state Blue Sky Law, and, in connection therewith, if they so determine, to add to the Financing Indenture or any Supplemental Indenture, such other terms, conditions and provisions as may be permitted or required by said Federal statute or Blue Sky Law, provided that any such Supplemental Indenture shall not, in the judgment of the Trustee, be to the prejudice of the Owners of the Bonds, (e) to provide for the issuance of Additional Corporation Bonds, (f) to establish one or more funds, accounts or subaccounts pursuant to the Financing Indenture, and (g) to provide for any change in the Financing Indenture which, in the opinion of the Trustee, does not materially adversely affect or diminish the rights or interests of the Trustee or the Bondowners, provided that in making such determination the Trustee shall be entitled to rely on an opinion of counsel, in accordance with the Financing Indenture.

Supplemental Indentures requiring consent of Bondowners. Except as otherwise provided in the Financing Indenture, any modification or amendment of the Financing Indenture may be made only with the consent of (a) in case all of the several series of Bonds then Outstanding are affected by such modification or amendment, the owners of not less than sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, or (b) in case less than all of the several series of Bonds then Outstanding are so affected, the owners of not less than sixty percent (60%) in aggregate principal amount of the aggregate of all Bonds so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified series remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Financing Indenture. No such modification or amendment shall be made which will reduce the percentages of aggregate principal amount of Bonds, the consent of the owners of which is required for any such modification or amendment, or change the provisions of the Financing Indenture relative to approval by series of Bonds, or permit the creation by the Corporation of any lien prior to or, except to secure Additional Corporation Bonds, on a parity with, the lien of the Financing Indenture upon the Recipient Bond Payments and other funds pledged under the Financing Indenture, or which will affect the times, amounts and currency of payment of the principal (including sinking fund payments, if any) of and premium, if any, and interest on the Bonds without the consent of the owners of all Bonds then Outstanding and affected thereby.

For the purposes of the Financing Indenture, a series of Bonds shall be deemed to be affected by a modification or amendment of the Financing Indenture if the same materially adversely affects or diminishes the rights of the Owners of the Bonds of such series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular series would be affected by any modification or amendment of the Financing Indenture and any such determination shall be binding and conclusive on the Corporation and all Owners of the Bonds. For purposes of the Financing Indenture, the Trustee shall be entitled to rely upon an opinion of counsel with respect to the extent, if any, as to which such action affects the rights under the Financing Indenture of any Owners of Bonds then Outstanding, in accordance with the Financing Indenture.

If at any time the Corporation shall request the consent of Bondowners to the execution of any such Supplemental Indenture for any of the purposes of the Financing Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to Bondowners in the manner provided in the Financing Indenture. If, within sixty (60) days or such longer period as shall be prescribed by the Corporation following the final publication of such notice, the required consent and approval of Bondowners is obtained, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein.

The Trustee shall execute any Supplemental Indenture executed and delivered in accordance with the Financing Indenture; provided that, if, in the opinion of the Trustee, any such Supplemental Indenture adversely affects the rights, duties, immunities or obligations of the Trustee under the Financing Indenture or otherwise, the Trustee may in its discretion resign in accordance with the provisions of the Financing Indenture, and upon giving notice of such resignation the Trustee, in accordance with the Financing Indenture, shall have no obligation to execute such Supplemental Indenture.

Defeasance

If at any time (a) there shall have been delivered to the Trustee for cancellation any or all of the Bonds (other than any Bonds which have been mutilated, lost, stolen or destroyed and which shall have been replaced or paid as provided in the Financing Indenture except for any such Bonds as are shown by proof satisfactory to the Trustee to be held by bona fide purchasers), or (b) with respect to any or all of the Bonds not therefore delivered to the Trustee for cancellation, the whole amount of the principal and the interest and the premium, if any, due and payable or to become due and payable on such Bond or Bonds then Outstanding shall be paid or deemed to be paid. Provision shall also be made for paying all other sums payable under the Financing Indenture, including the Corporation's, Trustee's and Paying Agents' fees and expenses with respect to such Bonds, then the Trustee, in such case, on demand of the Corporation, shall release the lien of the Financing Indenture with respect to such Bond or Bonds and turn over to or at the direction of the Corporation the Recipient Bonds relating to such Bond or Bonds or, if such Bonds constitute less than all of the Bonds of a series, shall exchange the Recipient Bonds corresponding to such Bonds for Recipient Bonds having the same terms except that the principal amount thereof shall be equal to the principal amount of the Bonds relating to such Recipient Bonds outstanding after giving effect to such payment (or provision therefor) or cancellation and shall execute such documents as may be reasonably required by the Corporation and the Recipient and in the case of such release in respect of all Bonds issued under the Financing Indenture, shall turn over to or at the direction of the Corporation any balances remaining in any fund created under the Financing Indenture, other than moneys and Investment Obligations (as defined in the second succeeding paragraph) retained for the redemption or payment of Bonds; otherwise, the Financing Indenture shall be, continue and remain in full force and effect. Notwithstanding the foregoing, the Trustee shall not release any funds held pursuant to the Financing Indenture to the Corporation until it shall have received an opinion of Bond Counsel to the effect that such funds may be transferred to the Corporation without adversely affecting the exclusion of interest on any series of Bonds from gross income for Federal income tax purposes.

Bonds shall be deemed to be paid whenever there shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) either moneys in an amount which shall be sufficient, or noncallable obligations issued or guaranteed by or backed by the full faith and credit of, the United States of America (including certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon) (herein referred to as "Investment Obligations") certified by an independent accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without the necessity of further investment or reinvestment of either the principal amount thereof or interest therefrom, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of, and premium, if any, and interest due and to become due on all such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if redeemed prior to maturity an irrevocable instruction to mail the redemption notice as provided in the Financing Indenture has been given, and the Trustee shall have given notice to the Registered Owners of such Bonds in the manner provided in the Financing Indenture that a deposit meeting the requirements of this paragraph has been made and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on, such Bonds; provided, however, that neither Investment Obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any Investment Obligations shall be withdrawn, or used for any purpose other than, and shall be held in trust for, the payment of the principal of, and premium, if any, and interest on such Bonds.

No Individual Liability

No covenant or agreement contained in the Bonds or in the Financing Indenture shall be deemed to be the covenant or agreement of any director, officer, agent, or employee of the Corporation in his or her individual capacity, and neither the directors of the Corporation nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Exhibit 4B – Certain Definitions and Summary of
Certain Basic Agreements (NYCMWFA Subordinated Financing Program)

EXHIBIT 4B

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN BASIC AGREEMENTS (NYCMWFA SUBORDINATED FINANCING PROGRAM)

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to the summaries of the Project Finance Agreement and the Financing Indenture relating to the Subordinated NYCMWFA Bonds.

Act shall mean 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 from time to time amended and supplemented.

Additional Subordinated NYCMWFA Bonds shall mean any additional series of NYCMWFA Bonds hereafter issued, duly authenticated and delivered in accordance with the provisions of the Subordinated NYCMWFA Indenture.

Additional Project shall mean water pollution control facilities or water supply facilities described in the Project Finance Agreement financed through the issuance of a series of Additional Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture.

Authorized Officer shall mean the Chairman, President, Executive Vice President, Chief Financial Officer, Director of Corporate Operations or Secretary of the Corporation and any other officer of the Corporation designated to act as an Authorized Officer for purposes of the Subordinated NYCMWFA Indenture by resolution of the Board of Directors of the Corporation.

Bond Counsel shall mean Hawkins Delafield & Wood LLP or other counsel selected by the Corporation and satisfactory to the Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

Business Day shall mean a day on which banks located in (i) The City of New York, New York, (ii) the city in which the principal office of the Trustee is located and (iii) the city in which the principal office of the Master Trust Agreement Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

City means The City of New York, New York.

Clean Water SRF shall mean the water pollution control revolving fund established by the State pursuant to the State Clean Water Act.

Code shall mean the Internal Revenue Code of 1986, as amended, as in effect upon the issuance of any series of Subordinated NYCMWFA Bonds and the regulations of the U.S. Department of the Treasury promulgated thereunder as in effect upon the issuance of any series of Subordinated NYCMWFA Bonds.

Committed Subsidy Amount means the portion of interest payable on any Recipient Bonds which the Corporation is contractually obligated to fund from moneys within a Revolving Fund pursuant to the Project Finance Agreement.

Corporation shall mean New York State Environmental Facilities Corporation, a public benefit corporation created by the Act, and any successor entity which may succeed to its rights and duties respecting the Subordinated NYCMWFA Bonds and the Revolving Funds.

Cost of Issuance Fund shall mean the Cost of Issuance Fund established by the Subordinated NYCMWFA Indenture.

Credit Facility shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the principal or redemption price of, and interest on any series of Subordinated NYCMWFA Bonds or provides funds for the purchase of such Subordinated NYCMWFA Bonds or portions thereof.

De-allocated Reserve Account shall mean the De-allocated Reserve Account established by the Master Trust Agreement.

De-allocated Reserve Account Release Payments shall mean all monies received by the Trustee from the Master Trust Agreement Trustee pursuant to clause "THIRD" of Section 402(f) of the Master Trust Agreement. See Exhibit 2A of our Annual Information Statement, "**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT** - Subordinate Pledge and Assignment of De-Allocated Reserve Subaccount."

Debt Service Fund shall mean the Debt Service Fund established by the Subordinated NYCMWFA Indenture.

Debt Service Payment Date shall mean any date on which principal of, premium, if any, or interest on Bonds is due under the Subordinated NYCMWFA Indenture.

Debt Service Reserve Fund means a Debt Service Reserve Fund for a Series of Bonds established pursuant to a Supplemental Indenture as provided in the Subordinated NYCMWFA Indenture.

Debt Service Reserve Fund Requirement, with respect to any Series of Bonds, means the amount, if any, determined in accordance with the Supplemental Indenture authorizing such Series.

Debt Service Reserve Fund Shortfall as of any date of calculation means the sum of the deficiencies, if any, in the amount on deposit in each Debt Service Reserve Fund as compared to the Debt Service Reserve Fund Requirement, if any, for the related series of Outstanding Bonds, as determined by the Corporation and evidenced by the Officer's Certificate.

DEC shall mean the New York State Department of Environmental Conservation or any successor entity which may succeed to its rights and duties respecting the Revolving Fund.

DF Recipient Bond means a bond, note, or other obligation issued or incurred by the Recipient or any other municipality (as defined in the Act) or other person eligible to receive financial assistance from a Revolving Fund.

DOH shall mean the New York State Department of Health and any entity which may succeed to its rights and duties respecting the Drinking Water SRF.

Drinking Water SRF shall mean the drinking water revolving fund established pursuant to the State Drinking Water Act.

Event of Default shall mean any Event of Default specified in the Subordinated NYCMWFA Indenture or any Financing Indenture, as the context may require.

Financing Indenture, with respect to the Subordinated NYCMWFA Bonds, shall mean the Subordinated NYCMWFA Indenture.

Financing Indenture Trustee means Manufacturers and Traders Trust company as trustee under a Financing Indenture, and any successor or successors as trustee under a Financing Indenture.

General Reserve Fund means the General Reserve Fund established pursuant to the Subordinated NYCMWFA Indenture.

General Reserve Fund Requirement, as of any date of determination, shall mean the sum of (a) the Debt Service Reserve Shortfall, if any, and (b) the amount, if any, required to be retained in the General Reserve Fund in order to satisfy the General Reserve Fund Release Test after such date, assuming for purposes of such determination that (i) all scheduled payments on investments, if any, then held in the General Reserve Fund not then in default will be received as and when due, and (ii) all scheduled payments of principal and interest on Recipient Bonds and Pledged DF Recipient Bonds not then in default will be received as and when due, and (iii) no amounts then held as cash or projected to be held as cash will be reinvested, all as determined by the Corporation and evidenced by an Officer's Certificate.

General Reserve Fund Release Test shall mean that, as of any date of calculation, Projected Available Cashflow in any Bond Year, is expected to be available in an amount at least equal to 120% of the amount necessary to pay all Scheduled Debt Service for all Subordinated NYCMWFA Bonds in such Bond Year, as determined by the Corporation and evidenced by an Officer's Certificate.

Investment Fund shall mean the Investment Fund established by the Subordinated NYCMWFA Indenture.

Master Trust Agreement shall mean the Amended and Restated Master Trust Agreement dated as of July 1, 2005 between the Corporation and Manufacturers and Traders Trust Company, as trustee and as custodian, as amended and supplemented in accordance with its terms.

Master Trust Agreement Trustee or *Master Trustee* shall mean Manufacturers and Traders Trust Company in its capacity as trustee under the Master Trust Agreement, and its successor or successors as trustee under the Master Trust Agreement.

Officer's Certificate shall mean a certificate signed by an Authorized Officer of the Corporation.

Outstanding, when used with reference to the Subordinated NYCMWFA Bonds shall mean, as of any particular date, the aggregate of all the Subordinated NYCMWFA Bonds, authenticated and delivered under the Subordinated NYCMWFA Indenture, except:

(a) the Subordinated NYCMWFA Bonds canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) the Subordinated NYCMWFA Bonds for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Owners of such Subordinated NYCMWFA Bonds, provided that if such Subordinated NYCMWFA Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Subordinated NYCMWFA Indenture, or provision therefor satisfactory to the Trustee has been made;

(c) the Subordinated NYCMWFA Bonds paid or the Subordinated NYCMWFA Bonds deemed to be paid as provided in the Subordinated NYCMWFA Indenture; and

(d) the Subordinated NYCMWFA Bonds paid or in lieu of or in substitution for which other Subordinated NYCMWFA Bonds shall have been authenticated and delivered pursuant to the Subordinated NYCMWFA Indenture, unless proof satisfactory to the Trustee shall be presented that any such Subordinated NYCMWFA Bond shall be held by a bona fide purchaser (as such term is defined in the Uniform Commercial Code of the State of New York);

provided, however, that in determining whether the owners of the requisite principal amount of the Subordinated NYCMWFA Bonds outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Subordinated NYCMWFA Indenture, Subordinated NYCMWFA Bonds owned by or for the account of the Recipient shall be disregarded and deemed not to be outstanding, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only the Subordinated NYCMWFA Bonds which the Trustee knows to be so owned shall be so disregarded. The Subordinated NYCMWFA Bonds so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Subordinated NYCMWFA Bonds and that the pledgee is not the Recipient and that the pledgee is not holding such Subordinated NYCMWFA Bonds for the account of the Recipient.

Owner or *Bondholder* or *Bondowner* (when used in reference to the owner of any Subordinated NYCMWFA Bond) shall mean the person or persons in whose name or names the particular Subordinated NYCMWFA Bond shall be registered on the bond register kept pursuant to the Subordinated NYCMWFA Indenture.

Parity Corporation Reimbursement Obligation shall mean an obligation of the Corporation to reimburse directly the issuer of a Credit Facility for amounts paid by such issuer thereunder, the payment of such obligation being secured by a pledge and lien on a parity with the lien created by the granting clauses of the Subordinated NYCMWFA Indenture with respect to the related series of Subordinated NYCMWFA Bonds.

Paying Agent or *Paying Agents* shall mean any paying agent(s) for the Subordinated NYCMWFA Bonds and any successor or successors as paying agent(s) appointed pursuant to the Subordinated NYCMWFA Indenture.

Permitted Investments shall mean (i) obligations of the State or the United States of America, (ii) obligations the principal and interest of which are guaranteed by the State or the United States of America, (iii) deposits with such banks or trust companies as may be designated by the Corporation, each such bank or trust company deposit being continuously and fully secured by obligations described in clauses (i) or (ii), (iv) investment agreements and to the extent permitted by the Act, (v) obligations the

interest on which is not included in gross income under Section 103 of the Code, or (vi) any other obligations from time to time permitted by the applicable State Act.

Person shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Pledged DF Recipient Bond Payments shall mean payments of principal of, premium, if any, and interest on a DF Recipient Bond which are assigned and pledged as security for the benefit of the Subordinated NYCMWFA Bonds hereunder, excluding (i) any Reserved Corporation Interests and (ii) any Released DF Recipient Bond Payments and shall initially mean those DF Recipient Bond payments described in the Subordinated NYCMWFA Indenture.

Pledged DF Recipient Bonds shall mean the DF Recipient Bonds which are the source of Pledged DF Recipient Bond Payments.

Project shall mean the project of the Recipient financed with a series of the Subordinated NYCMWFA Bonds.

Project Costs shall mean the incurred costs of the Recipient which are eligible for financial assistance from the Revolving Fund under the State Act, which are allowable costs under the Regulations and which are reasonable, necessary and allocable by the Recipient to the Project under generally accepted accounting principles.

Projected Available Cashflow shall mean the sum of (i) projected Recipient Bond Payments, (ii) projected Pledged DF Recipient Bond Payments, (iii) projected payments of principal and interest on all investments held in the Debt Service Fund, the Debt Service Reserve Fund and the General Reserve Fund, assuming that all such investments not then in default will continue to be paid in accordance with their terms (iv) all moneys held uninvested in the General Reserve Fund, the Debt Service Reserve Fund and the Debt Service Fund and (v) all moneys projected by the Corporation to be available for transfer to all Subordinated Indenture Trustees by the Master Trust Agreement Trustee pursuant to clause "THIRD" of Section 402(f) of the Master Trust Agreement, assuming that no Bonds or Subordinated Bonds (each as defined in the Master Trust Agreement) not then in default will continue to make scheduled payments in accordance with their terms, all as determined by the Corporation and evidenced by an Officer's Certificate.

Project Finance Agreement shall mean the Project Financing Agreement between the Corporation and the Recipient relating to the Series 2006 B Bonds dated as of June 1, 2006, as amended and supplemented in accordance with its terms from time to time.

Rebate Amount shall have the meaning ascribed to such term in the related Tax Regulatory Agreement.

Rebate Fund, with respect to Subordinated NYCMWFA Bonds, shall mean the rebate fund established under the Subordinated NYCMWFA Indenture.

Recipient shall mean the New York City Municipal Water Finance Authority, a public benefit corporation, and its successors and assigns, and otherwise shall mean any other entity receiving financial assistance from the proceeds of SRF Bonds.

Recipient Bond Payments shall mean the amounts payable by the Recipient under the Pledged Recipient Bonds.

Recipient Bonds shall mean the bonds or notes issued by the Recipient evidencing the obligation to repay the advance of the proceeds of a series of SRF Bonds.

Recipient General Resolution shall mean the Recipient's Water and Sewer System Revenue Bond Resolution adopted November 14, 1985, as amended and supplemented.

Recipient Second Resolution shall mean the Recipient's Water and Sewer Second General Revenue Bond Resolution adopted March 30, 1994, as amended and supplemented.

Registered Owner or *Registered Owners* shall mean the person or persons in whose name or names the particular Subordinated NYCMWFA Bond shall be registered.

Regulations shall mean the regulations of DEC or DOH, adopted pursuant to and in furtherance of the State Act, as such may be amended from time to time.

Reimbursement Obligation shall mean an obligation of the Corporation as described in the Subordinated NYCMWFA Indenture to reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Released DF Recipient Bond Payments means each Recipient Bond Payment formerly treated as a Pledged DF Recipient Bond Payment which has been released from the lien of the Subordinated NYCMWFA Indenture.

Reserve Allocation shall mean, with respect to financial assistance made available from the proceeds of SRF Bonds, that amount or those amounts of funds, if any, derived or to be derived from the Capitalization Grant Agreements and/or State Matching Share and/or other sources established as Reserve Allocation for such financial assistance pursuant to the Master Trust Agreement.

Reserved Corporation Interests means any interest in payments to be received under DF Recipient Bonds which are a source of Pledged DF Recipient Bond Payments which is expressly reserved from any assignment to the Trustee of Pledged DF Recipient Bond Payments.

Revolving Fund shall mean either the Clean Water SRF or the Drinking Water SRF.

Revolving Fund Program shall mean the program administered by the Corporation and DEC relating to the Revolving Fund and established pursuant to the State Act and the Water Quality Act.

Scheduled Debt Service shall mean all scheduled payments of principal and interest on the Subordinated NYCMWFA Bonds, including sinking fund installments.

Series means all of the Subordinated NYCMWFA Bonds of a particular Series authenticated and delivered on original issuance and pursuant hereto and a Supplemental Indenture authorizing such Series and identified as such pursuant to such Supplemental Indenture, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

SRF Bonds shall mean any bond or bonds or all the bonds, as the case may be, of the Corporation issued and secured pursuant to any one or more Financing Indentures and further secured under the Master Trust Agreement.

State shall mean the State of New York.

State Act shall mean Chapter 565 of the Laws of New York of 1989, as amended, or mean Title 2 of Article 56 of the Environmental Conservation Law, as amended.

State Matching Funds or *State Matching Share* shall mean 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 a Revolving Fund.

State Drinking Water Act shall mean Title 2 of Article 56 of the Environmental Conservation Law of the State of New York, as amended.

Subsidy Credit means funds applied as a credit to the Recipient's debt service payments due to the Corporation immediately prior to each debt service payment date set forth on the Recipient Bonds. Subsidy Credit with respect to each debt service payment date on the Recipient Bonds will be calculated in accordance with the following formula:

> *Subsidy Credit* = (Subsidy Percentage x principal amount of the Recipient Bonds outstanding immediately prior to such debt service payment date x Subsidy Rate) x one-half.
>
> *Subsidy Percentage* means the percentage used to calculate the Subsidy Credit as set forth in the Project Finance Agreement.
>
> *Subsidy Rate* means the percentage used to calculate the Subsidy Credit on any debt service payment date, as set forth in the Project Finance Agreement.

Subordinated Financing Indenture shall mean an indenture or other similar document, pursuant to which a series of Subordinated SRF Bonds has been or is issued and delivered and shall include the Subordinated NYCMWFA Indenture.

Subordinated Indenture Trustee, with respect to each series of Subordinated NYCMWFA Bonds, shall mean the trustee under the Subordinated Financing Indenture in its capacity as such trustee.

Subordinated NYCMWFA Bond or *Subordinated NYCMWFA Bonds*, shall mean any bond or bonds or all of the bonds, as the case may be, of the Corporation executed, authenticated and delivered in one or more series under the Subordinated NYCMWFA Indenture.

Subordinated NYCMWFA Indenture shall mean the Indenture of Trust dated as of June 1, 2006 between the Corporation and the Trustee, as the same has been and may be amended and supplemented from time to time.

Subordinated SRF Bond or *Subordinated SRF Bonds* shall mean any bond or bonds or all the bonds, as the case may be, of the Corporation in one or more series, relating to the Revolving Fund Program, issued and secured pursuant to one or more Subordinated Financing Indentures and further secured under the Master Trust Agreement as described in Exhibit 2A to our Annual Information Statement under "**SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT** - *Subordinate Pledge and Assignment of De-allocated Reserve Subaccount*."

Supplemental Indenture shall mean any indenture supplementary to, or amendatory of, the Subordinated NYCMWFA Indenture duly executed and delivered in accordance with the provisions of the Subordinated NYCMWFA Indenture.

Tax Regulatory Agreement shall mean, with respect to each series of the Subordinated NYCMFA Bonds, the Tax Regulatory Agreement or any similar agreement between the Corporation and the Recipient setting forth requirements designed to assure the compliance with certain requirements for the exclusion from gross income of the interest on such Subordinated NYCMWFA Bonds.

Trustee shall mean Manufacturers and Traders Trust Company, a corporation organized and existing under the laws of the State of New York, having its principal office in Buffalo, New York, in its capacity as trustee under the Subordinated NYCMWFA Indenture, and its successor or successors as trustee under the Subordinated NYCMWFA Indenture.

Water Quality Act shall mean the federal Water Quality Act of 1987, as amended.

SUMMARIES OF CERTAIN BASIC DOCUMENTS

The following are summaries of certain provisions of the Project Finance Agreement and the Financing Indenture relating to the Subordinated NYCMWFA Bonds. Such summaries do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such and all provisions therein.

SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT FINANCE AGREEMENT

Certification of the City

On or before the date of issuance of any series of Additional Subordinated NYCMWFA Bonds, the Corporation shall have received a certificate of the City, dated as of the date of issuance of such series, confirming as of such date the representations, warranties and covenants of the City contained in the Project Finance Agreement, as applicable, and making such further certifications, representations, warranties, covenants or agreements as may be reasonably requested by the Corporation in furtherance of the purposes of the Project Finance Agreement.

Recipient Bonds

Application of Subsidy Credit. The Corporation agrees that it will on or before each interest payment date for the Subordinated NYCMWFA Bonds, credit to amounts payable on the Recipient Bonds the Subsidy Credit relating to such interest payment date. Monies applied as the Subsidy Credit may be derived from (a) amounts representing earnings on Reserve Allocation, if applicable, (b) amounts representing earnings from the investment of proceeds of the leveraged financing to be used to finance the acquisition, construction and installation of the Project deposited, (c) amounts made available as SRF Subsidy Credit under the Subsidy Reserve Agreement and (d) any other funds within the Revolving Fund so designated from time to time by the Corporation. There is no Reserve Allocation applicable to the Subordinated NYCMWFA Bonds. Subject to the next succeeding sentence, the amount payable by Recipient as interest on the Recipient Bonds will be reduced by the Subsidy Credit available to be deposited by the Corporation with the Trustee and credited to the Recipient Bonds. Notwithstanding the foregoing, in the event there are not monies available to deposit and credit such Subsidy Credit on or before any interest payment date, the Recipient shall be obligated to pay interest on the Recipient Bonds at the rates set forth thereon and the Recipient's sole remedy shall be to bring an action against the Corporation seeking to (i) compel the Corporation to credit such Subsidy Credit, or (ii) in the event that the Recipient shall have paid interest on the Recipient Bonds at the interest rates set forth thereon, obtain reimbursement from the Corporation for the additional interest so paid.

In the event the Recipient fails to pay when due any sum owing to the Corporation pursuant to the Recipient Bonds, the Corporation may, in addition to all rights and remedies provided in or permitted by the Project Finance Agreement, deduct such sum from any Subsidy Credit otherwise transferable for the account of the Recipient pursuant to the Project Finance Agreement, 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 the portion of the Subsidy Credit used to make payments on Subordinated NYCMWFA Bonds due to Recipient's default 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 Subsidy Credit 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 Subordinated NYCMWFA 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.

Redemption of the Recipient Bonds. 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 series of Subordinated NYCMWFA Bonds are redeemable. No Recipient Bonds shall be redeemed by the Recipient unless payment of principal, premium, if any, and interest on the Recipient Bonds remaining outstanding shall, in the aggregate provide sufficient funds to pay all payments of principal, premium, if any, and interest on the Subordinated NYCMWFA Bonds remaining outstanding when due.

Reimbursement of Fund. If the Corporation determines that funds disbursed pursuant to the Project Finance Agreement have been expended by the Recipient for costs that are not permissible Project Costs, the Recipient shall promptly reimburse, or cause to be reimbursed, the account from which such amounts were disbursed in an amount equal to the amount of those funds improperly applied. The Corporation is authorized to withhold all further transfers of Subsidy Credit to the Recipient pursuant to the Project Finance Agreement and apply such amounts to reimburse the Clean Water SRF or the Drinking Water SRF, as applicable, until the subject account is reimbursed for amounts misapplied.

Defaults; Remedies. If the Corporation determines that the Recipient, the New York City Water Board or the City is not complying with federal or State laws, regulations or requirements, or instructions of DEC or DOH, as applicable, relating to a Project or terms of the Project Finance Agreement and following due written notice such Project is not brought into compliance, the Corporation may deny certification of disbursement requests until such Project is brought into compliance.

In the event of any default of the Recipient under the terms of the Project Finance Agreement, the Corporation shall have, in addition to the remedies set forth in the Project Finance Agreement, all other remedies permitted by law and by the Project Finance Agreement, including the right to seek enforcement, at law or in equity, including but not limited to specific performance, of any right or obligation under the Project Finance Agreement; provided that such remedies, except with respect to payments due under the Recipient Bonds, shall be available only after failure on the part of the Recipient to correct such default for a period of thirty (30) days after the date on which written notice of such default, requiring the Recipient to remedy the same, shall have been given to the Recipient; provided further that, if such default can not be corrected within such thirty (30) day period, such remedies shall not be available if corrective action is instituted by the Recipient within such period and diligently pursued until such default is corrected.

Effective Date and Term. The Project Finance Agreement shall become effective upon its execution and delivery by the involved parties, shall remain in full force and effect from such date and shall expire on such date as all Bonds (including refunding bonds) issued for the purpose of purchasing any Recipient Bonds under the Project Finance Agreement shall be discharged and satisfied in accordance with the provisions thereof and all obligations of the Recipient to the Corporation as required by the Project Finance Agreement are satisfied.

Execution and Delivery of Recipient Bonds to Trustee. Concurrently with the authentication by the Trustee and delivery of Bonds of any series, the Corporation and the Recipient agree that the Recipient will execute and deliver to the Trustee its Recipient Bond or Bonds relating to such series of the Subordinated NYCMWFA Bonds, in accordance with the Recipient Second Resolution. Such Recipient Bond or Bonds shall (a) provide for payments of principal of, premium, if any, and interest sufficient in the aggregate, together with any Subsidy Credit and other moneys available under the Subordinated NYCMWFA Indenture transferred and applied as described above, to pay in full the payments of principal of, premium, if any, and interest on, the related Bonds as and when due and (b) require that all payments of principal of, or premium, if any, and interest on, the Recipient Bond or 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 on or before the due date thereof.

Payment of Additional Project Costs

In the event that proceeds are not sufficient to pay the costs of the Project in full, the Recipient shall not be entitled to any reimbursement for that portion of the Project Costs as may be in excess of available proceeds from the Corporation, the Trustee or the holders of any Subordinated NYCMWFA Bonds, except from the proceeds of any additional financing which the Corporation may, in its sole and absolute discretion, provide. In the event that the Corporation does not provide additional financing, the City nevertheless shall be obligated to complete the Project in accordance with the Project Finance Agreement.

Tax Covenants

The Recipient covenants and agrees that it shall not take any action or omit to take any action within its reasonable control (i) which would result in the loss of the exclusion of the interest on any Subordinated NYCMWFA Bonds from gross income for purposes of Federal income taxation as that status is governed by Section 103(a) of the Code as in effect upon the issuance of such Subordinated NYCMWFA Bonds, (ii) which would cause any Subordinated NYCMWFA Bonds to be "Private Activity Bonds" within the meaning of section 141(a) of the Code as in effect upon the issuance of the Subordinated NYCMWFA Bonds or (iii) which would directly or indirectly permit the use of any proceeds of any Bonds (or amounts replaced with such proceeds) or any other funds, which use or action or omission would cause any Subordinated NYCMWFA Bonds to be "Arbitrage Bonds" within the meaning of Section 148(a) of the Code as in effect upon the issuance of such Subordinated NYCMWFA Bonds.

Payment of the Recipient Bonds

The Recipient covenants and agrees that it shall duly and punctually pay or cause to be paid (but solely from the sources therein provided) the principal or redemption price of its Recipient Bonds and the interest thereon, at the dates and places and in the manner stated in such Recipient Bonds 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 the failure of the Corporation to make the Subsidy Credit available, or otherwise relating to the Subsidy Credit) it might otherwise have against the Corporation, DEC, DOH, the Trustee or the owner of any Subordinated NYCMWFA Bond.

Compliance with Recipient Second Resolution; Enforcement of Certain Agreements

The Recipient agrees to comply with the provisions of the Recipient Second Resolution, the Project Finance Agreement and the Lease (as defined in the Recipient Second Resolution) and to duly perform its covenants and agreements under the Financing Agreement, dated as of July 1, 1985 entered into pursuant to Section 1045-i of the New York City Municipal Water Finance Authority Act constituting Title 2A of Article 5 of the Public Authorities Law of the State.

Amendments, Supplements and Modifications

The Project Finance Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Corporation, the Recipient and the City and upon compliance with the Financing Indenture.

Assignment of the Project Finance Agreement or the Recipient Bonds

The Recipient consents to the pledge and assignment of (i) any portion of the Corporation's estate, right, title and interest and claim in, to and under certain enumerated sections of the 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 the 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 Financing Indenture provides that, except during the continuance of a default under the Project Finance Agreement or an Event of Default under the Financing Indenture, the Trustee shall not sell, assign, transfer, convey or otherwise dispose of its interest in the Project Finance Agreement, if any, or in the Recipient Bonds without the express written consent of the Corporation and the Recipient. Notwithstanding the foregoing except during the occurrence and continuance of an Event of Default under the Recipient Second Resolution or Recipient General Resolution the Corporation's rights under the Project Finance Agreement will not be assigned to the Trustee without the consent of the Recipient. Except as provided in the Project Finance Agreement, the Corporation shall not sell, assign, transfer, convey or otherwise dispose of its interest in the Project Finance Agreement during the term of the Project Finance Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATED NYCMWFA INDENTURE

Liability Under Subordinated NYCMWFA Bonds

The Subordinated NYCMWFA Indenture provides that the Subordinated NYCMWFA Bonds shall not be general obligations of the Corporation, and shall not constitute an indebtedness of or a charge against the general credit of the Corporation. The liability of the Corporation under the Subordinated NYCMWFA Bonds shall be enforceable only to the extent provided in the Subordinated NYCMWFA Indenture and they shall be payable solely from the Recipient Bond Payments and any other funds held by the Trustee under the Subordinated NYCMWFA Indenture, and available for such payment. The Subordinated NYCMWFA Bonds shall not be a debt of the State of New York or The City of New York and neither the State of New York nor The City of New York shall be liable thereon. No owner of any Subordinated NYCMWFA Bond shall have the right to demand payment of the principal of, or premium, if any, or interest on the Subordinated NYCMWFA Bonds out of any funds raised by taxation.

Credit Facilities

In connection with the issuance of any series of Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture, the Corporation may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, redemption price or interest due or to become due on such Subordinated NYCMWFA Bonds, providing for the purchase of such Subordinated NYCMWFA Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Subordinated NYCMWFA Bonds by the Corporation.

The Corporation may, in an agreement with the issuer of such Credit Facility, agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created, for purposes of the Subordinated NYCMWFA Indenture, until the related principal or interest payments on the Subordinated NYCMWFA Bonds are made from such Credit Facility; provided further that it shall be a condition to obtaining any Credit Facility that any Reimbursement Obligation or other obligation of the Corporation, to make any payments to the issuer of such Credit Facility shall be secured by a corresponding obligation of the Recipient to make payments in the same amounts to the Corporation, to reimburse the Corporation therefor. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, collateral and revenues securing such series of Subordinated NYCMWFA Bonds on a parity with the lien created by the Subordinated NYCMWFA Indenture and the applicable Supplemental Indenture. Any such Parity Corporation Reimbursement Obligation shall be deemed to be a part of the series of Subordinated NYCMWFA Bonds to which the Credit Facility which gave rise to such Parity Corporation Reimbursement Obligation relates. Any such Credit Facility shall be for the benefit of and secure such series of Subordinated NYCMWFA Bonds or portion thereof as specified in the applicable Supplemental Indenture.

Security for Subordinated NYCMWFA Bonds; Issuance of Subordinated NYCMWFA Bonds

Pledge and assignment effected by Subordinated NYCMWFA Indenture; Subordinated NYCMWFA Bonds equally and ratably secured; option of Corporation to assign certain further rights and remedies to Trustee. The Subordinated NYCMWFA Indenture provides that all Subordinated NYCMWFA Bonds issued and to be issued under the Subordinated NYCMWFA Indenture and all Parity Corporation Reimbursement Obligations are, and are to be, to the extent provided and subject to the Subordinated NYCMWFA Indenture, equally and ratably secured by the Subordinated NYCMWFA Indenture without preference, priority or distinction on account of the actual time or times of the

authentication or delivery or maturity or redemption of the Subordinated NYCMWFA Bonds and Parity Corporation Reimbursement Obligations, or any of them, so that, subject to the provisions of the Subordinated NYCMWFA Indenture, all Subordinated NYCMWFA Bonds and Parity Corporation Reimbursement Obligations at any time outstanding under the Subordinated NYCMWFA Indenture shall have the same right, lien and preference under and by virtue of the Subordinated NYCMWFA Indenture and shall all be equally and ratably secured with like effect as if they had all been simultaneously executed, authenticated and delivered. The aggregate principal amount of Subordinated NYCMWFA Bonds which may be executed and delivered by the Corporation and authenticated by the Trustee and secured by the Subordinated NYCMWFA Indenture is not limited except as is or may be provided in the Subordinated NYCMWFA Indenture or as may be limited by law.

As security for the payment of the principal of, and premium, if any, and interest on the outstanding Subordinated NYCMWFA Bonds and for the performance of each other obligation of the Corporation under the Subordinated NYCMWFA Indenture, the Corporation may pledge and assign to the Trustee certain portions of the Corporation's estate, right, title and interest and claim in, to and under certain sections of the 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 the Project Finance Agreement, subject to certain conditions set forth in the Subordinated NYCMWFA Indenture.

Except during the continuance of a default under the Project Finance Agreement or an Event of Default under the Subordinated NYCMWFA Indenture, the Trustee shall not sell, assign, transfer, convey or otherwise dispose of its interest in the Project Finance Agreement or in the Pledged Recipient Bonds without the express written consent of the Corporation and the Recipient.

Issuance of Additional Subordinated NYCMWFA Bonds to Finance Projects. One or more series of Additional Subordinated NYCMWFA Bonds may be authenticated by the Trustee and delivered upon original issuance, for the purpose of providing funds to finance all or a portion of the cost of construction of any Project, such purpose to be conclusively established by the documents referred to in the Subordinated NYCMWFA Indenture. The Corporation may execute and deliver to the Trustee, and the Trustee shall thereupon authenticate, such Additional Subordinated NYCMWFA Bonds and deliver them to the purchaser or purchasers thereof, provided that, prior to, or simultaneously with, such delivery, there shall have been delivered to the Trustee the proceeds (including accrued interest, if any) of the sale of such Additional Subordinated NYCMWFA Bonds in the amount specified in the order referred to in the Subordinated NYCMWFA Indenture.

Issuance of Additional Subordinated NYCMWFA Bonds for Refunding Purposes. From time to time the Corporation, in addition to the Subordinated NYCMWFA Bonds authorized to be executed, authenticated and delivered pursuant to the other provisions of the Subordinated NYCMWFA Indenture, may issue Additional Subordinated NYCMWFA Bonds for the purpose of refunding all or any part of any obligations then outstanding issued or incurred by the Corporation pursuant to an agreement with the Recipient or certain other outstanding obligations of the Recipient, but only upon the receipt by the Trustee of the documents required under the Subordinated NYCMWFA Indenture.

Additional Financial Assistance to the Recipient. Nothing contained in the Subordinated NYCMWFA Indenture shall be construed to limit the right of the Corporation to provide for any additional financial assistance to the Recipient pursuant to another indenture of trust or resolution and nothing contained in the Subordinated NYCMWFA Indenture shall be construed to require the Corporation to issue Additional Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture to fund such financial assistance to the Recipient.

Release of Additional Pledged DF Recipient Bonds and Pledged DF Recipient Bond Payments from Lien of the Subordinated NYCMWFA Indenture; Pledge of Additional Pledged DF Recipient Bonds and Additional Pledged DF Recipient Bond Payments.

The Corporation may release specific Pledged DF Recipient Bonds and Pledged DF Recipient Bond Payments from the lien created by the Subordinated NYCMWFA Indenture or substitute and add to the lien by providing and filing with the Trustee, (1) a revised schedule describing the specific Pledged DF Recipient Bonds and Pledged DF Recipient Bond Payments to be released and, if applicable, substituted therefor or added thereto, and (2) a certificate which demonstrates compliance with General Reserve Fund Release Test in each year Bonds are scheduled to be Outstanding.

The Trustee shall execute a release and such other instruments as the Corporation may reasonably request in order to evidence the release from the lien of the Subordinated NYCMWFA Indenture of the specific Pledged DF Recipient Bonds and Pledged DF Recipient Bond Payments to be released in accordance with the Subordinated NYCMWFA Indenture.

To the extent that any Pledged DF Recipient Bond is not payable to the Trustee, the Corporation shall transfer or cause to be transferred to the Trustee all Pledged DF Recipient Bond Payments upon receipt for deposit in the General Reserve Fund.

Amendment of Project Finance Agreement, Pledged Recipient Bonds, Recipient Second Resolution and Tax Regulatory Agreement

Amendments to Project Finance Agreement not requiring consent of Bondowners. The Corporation may, with prior written notice to the Trustee, but without consent of or notice to the Bondowners, amend or modify any provision of the Project Finance Agreement in any manner which (i) is required in connection with the issuance of Additional Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture; (ii) is required for the purpose of curing any ambiguity or formal defect or omission in the Project Finance Agreement; or (iii) will not affect the Subordinated NYCMWFA Bonds then outstanding, as determined in accordance with the Subordinated NYCMWFA Indenture as described in the second succeeding paragraph.

Amendments to Project Finance Agreement requiring consent of Bondowners. Except for amendments or modifications described in the Subordinated NYCMWFA Indenture, the Corporation shall not enter into any amendment or modification of the Project Finance Agreement without providing notice to the Trustee and obtaining the written consent of (a) in case all of the several series of Subordinated NYCMWFA Bonds then outstanding are affected by such modification or amendment, the owners of not less than sixty percent (60%) in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding, or (b) in case less than all of the several series of Subordinated NYCMWFA Bonds then outstanding are so affected, the owners of not less than sixty percent (60%) in aggregate principal amount of the aggregate of all Subordinated NYCMWFA Bonds so affected then outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Subordinated NYCMWFA Bonds of any specified series remain outstanding, the consent of the owners of such Subordinated NYCMWFA Bonds shall not be required and such Subordinated NYCMWFA Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture.

A series of Subordinated NYCMWFA Bonds shall be deemed to be affected by a modification or amendment of the Project Finance Agreement if the same materially adversely affects or diminishes the rights of the owners of any Subordinated NYCMWFA Bonds of such series. The Corporation may in its discretion determine whether or not in accordance with the provisions of the Subordinated NYCMWFA

Indenture the Subordinated NYCMWFA Bonds of any particular series would be affected by any modification or amendment of the Project Finance Agreement and any such determination shall be binding and conclusive on the Trustee and all owners of Subordinated NYCMWFA Bonds. The Corporation shall be entitled to rely upon an opinion of Bond Counsel with respect to the extent, if any, as to which any modification or amendment of the Project Finance Agreement affects the rights of any owners of Subordinated NYCMWFA Bonds then outstanding.

Amendments to the Pledged Recipient Bonds or the Recipient Second Resolution. The Corporation shall not consent to any amendment or modification of any outstanding Pledged Recipient Bonds or of the Recipient Second Resolution without providing notice to the Trustee and obtaining the prior written consent of (a) in case all of the several series of Subordinated NYCMWFA Bonds then outstanding are affected by such modification or amendment, the owners of not less than sixty percent (60%) in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding, or (b) in case less than all of the several series of Subordinated NYCMWFA Bonds then outstanding are so affected, the owners of not less than sixty percent (60%) in aggregate principal amount of the Subordinated NYCMWFA Bonds of each particular series so affected then outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Subordinated NYCMWFA Bonds of any specified series remain outstanding, the consent of the owners of such Subordinated NYCMWFA Bonds shall not be required and such Subordinated NYCMWFA Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture. No such modification or amendment shall be made which will affect the times, amounts and currency of payment of the principal, including sinking fund installments, if any, and of premium, if any, and interest on any Pledged Recipient Bonds.

A series shall be deemed to be affected by a modification or amendment of the Pledged Recipient Bonds or the Recipient Second Resolution if the same materially adversely affects or diminishes the rights of the owners of the Subordinated NYCMWFA Bonds of such series. The Corporation may in its discretion determine whether or not in accordance with the foregoing provisions Subordinated NYCMWFA Bonds of any particular series would be affected by any modification or amendment of the Pledged Recipient Bonds or the Recipient Second Resolution and any such determination shall be binding and conclusive on all owners of Subordinated NYCMWFA Bonds. The Corporation shall be entitled to rely upon an opinion of counsel with respect to the extent, if any, as to which any modification or amendment of the Pledged Recipient Bonds or the Recipient Second Resolution affects the rights of any owners of Subordinated NYCMWFA Bonds then outstanding, in accordance with the Subordinated NYCMWFA Indenture. The Corporation may in its discretion assign to the Trustee the right to consent to any amendment or modification of any outstanding series of Pledged Recipient Bonds or of the Recipient Second Resolution.

Amendments to Tax Regulatory Agreement. The Corporation may, without the consent of the Trustee and without notice to or consent of the Bondowners, enter into any amendment or modification of a Tax Regulatory Agreement upon the delivery to the Trustee of an opinion of Bond Counsel to the effect that the proposed amendment or modification will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Subordinated NYCMWFA Bonds.

Cost of Issuance Fund; Investment Fund; Debt Service Fund

Creation and custody of pledged funds and accounts. The following funds and accounts are established under the Subordinated NYCMWFA Indenture:

(1) Cost of Issuance Fund;
(2) Investment Fund;
(3) Debt Service Fund; and
(4) General Reserve Fund.

Each such fund and account shall be held by the Trustee. At the election of the Corporation, a Debt Service Reserve Fund with respect to and for the benefit of one or more series of Bonds may be established pursuant to the Supplemental Indenture authorizing such Series. Moneys held in a Debt Service Reserve Fund shall be applied in accordance with the Subordinated NYCMWFA Indenture and with the Supplemental Indenture establishing the same. Within each such fund or account there is established an account or subaccount relating to each series of the Subordinated NYCMWFA Bonds. The Corporation may, by Supplemental Indenture establish one or more additional funds, accounts or subaccounts.

All funds and accounts established pursuant to the Subordinated NYCMWFA Indenture as described above and any amounts on deposit therein except interest earnings, which shall be applied in accordance with the Subordinated NYCMWFA Indenture, shall be available for and pledged for the payment of the Subordinated NYCMWFA Bonds unless the Supplemental Indenture establishing a fund, account or subaccount otherwise provides.

Cost of Issuance Fund. From the proceeds of each series of the Subordinated NYCMWFA Bonds, the amount set forth in the Subordinated NYCMWFA Indenture shall be deposited in the applicable account of the Cost of Issuance Fund. Such amounts shall be paid by the Trustee to pay issuance costs incurred in connection with the issuance of the Subordinated NYCMWFA Bonds. Upon certification by an Authorized Officer that no further costs of issuance are to be paid from such Account, the Trustee shall transfer any amounts remaining on deposit therein in accordance with the instructions of such Authorized Officer.

Investment Fund. The Trustee shall promptly deposit and hold in the Investment Fund the Pledged Recipient Bonds and the Recipient Bond Payments. On or before the date any payment of principal of, premium, if any, or interest on, the related series of Subordinated NYCMWFA Bonds is due, the Trustee shall withdraw from the Investment Fund and transfer to the funds and accounts set forth below the following amounts in the following order of priority:

FIRST: To the Debt Service Fund created with respect to such Subordinated NYCMWFA Bonds the amount, if any, required so that the balance in the Debt Service Fund shall equal the amount of principal, premium, if any, and interest, if any, due on such payment date; provided that for the purpose of computing the amount to be paid to the Debt Service Fund, there shall be excluded the amount, if any, set aside in the Debt Service Fund which was deposited therein as accrued interest or interest to be paid from the proceeds of the Subordinated NYCMWFA Bonds;

SECOND: To the Rebate Fund, the amount, if any, of any deficiency therein; and

THIRD: To the General Reserve Fund, the additional amount, if any, necessary so that the amount therein is equal to the General Reserve Fund Requirement, calculated as of such Debt Service Payment Date and as confirmed to the Trustee by the Corporation;

FOURTH: To the Master Trust Agreement Trustee for deposit in the Equity Fund to reimburse the appropriate Revolving Fund in the amount of any prior unreimbursed De-allocated Reserve Account Release Payments; and

FIFTH: To the extent that the Corporation certifies that amounts remaining in the Investment Fund are not required to make any future transfers pursuant to FIRST above, (assuming for purposes of such certification that unless an Event of Default shall exist under the Subordinated NYCMWFA Indenture or the Recipient Second Resolution, all future Recipient Bond Payments will be made in full when due), then all or any portion of remaining amounts in the Investment Fund, at the written direction of the Corporation, shall be paid (i) to the Corporation to reimburse the Corporation for any amounts owed by the Recipient to the Corporation pursuant to the Project Finance Agreement or (ii) to the Recipient.

Debt Service Fund. The Trustee shall promptly deposit the following receipts in the Debt Service Fund:

(1) The amount, if any, of the proceeds of each series of Subordinated NYCMWFA Bonds, required by the Subordinated NYCMWFA Indenture to be deposited therein.

(2) All amounts required to be transferred to the Debt Service Fund from the Investment Fund pursuant to paragraph "FIRST" above.

(3) Amounts received from the Corporation for deposit in the Debt Service Fund in accordance with the Officer's Certificate delivered pursuant to the Subordinated NYCMWFA Indenture.

(4) Any amounts required to be transferred to the Debt Service Fund from a Debt Service Reserve Fund which amounts shall be applied solely to pay the Related Series of Bonds.

(5) Any amounts required to be transferred from the General Reserve Fund as described below, which amounts shall be applied to cure any deficiency in the amounts available to pay principal of, premium, if any, or interest on all Bonds.

(6) Any De-allocated Reserve Account Release Payments.

(7) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by the Recipient or the Corporation, including amounts made available pursuant to the Subordinated NYCMWFA Indenture.

The Trustee shall pay out of the Debt Service Fund to the Paying Agents for any of such Subordinated NYCMWFA Bonds (i) on each interest payment date, the amount required for the payment of interest on such Subordinated NYCMWFA Bonds due on such interest payment date and (ii) on any redemption date, the amount required for the payment of accrued interest on such Subordinated NYCMWFA Bonds redeemed unless the payment of such accrued interest shall be otherwise provided for, and such amounts shall be applied by the Paying Agents to such payment.

The Trustee shall pay out of the Debt Service Fund to the Paying Agents for any of such Subordinated NYCMWFA Bonds on each principal payment date and redemption date for any of such Subordinated NYCMWFA Bonds, the amounts required for the payment of such principal or redemption price on such date, and such amounts shall be applied by the Paying Agent to such payments.

Amounts made available by the Recipient for such purpose may, and if so directed by the Corporation shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding any sinking fund redemption date to the purchase of Subordinated NYCMWFA Bonds of the series and maturity that are subject to sinking fund redemption, at prices (including any brokerage and other charges) not exceeding

the redemption price payable for such Subordinated NYCMWFA Bonds pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Any amounts so applied shall be credited to the next succeeding sinking fund installment for such Subordinated NYCMWFA Bonds. In connection with any such purchase, the Trustee, at the direction of the Corporation shall permit the Recipient to purchase a like principal amount of the Pledged Recipient Bonds of the same series and maturity at a purchase price equal to the price (including brokerage and other charges) paid for the purchase of the related Subordinated NYCMWFA Bonds.

Debt Service Reserve Funds; General Reserve Fund. (a) The Trustee shall promptly deposit in each Debt Service Reserve Fund the following receipts:

(1) any amounts required to be deposited therein in accordance with the Related Supplemental Indenture;

(2) subject to any transfer of investment earnings to the Earnings Fund or Rebate Fund required by the Related Tax Regulatory Agreement, any investment earnings on amounts on deposit in such Debt Service Reserve Fund; and

(3) any other amounts made available by the Corporation for deposit therein.

(b) The Trustee shall make the following transfers and payments from each Debt Service Reserve Fund on each Debt Service Payment Date in the following order of priority:

(1) On any Debt Service Payment Date on which any payment of interest on any Related Series of Bonds, the Trustee shall deposit in the Debt Service Fund the amounts held in such Debt Service Reserve Fund certified by the Corporation to be all or a portion of the Committed Subsidy Amount then available to the Recipient, determined in accordance with the Project Finance Agreement;

(2) On any Debt Service Payment Date for any Related Series of Bonds, the Trustee shall transfer from the Debt Service Reserve Fund for deposit in the Debt Service Fund, any amounts due on the Series 2013 A Bonds on such Debt Service Payment Date not yet available in the Debt Service Fund for such payment; and

(3) After making any transfers required by clauses (1) and (2) above, the Trustee shall transfer from the amount, if any, in a Debt Service Reserve Fund in excess of the related Debt Service Reserve Fund Requirement to the General Reserve Fund.

(c) The Trustee shall promptly deposit in the General Reserve Fund the following receipts:

(1) any amount required to be deposited therein in accordance with a Supplemental Indenture;

(2) all Pledged DF Recipient Bond Payments and any other proceeds of Pledged DF Recipient Bonds received by the Trustee;

(3) any amount required to be transferred to General Reserve Fund from a Debt Service Reserve Fund as described above;

(4) subject to any transfer of investment earnings to the Earnings Fund or Rebate Fund required by a Tax Regulatory Agreement, any investment earnings on amounts on deposit in such General Reserve Fund; and

(5) any other amounts made available by the Corporation.

(d) The Trustee shall make the following transfers and payments from the General Reserve Fund on each Debt Service Payment Date in the following order or priority:

(1) On any Debt Service Payment Date on which any payment of interest on Bonds is due, the Trustee shall transfer from the General Reserve Fund and deposit in the Debt Service Fund the moneys held in the General Reserve Fund certified by the Corporation to be all or a portion of the Committed Subsidy Amount then available to the Recipient, determined in accordance with the Project Finance Agreement;

(2) On any Debt Service Payment Date, after any transfers from any Debt Service Reserve Fund to the Debt Service Fund as described above the Trustee shall transfer from any amounts held in the General Reserve Fund for deposit in the Debt Service Fund, any amounts due on such Debt Service Payment Date not yet available in the Debt Service Fund for such payment; and

(3) After making any transfers required by clauses (1) and (2) above, as and to the extent so directed by the Corporation, the Trustee shall transfer amounts, if any, held within the General Reserve Fund in excess of the General Reserve Fund Requirement to the Master Trust Agreement Trustee for deposit in De-Allocated Reserve Account in an amount equal to the amount released and transferred from the Series 2013 A Debt Service Fund to the General Reserve Fund as described above, with the balance, if any, to be deposited in the Equity Fund.

(e) All deposits, transfers and payments required by this Section shall be made in accordance with written directions of the Corporation.

Requests for De-allocated Reserve Account Release Payments. To the extent that there are not sufficient funds available under the Subordinated NYCMWFA Indenture on any date on which principal or interest is due on the Subordinated NYCMWFA Bonds for the payment of such principal or interest, the Trustee shall request an immediate transfer from the Master Trust Agreement Trustee of an amount equal to any deficiency of funds under the Subordinated NYCMWFA Indenture from any amounts available in the De-Allocated Reserve Account for the payment of Subordinated NYCMWFA Bonds.

Earnings Fund; Rebate Fund

Creation and Custody of Earnings Fund and Rebate Fund. The Subordinated NYCMWFA Indenture establishes an Earnings Fund and a Rebate Fund. Each such fund shall be held by the Trustee. The Rebate Fund and amounts on deposit therein are not available for and are not pledged for the payment of Subordinated NYCMWFA Bonds. The Earnings Fund and amounts on deposit therein are available for and are pledged for the payment of Subordinated NYCMWFA Bonds.

Earnings Fund. The Subordinated NYCMWFA Indenture provides for the periodic transfers of certain amounts from the Earnings Fund to the Rebate Fund. Computations of the amounts to be deposited in each fund under the Subordinated NYCMWFA Indenture and of the Rebate Amount shall be furnished to the Trustee by the Corporation in accordance with the Tax Regulatory Agreement. The Trustee is entitled conclusively to rely upon the accuracy of any such computation so furnished. Upon receipt of written instructions from an Authorized Officer, any amounts remaining in an account of the Earnings Fund after the calculation of the related Rebate Amount and the transfer of the required amount, if any, to the Rebate Fund shall be withdrawn by the Trustee and paid at the direction of the Corporation.

Rebate Fund. The Trustee shall promptly deposit in the related account of the Rebate Fund any amounts received pursuant to the Subordinated NYCMWFA Indenture or the Master Trust Agreement and any other amounts provided for such purpose by the Corporation or the Recipient. Amounts deposited in the Rebate Fund are to be applied in accordance with instructions of the Corporation to pay amounts, if any, determined owed to the United States of America under Section 148 of the Code, except to the extent otherwise permitted by the Subordinated NYCMWFA Indenture. The Trustee, upon the receipt of written instructions from an Authorized Officer specifying the amount of such excess, is authorized to withdraw the amount in excess of any then applicable Rebate Amount and pay it to or at the direction of the Corporation.

Security for and Investment of Moneys

Uninvested moneys held by the Trustee. All moneys received by the Trustee under the Subordinated NYCMWFA Indenture and not invested by the Trustee pursuant to the provisions of the Subordinated NYCMWFA Indenture, to the extent not insured by the Federal Deposit Insurance Corporation or other Federal agency, shall be deposited with the Trustee, or with a national or state bank or a trust company which has a combined capital and surplus aggregating not less than $100,000,000.

Investment of, and payment of interest on, moneys. Moneys on deposit to the credit of the Cost of Issuance Fund, Debt Service Fund, Debt Service Reserve Fund, Investment Fund, Earnings Fund, General Reserve Fund or Rebate Fund may be retained uninvested as trust funds. Such moneys shall, at the direction of an Authorized Officer, be invested by the Trustee in the Permitted Investments described by the Subordinated NYCMWFA Indenture.

Investments of moneys on deposit to the credit of the Cost of Issuance Fund, Earnings Fund, Rebate Fund, Debt Service Fund, Debt Service Reserve Fun, General Reserve Fund or Investment Fund pursuant to the Subordinated NYCMWFA Indenture shall have maturity dates, or shall be subject to redemption or tender at the option of the Trustee, on the respective dates specified by an Authorized Officer, which dates shall be on or prior to the respective dates on which the moneys invested therein are payable for the purposes of such funds. The securities purchased with the moneys in each such fund shall be held by or under the control of the Trustee and shall be deemed a part of such fund. The interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund shall be deposited by the Trustee to the credit of such fund, subject to the provisions of the Subordinated NYCMWFA Indenture. Losses, if any, realized on securities held in any fund shall be debited to such fund. The Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized by the Subordinated NYCMWFA Indenture. If at any time it shall become necessary that some or all of the securities purchased with the moneys in any such fund or account be redeemed or sold in order to raise the moneys necessary to comply with the provisions of the Subordinated NYCMWFA Indenture, the Trustee shall effect such redemption or sale, employing in the case of a sale any commercially reasonable method of effecting such sale.

Pledged DF Recipient Bonds shall not be considered investments for purposes of the foregoing limitations on investments.

Defaults and Remedies

Events of Default. The occurrence and continuation of one or more of the following events shall constitute an Event of Default:

(a) default in the payment of any installment of interest in respect of any Subordinated NYCMWFA Bond as the same shall become due and payable; or

(b) default in the payment of the principal of or premium, if any, in respect of any Subordinated NYCMWFA Bond as the same shall become due and payable either at maturity, upon redemption, by declaration or otherwise; or

(c) default in the payment of any sinking fund installment in respect of any Subordinated NYCMWFA Bond as the same shall become due and payable; or

(d) payment of the principal of and interest on the Pledged Recipient Bonds shall have been accelerated in accordance with the Recipient Second Resolution; or

(e) failure on the part of the Corporation duly to observe or perform any other of the covenants or agreements on the part of the Corporation contained in the Subordinated NYCMWFA Indenture, in the Master Trust Agreement (but solely to the extent that any such covenants or agreements would preserve the security for any Subordinated NYCMWFA Bonds afforded by the Master Trust Agreement and the pledge and assignment effected pursuant to the Master Trust Agreement) or in any Subordinated NYCMWFA Bond for a period of thirty (30) days after the date on which written notice of such failure, requiring the Corporation to remedy the same, shall have been given to the Corporation and the Recipient by the Trustee; provided that, if such failure cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and is diligently pursued until the failure is corrected;

Upon the happening and continuance of any Event of Default specified in clause (d) above, the Trustee may, or upon written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of all Subordinated NYCMWFA Bonds then outstanding, shall, by written notice given to the Corporation and to the Recipient and provided that the default has not theretofore been cured, declare the principal of all Subordinated NYCMWFA Bonds then outstanding to be due and payable immediately, and upon such declaration the said principal, together with interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Subordinated NYCMWFA Indenture or in the Subordinated NYCMWFA Bonds to the contrary notwithstanding. Except upon the occurrence and continuance of an Event of Default specified in clause (d) above, the Subordinated NYCMWFA Bonds will not be subject to acceleration. With respect to an Event of Default specified in clause (d) relating to the acceleration of the Pledged Recipient Bonds or clause (e) above relating to a Corporation default under the Master Trust Agreement, the Trustee shall not be charged with knowledge of such default until the Trustee shall have received or been deemed to have received notice thereof in accordance with the Subordinated NYCMWFA Indenture.

If, after the principal of said Subordinated NYCMWFA Bonds has been so declared to be due and payable but before all the Subordinated NYCMWFA Bonds shall have matured by their terms, all arrears of interest upon the Subordinated NYCMWFA Bonds are paid by the Corporation, and the Corporation also performs all other things in respect to which it may have been in default under the Subordinated NYCMWFA Indenture and pays the reasonable compensation and expenses of the Trustee and the Bondowners, including reasonable attorneys' fees, or provision satisfactory to the Trustee shall be made for such payments, then, and in every such case, the owners of a majority in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding, by written notice to the Corporation and to the Trustee, may annul such declaration and its consequences, and such annulment shall be binding upon the Trustee and upon all owners of Subordinated NYCMWFA Bonds, or, if the Trustee shall have acted in the absence of a written request of the owners of at least twenty-five percent (25%) in aggregate principal

amount of all outstanding Subordinated NYCMWFA Bonds, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the owners of a majority in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled; but no such annulment shall extend to or affect any subsequent default or impair or exhaust any right or remedy consequent thereon.

Judicial proceedings by Trustee. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, upon the written request of the owners of at least twenty-five percent (25%) in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding, and receipt of indemnity to its satisfaction shall (a) by suit, action or special proceeding, enforce all rights of the Bondowners and require the Corporation or the Recipient to perform its or their duties under the Act, the Project Finance Agreement, the Subordinated NYCMWFA Bonds, the Pledged Recipient Bonds and the Subordinated NYCMWFA Indenture, (b) bring suit upon the Subordinated NYCMWFA Bonds, (c) by action or suit in equity require the Corporation to account as if it were the trustee of an express trust for the Bondowners, or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners.

Limitation on actions by Bondowners. No owner of any of the Subordinated NYCMWFA Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Subordinated NYCMWFA Indenture, or any other remedy under the Subordinated NYCMWFA Indenture or under the Subordinated NYCMWFA Bonds, unless such owner previously shall have given to the Trustee written notice of an Event of Default as provided in the Subordinated NYCMWFA Indenture and unless also the owners of not less than twenty-five percent (25%) in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Subordinated NYCMWFA Indenture, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time.

Concerning the Trustee and Paying Agent

No responsibility for own acts save willful misconduct or negligence. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Corporation or the Recipient), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Trustee shall not be liable for the exercise of any discretion or power under the Subordinated NYCMWFA Indenture or for anything whatever in connection with the trusts created in the Subordinated NYCMWFA Indenture, except only for its own willful misconduct or negligence.

Right to rely. The Subordinated NYCMWFA Indenture provides that the Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any paper or document which it shall in good faith believe to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the Subordinated NYCMWFA Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Trustee upon the request or consent of any Person who at the time of making such request or giving such consent is the owner of any Subordinated NYCMWFA Bond shall be conclusive and binding upon all

subsequent owners of such Subordinated NYCMWFA Bond or any Subordinated NYCMWFA Bond issued on registration of transfer thereof. The Trustee shall have no responsibilities for determining whether the Corporation and the Recipient have complied with the terms of the Tax Regulatory Agreement.

Removal of Trustee. The Trustee at any time and for any reason may be removed by an instrument in writing, appointing a successor, filed with the Trustee so removed and executed by the owners of a majority in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Subordinated NYCMWFA Indenture.

The Trustee at any time other than during the continuance of an Event of Default and for any reason may be removed by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed; provided, however, that no such removal shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Subordinated NYCMWFA Indenture.

Supplemental Indentures

Supplemental Indentures not requiring consent of Bondowners. Subject to the conditions and restrictions contained in the Subordinated NYCMWFA Indenture, the Corporation and the Trustee may, without the consent of or notice to the Bondowners, enter into an indenture or indentures supplemental to the Subordinated NYCMWFA Indenture, for any one or more of the following purposes (a) to cure any ambiguity or formal defect or omission in the Subordinated NYCMWFA Indenture, (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them, (c) to subject to the provisions of the Subordinated NYCMWFA Indenture additional revenues, properties or collateral, (d) to modify, amend or supplement the Subordinated NYCMWFA Indenture or any Supplemental Indenture in such manner as to permit its qualification under any Federal statute now or hereafter in effect or under any state Blue Sky Law, and, in connection therewith, if they so determine, to add to the Subordinated NYCMWFA Indenture or any Supplemental Indenture, such other terms, conditions and provisions as may be permitted or required by said Federal statute or Blue Sky Law, provided that any such Supplemental Indenture shall not, in the judgment of the Trustee, be to the prejudice of the Owners of the Subordinated NYCMWFA Bonds, (e) to provide for the issuance of Additional Subordinated NYCMWFA Bonds, (f) to establish one or more funds, accounts or subaccounts pursuant to the Subordinated NYCMWFA Indenture and, (g) to provide for any change in the Subordinated NYCMWFA Indenture which, in the opinion of the Trustee, does not materially adversely affect or diminish the rights or interests of the Trustee or the Bondowners, provided that in making such determination the Trustee shall be entitled to rely on an opinion of counsel, in accordance with the Subordinated NYCMWFA Indenture.

Supplemental Indentures requiring consent of Bondowners. Except as otherwise provided in the Subordinated NYCMWFA Indenture, any modification or amendment of the Subordinated NYCMWFA Indenture may be made only with the consent of (a) in case all of the several series of Subordinated NYCMWFA Bonds then outstanding are affected by such modification or amendment, the owners of not less than sixty percent (60%) in aggregate principal amount of the Subordinated NYCMWFA Bonds then outstanding, or (b) in case less than all of the several series of Subordinated NYCMWFA Bonds then outstanding are so affected, the owners of not less than sixty percent (60%) in aggregate principal amount of the aggregate of all Subordinated NYCMWFA Bonds so affected then outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Subordinated NYCMWFA Bonds of any specified series remain outstanding, the consent of the owners of such

Subordinated NYCMWFA Bonds shall not be required and such Subordinated NYCMWFA Bonds shall not be deemed to be outstanding for the purpose of any calculation of outstanding Subordinated NYCMWFA Bonds under the Subordinated NYCMWFA Indenture. No such modification or amendment shall be made which will reduce the percentages of aggregate principal amount of Subordinated NYCMWFA Bonds, the consent of the owners of which is required for any such modification or amendment, or change the provisions of the Subordinated NYCMWFA Indenture relative to approval by series of Subordinated NYCMWFA Bonds, or permit the creation by the Corporation of any lien prior to or, except to secure Additional Subordinated NYCMWFA Bonds, on a parity with, the lien of the Subordinated NYCMWFA Indenture upon the Recipient Bond Payments and other funds pledged under the Subordinated NYCMWFA Indenture, or which will affect the times, amounts and currency of payment of the principal (including sinking fund payments, if any) of and premium, if any, and interest on the Subordinated NYCMWFA Bonds without the consent of the owners of all Subordinated NYCMWFA Bonds then outstanding and affected thereby.

For the purposes of the Subordinated NYCMWFA Indenture, a series of Subordinated NYCMWFA Bonds shall be deemed to be affected by a modification or amendment of the Subordinated NYCMWFA Indenture if the same materially adversely affects or diminishes the rights of the owners of the Subordinated NYCMWFA Bonds of such series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Subordinated NYCMWFA Bonds of any particular series would be affected by any modification or amendment of the Subordinated NYCMWFA Indenture and any such determination shall be binding and conclusive on the Corporation and all Owners of the Subordinated NYCMWFA Bonds. For purposes of the Subordinated NYCMWFA Indenture, the Trustee shall be entitled to rely upon an opinion of counsel with respect to the extent, if any, as to which such action affects the rights under the Subordinated NYCMWFA Indenture of any Owners of Subordinated NYCMWFA Bonds then outstanding, in accordance with the Subordinated NYCMWFA Indenture.

If at any time the Corporation shall request the consent of Bondowners to the execution of any such Supplemental Indenture for any of the purposes of the Subordinated NYCMWFA Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to Bondowners in the manner provided in the Subordinated NYCMWFA Indenture. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Bondowners. If, within sixty (60) days or such longer period as shall be prescribed by the Corporation following the giving of such notice, the required consent and approval of Bondowners is obtained, no Owner of any Subordinated NYCMWFA Bond shall have any right to object to any of the terms and provisions contained therein.

The Trustee shall execute any Supplemental Indenture executed and delivered in accordance with the Subordinated NYCMWFA Indenture; provided that, if, in the opinion of the Trustee, any such Supplemental Indenture adversely affects the rights, duties, immunities or obligations of the Trustee under the Subordinated NYCMWFA Indenture or otherwise, the Trustee may in its discretion resign in accordance with the provisions of the Subordinated NYCMWFA Indenture, and upon giving notice of such resignation the Trustee, in accordance with the Subordinated NYCMWFA Indenture, shall have no obligation to execute such Supplemental Indenture.

Defeasance

If at any time (a) there shall have been delivered to the Trustee for cancellation any or all of the Subordinated NYCMWFA Bonds (other than any Subordinated NYCMWFA Bonds which have been mutilated, lost, stolen or destroyed and which shall have been replaced or paid as provided in the Subordinated NYCMWFA Indenture except for any such Subordinated NYCMWFA Bonds as are shown

by proof satisfactory to the Trustee to be held by bona fide purchasers), or (b) with respect to any or all of the Subordinated NYCMWFA Bonds not theretofore delivered to the Trustee for cancellation, the whole amount of the principal and the interest and the premium, if any, due and payable or to become due and payable on such Subordinated NYCMWFA Bond or Subordinated NYCMWFA Bonds then outstanding shall be paid or deemed to be paid. Provision shall also be made for paying all other sums payable under the Subordinated NYCMWFA Indenture, including the Corporation's, Trustee's and Paying Agents' fees and expenses with respect to such Subordinated NYCMWFA Bonds, then the Trustee, in such case, on demand of the Corporation made at the direction of the Recipient, shall release the lien of the Subordinated NYCMWFA Indenture with respect to such Subordinated NYCMWFA Bond or Subordinated NYCMWFA Bonds and turn over to or at the direction of the Corporation the Pledged Recipient Bonds relating to such Subordinated NYCMWFA Bond or Bonds or, if such Subordinated NYCMWFA Bonds constitute less than all of the Subordinated NYCMWFA Bonds of a series, shall exchange the Pledged Recipient Bonds corresponding to such Subordinated NYCMWFA Bonds for Pledged Recipient Bonds having the same terms except that the principal amount thereof shall be equal to the principal amount of the Subordinated NYCMWFA Bonds relating to such Pledged Recipient Bonds outstanding after giving effect to such payment (or provision therefor) or cancellation and shall execute such documents as may be reasonably required by the Corporation and the Recipient and in the case of such release in respect of all Subordinated NYCMWFA Bonds, shall turn over to or at the direction of the Corporation any balances remaining in any fund created under the Subordinated NYCMWFA Indenture, other than moneys and Investment Obligations (as defined in the second succeeding paragraph) retained for the redemption or payment of Subordinated NYCMWFA Bonds; otherwise, the Subordinated NYCMWFA Indenture shall be, continue and remain in full force and effect.

Notwithstanding the foregoing, the Trustee shall not release any funds held pursuant to the Subordinated NYCMWFA Indenture to the Corporation until it shall have received an opinion of Bond Counsel to the effect that such funds may be transferred to the Corporation without adversely affecting the exclusion of interest on any series of Subordinated NYCMWFA Bonds from gross income for Federal income tax purposes.

Subordinated NYCMWFA Bonds shall be deemed to be paid whenever there shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Subordinated NYCMWFA Bonds) either moneys in an amount which shall be sufficient, or noncallable obligations issued or guaranteed by or backed by the full faith and credit of, the United States of America (including certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon) (herein referred to as "Investment Obligations") certified by an independent accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without the necessity of further investment or reinvestment of either the principal amount thereof or interest therefrom, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal of, and premium, if any, and interest due and to become due on all such Subordinated NYCMWFA Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if redeemed prior to maturity an irrevocable instruction to mail the redemption notice as provided in the Subordinated NYCMWFA Indenture has been given, and the Trustee shall have been directed to give notice to the Registered Owners of such Subordinated NYCMWFA Bonds in the manner provided in the Subordinated NYCMWFA Indenture that a deposit meeting the requirements of this paragraph has been made and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on, such Subordinated NYCMWFA Bonds; provided, however, that neither Investment Obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any Investment Obligations shall be withdrawn, or used for any purpose other than, and

shall be held in trust for, the payment of the principal of, and premium, if any, and interest on such Subordinated NYCMWFA Bonds.

No Individual Liability

No covenant or agreement contained in the Subordinated NYCMWFA Bonds or in the Subordinated NYCMWFA Indenture shall be deemed to be the covenant or agreement of any director, officer, agent, or employee of the Corporation in his or her individual capacity, and neither the directors of the Corporation nor any official executing the Subordinated NYCMWFA Bonds shall be liable personally on the Subordinated NYCMWFA Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Exhibit 5A – Certain Definitions and
Summary of Certain Documents Relating to the Personal Income Tax Program

SUMMARY OF CERTAIN PROVISIONS OF
NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(ENVIRONMENT)
GENERAL BOND RESOLUTION

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the New York State Environmental Facilities Corporation State Personal Income Tax Revenue Bonds (Environment) General Bond Resolution (the "Resolution"). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. A copy of the Resolution may be obtained upon request from the New York State Environmental Facilities Corporation.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chair, the President, the Executive Vice President, the Chief Financial Officer, or Secretary, and when used with reference to any act or document, any one of the Authorized Officers or other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, any officer of the Trustee customarily performing functions similar to those performed by the Trustee under the Resolution and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the Environment Revenue Bonds Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean the New York State Environmental Facilities Corporation, the corporate governmental agency created by the Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean 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 as amended) as existing from time to time, together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the New York State Environmental Facilities Corporation State Personal Income Tax Revenue Bonds (Environment) General Bond Resolution (including the Standard Resolution Provisions set

forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenue Fund shall mean the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 1.01)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 1.02)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Acts.

(Section 1.03)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 1.04)

Authorization of Bonds

The Resolution creates an issue of Bonds of the Issuer constituting State environment purpose bonds pursuant to the Acts and to be designated as "State Personal Income Tax Revenue Bonds (Environment)" and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Resolution and are payable solely out of the Pledged Property, which is derived principally from amounts appropriated by the State Legislature as authorized pursuant to Section 92-z without recourse against any other assets, revenues or funds of or other payments due to the Issuer and by all Funds and accounts (other than the Rebate Fund) established by the Resolution, all in the manner more particularly provided in the Resolution. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "State Personal Income Tax Revenue Bonds (Environment)," shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate

such obligation as other than a "Bond". Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Resolution into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Resolution as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 2.01)

Redemption at Demand of the State

The State may, upon furnishing sufficient funds, require the Issuer to redeem, prior to maturity, as a whole, any Series of Bonds on any interest payment date not less than twenty (20) years after the initial date of the Bonds of such Series at one hundred five per centum (105%) of their face value (or in the case of Capital Appreciation Bonds, the Appreciated Value) and interest accrued and unpaid to the redemption date or at such lower Redemption Price as may be provided by the Issuer in the Supplemental Resolution in the case of the redemption thereof as a whole on the redemption date and the Issuer shall deposit such amounts received from the State and redeem such Series pursuant to the Resolution.

(Section 4.01)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 5.01)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee. Each of such Funds and accounts shall have as a prefix "New York State Environmental Facilities Corporation State Personal Income Tax Revenue Bonds (Environment)"

1. Revenue Fund,
2. Debt Service Fund,
3. Rebate Fund,
4. Bond Proceeds Fund,
5. Administrative Fund,
6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. All moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and

apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 5.02)

Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 5.03)

Debt Service Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

i) The interest due on all Outstanding Bonds on such Interest Payment Date;

ii) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

iii) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

The amounts paid to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 5.04)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and direct the transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay or cause to be paid out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.05)

Bond Proceeds Fund

The Issuer, or the Trustee at the Issuer's direction, shall deposit or cause to be deposited into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise determined by the purposes for which a Series is issued as set forth in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes set forth in paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom by the Trustee and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred by the Trustee to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 5.06)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Issuer, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Issuer be transferred to the Trustee for deposit to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the provisions of the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.07)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund accumulated as a reserve for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses including reserves and working capital, the Issuer shall direct the Trustee to apply the excess to the purposes and in the Funds established under the Resolution in the same manner as payments from the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 5.08)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however, that* (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however, that* the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all moneys paid to the Issuer under the Acts or otherwise for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 5.09)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, provided that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 5.10)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 6.01)

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the New York State Environmental Facilities Corporation.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

Authorized Newspaper shall mean The Bond Buyer or any other newspaper customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York, designated by the Issuer.

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

Bond Counsel shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

(4) If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically

identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(5) With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

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

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that*, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

(a) the municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) the municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial

advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations,

Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and the Standard Resolution Provisions; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Standard Resolution Provisions to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Standard Resolution Provisions.

Redemption Price shall mean, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by section 92-z of the State Finance Law.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Standard Resolution Provisions, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Standard Resolution Provisions to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Standard Resolution Provisions by those who shall hold the same from time to time, the Standard Resolution Provisions shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Standard Resolution Provisions and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Standard Resolution Provisions or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) A Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Standard Resolution Provisions, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the

Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Project Costs and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

(I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

A certificate by the Director of the Budget stating that the amounts set forth pursuant to the first paragraph above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in subsection (II) of second paragraph above for any State Fiscal Year set forth pursuant to above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of the Standard Resolution Provisions and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of

the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Standard Resolution Provisions, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien

or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Section A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the subsection under the caption "The Pledge Effected by the Resolution". There is thereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in subsection 1 of the section under the caption "The Pledge Effected by the Resolution" is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in the aforementioned section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Establishment of Funds

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit

the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Standard Resolution Provisions may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Standard Resolution Provisions; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z <u>less</u> (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund

Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Standard Resolution Provisions, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Standard Resolution Provisions expressly agree that it shall be an integral part of the contract arising under the Standard Resolution Provisions that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of the Standard Resolution Provisions, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of the Standard Resolution Provisions, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions to be an integral part of the contract arising under the Standard Resolution Provisions that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Standard Resolution Provisions, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Standard Resolution Provisions, (ii) to extinguish the existing lien on Pledged Property created under the Standard Resolution Provisions, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with the Standard Resolution Provisions. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of the Standard Resolution Provisions.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of

State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in the Standard Resolution Provisions).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in the Standard Resolution Provisions). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this

subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in the Standard Resolution Provisions provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in the Standard Resolution Provisions provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly

authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default," as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of

moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Standard Resolution Provisions. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Standard Resolution Provisions shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of the Standard Resolution Provisions.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the

application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to the Standard Resolution Provisions shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and

shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligation as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligation may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required

or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Standard Resolution Provisions as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Standard Resolution Provisions solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Standard Resolution Provisions, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is thereby authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Standard Resolution Provisions. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the

consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of the Standard Resolution Provisions, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in the Standard Resolution Provisions or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in the Standard Resolution Provisions. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in the Standard Resolution Provisions). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as is provided in the Standard Resolution Provisions) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as is provided in the Standard Resolution Provisions). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such

Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without

cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Standard Resolution Provisions, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Standard Resolution Provisions are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought

in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Standard Resolution Provisions, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Standard Resolution Provisions or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Standard Resolution Provisions to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Standard Resolution Provisions or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Standard Resolution Provisions which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions thereof.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (c) above has been made and that said Bonds are deemed to have been paid in accordance with the Standard Resolution Provisions and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with the Standard Resolution Provisions in the manner further provided in the Standard Resolution Provisions thereof. Neither Government Obligations or moneys deposited pursuant to the Standard Resolution Provisions nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be

calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Standard Resolution Provisions solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person

purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a

written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the

remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

Effective Date

The Resolution shall take effect immediately.

(Section A-1314)

FORM OF FINANCING AGREEMENT

(ENVIRONMENT)

STATE PERSONAL INCOME TAX REVENUE BONDS (ENVIRONMENT) FINANCING AGREEMENT (the "Financing Agreement"), dated as of _____, 2002, by and between the New York State Environmental Facilities Corporation, a corporate governmental agency of the State of New York, (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the New York State Environmental Facilities Corporation Act, being Title 12 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (Environment) General Bond Resolution on October __, 2002 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Environment), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for

any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Environment) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The

Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement.

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may

constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or recission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or recission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or recission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition

to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:
Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

If to the Issuer:
General Counsel
New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form:
Attorney General
By: _____
Date: _____

Approved:

_____
State Comptroller
Date: _____

State of New York

_____
Director of the Budget

New York State Environmental
Facilities Corporation

_____
Authorized Officer

Exhibit 5B – Certain Definitions and
Summary of Certain Documents (EIR Bonds Program)

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS RELATING TO

ENVIRONMENTAL INFRASTRUCTURE REVENUE BONDS

The following summaries of the terms and provisions of certain documents do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such documents and all provisions therein.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to the summaries of the Resolution and the Service Contract and to the terms not otherwise defined in the Annual Information Statement.

Account shall mean any account established pursuant to the Resolution.

Act shall mean 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 amended from time to time.

Additional Bonds shall mean any Bonds that are payable from payments to be made by the State pursuant to the Service Contract.

Aggregate Bond Service shall mean, for any specified date, the sum of the amounts of Bond Service due and payable on such date for all Bonds of all Series then Outstanding.

Amortized Value, when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value at any given date obtained by dividing the total premium or discount at which such Investment Obligations were purchased by the number of interest payment dates remaining to maturity on such Investment Obligations after the original purchase date and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of such purchase; and (i) in the case of Investment Obligations purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of Investment Obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Appreciated Value shall mean, in connection with any Bond, an amount with respect to such Bond determined by reference to the applicable accretion table or tables and related provisions set forth within or determined pursuant to the applicable Supplemental Resolution or Series Certificate.

Authorized Newspaper shall mean a newspaper customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

Authorized Officers shall mean the Chairman, President, Executive Vice President, Chief Financial Officer, Secretary or Director of Corporate Operations authorized to perform the act or sign the document in question.

Authorized State Representative shall mean the Director of the Budget of the State or another official of the State designated in writing by the Director of the Budget to act on his or her behalf.

Available Monies shall mean (a) in the case of the Revolving Fund, federal capitalization grants heretofore or hereafter awarded by EPA to the State and received for deposit in the Revolving Fund, together with the related matching contributions made by the State to the Revolving Fund, all to the extent such matching contributions made by the State are financed with the issuance of Bonds under the Resolution and (b) in the case of the Pipeline Fund, moneys appropriated by the State and contributed by the State to the Pipeline Fund or such State contributions which are financed with the issuance of Bonds under the Resolution.

Bond or Bonds shall mean any bond or bonds, as the case may be, authenticated and delivered under the Resolution.

Bond Anticipation Notes shall mean notes issued pursuant to the Resolution.

Bond Proceeds Fund shall mean the Bond Proceeds Fund established pursuant to the Resolution.

Bond Service shall mean as of any date and with respect to any Series, an amount equal to the sum of (i) interest due and payable on such date on Bonds of such Series and (ii) the Principal Installment, if any, due and payable on such date for such Series and (iii) any principal of and interest on Bonds of such Series previously due and not yet paid as of such date.

Bond Year shall mean any period commencing on March 15 of a year and ending on March 15 of the next succeeding year.

Bondowner or Owner of Bonds, or any similar terms, shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day on which banks located in (i) The City of New York, New York and (ii) the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Capital Appreciation Bonds shall mean the Bonds of any Series so designated in a Supplemental Resolution; provided, however, that the term "Capital Appreciation Bonds" shall only be used with respect to Bonds the interest on which is payable only at maturity or earlier redemption or acceleration of maturity in amounts determined by reference to the Appreciated Value of each such Bond.

Convertible Capital Appreciation Bonds shall mean Bonds which, on or prior to the Current Interest Commencement Date, have the characteristics of Capital Appreciation Bonds and, after the Current Interest Commencement Date, have the characteristics of Current Interest Bonds, in each case with such further terms and conditions as may be designated therefor within or pursuant to a Supplemental Resolution adopted prior to the issuance of such Series of such Bonds.

Corporate Trust Office shall mean the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at One M&T Plaza, Buffalo, New York 14203.

Corporation shall mean the New York State Environmental Facilities Corporation, the corporation organized and existing under the Act, or any successor thereto.

Cost of Financing shall mean with respect to any State Contribution(s) (i) the amount of such State Contribution(s), (ii) amounts, if any, required by the Resolution or Series Certificate to be paid into any Fund or account upon the issuance of any Series of Bonds, (iii) any amounts required to pay when due (whether at the maturity of principal or the due date of interest or upon redemption) any indebtedness (other than Bonds), including Bond Anticipation Notes, incurred to finance State Contribution(s) and (iv) the Costs of Issuance of the Bonds.

Costs of Issuance shall mean all items of expense, directly or indirectly payable or reimbursable by or to the Corporation or the State, related to the authorization, sale and issuance of Bonds or Bond Anticipation Notes, including but not limited to underwriting fees not paid in the form of a discount on the purchase price of Bonds, bond issuance and annual charges payable by the Corporation pursuant to the Public Authorities Law of the State of New York, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums, fees or charges for any Credit Facility or Liquidity Facility and any other cost, charge or fee in connection with the original issuance of Bonds.

Costs of Issuance Account shall mean the Costs of Issuance Account established in the Bond Proceeds Fund pursuant to the Resolution.

Credit Facility means an irrevocable letter of credit, bond insurance policy, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility, insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, a corporation, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Resolution and with the Supplemental Resolution authorizing such Bonds or a Series Certificate, whether or not the Corporation is in default under the Resolution; provided, that use of a Credit Facility shall not result, at the time of delivery of the Credit Facility, in a reduction in the rating of any Bonds Outstanding, and provided further, that a substitute Credit Facility (the "Substitute Credit Facility") may be obtained from time to time (i) which shall contain the same material terms as set forth in the Credit Facility for which substitution is made, and (ii) will not, in and of itself, result in a rating of the related Bonds lower than those which then prevailed.

Current Interest Bonds means Bonds that bear interest which is payable semiannually or more often.

Current Interest Commencement Date means the date established prior to the issuance of each Series of Convertible Capital Appreciation Bonds, at which time the Appreciated Value ceases to increase and on and after which date interest on the Maturity Amount is payable currently on the next ensuing interest payment dates.

Debt Service Fund shall mean the Debt Service Fund established pursuant to the Resolution.

Debt Service Payment Date with respect to any series of Additional Bonds, shall mean the dates identified as such in a supplement to the Service Contract.

Debt Service Reserve Fund shall mean a Debt Service Reserve Fund established pursuant to a Supplemental Resolution adopted in accordance with the provisions of the Resolution.

DEC shall mean the New York State Department of Environmental Conservation.

DOB shall mean the Division of the Budget of the State of New York.

EPA shall mean the United States Environmental Protection Agency.

Event of Default shall mean an event described in "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Events of Default."

Fiduciary or Fiduciaries shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fixed Rate Conversion Date shall mean the date after which a Variable Interest Rate Bond shall bear interest at a fixed rate of interest to the maturity date.

Fund shall mean any fund established pursuant to the Resolution.

Funded Interest Account shall mean the Funded Interest Account established in the Bond Proceeds Fund pursuant to the Resolution.

General Revenue Account shall mean the General Revenue Account established within the Revenue Fund pursuant to the Resolution.

Interest Account shall mean the Interest Account established in the Debt Service Fund pursuant to the Resolution.

Investment Obligations shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the funds held under the Resolution:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed as to timely payment by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed as to timely payment by the United States of America or any other evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in this clause (i) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations and which underlying obligations are not available to satisfy the claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) obligations issued by any state or any public agencies or municipalities which at the time of their purchase are rated by any nationally recognized bond rating agency which is then rating the bonds not lower than the corresponding rating on the Bonds on the date of purchase of such obligations;

(iv) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged; provided that at the time of their purchase under the Resolution such obligations are rated by any nationally recognized bond rating agency which is then rating the Bonds not lower than the corresponding rating on the Bonds on the date of purchase of such obligations;

(v) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated in either of the two highest rating categories by any nationally recognized bond rating agency which is then rating the Bonds;

(vi) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by any nationally recognized bond rating agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof, which has a combined capital and surplus of not less than Fifty Million Dollars ($50,000,000);

(vii) bank time deposits evidenced by certificates of deposit issued by banks (which may include any Fiduciary) which are members of the Federal Deposit Insurance Corporation, provided that such time deposits are fully secured by obligations described in items (i) or (ii) above, which obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest;

(viii) repurchase agreements relating to securities of the type specified in clauses (i) and (ii) above, provided that such securities in an amount at least equal to the face value of such agreements shall be delivered as security for such agreements to the account of the Trustee to be held therein during the term of the agreements;

(ix) investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (iv) above, which contracts have been approved for sale by a

national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long-term debt is rated at least "A+" by Standard & Poor's Rating's Group if the Bonds are then rated by such rating agency and at least "Al" by Moody's Investors Service if the Bonds are then rated by such rating agency; and

(x) obligations of any corporation chartered by the United States, including but not limited to: the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, Federal home loan banks, the Federal National Mortgage Association, the Tennessee Valley Authority, and the Resolution Funding Corp.

Liquidity Facility shall mean an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch established pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Supplemental Resolution authorizing such Bond or a Series Certificate, provided, that the use of the Liquidity Facility shall not result, at the time of delivery of the Liquidity Facility, in a reduction in the rating of any Bonds Outstanding; and provided further that a substitute Liquidity Facility (the "Substitute Liquidity Facility") may be obtained from time to time (i) which shall contain the same material terms as set forth in the Liquidity Facility for which substitution is made, and (ii) will not, in and of itself, result in a rating of the related Bonds lower than those which then prevailed.

Maturity Amount shall mean the Appreciated Value of (i) any Capital Appreciation Bond as of the stated maturity thereof or (ii) any Convertible Capital Appreciation Bond as of the Current Interest Commencement Date thereof.

Maximum Interest Rate shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Bond or a Series Certificate, that shall be the maximum rate at which such Bond may bear interest at any time.

Minimum Denomination shall mean the minimum principal amount payable at maturity for any Series of Bonds, as specified in a related Supplemental Resolution or Series Certificate.

Multi-Purpose Fund shall have the meaning given such term in the applicable Service Contract.

Opinion of Bond Counsel shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Corporation and satisfactory to the Trustee.

Option Bond means any Bond which by its terms may be tendered by and at the option of the Owner thereof for redemption by the Corporation prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Owner thereof.

Original Principal Amount shall mean the Appreciated Value of any Capital Appreciation Bond or Convertible Capital Appreciation Bond as of the date of original issuance.

Outstanding when used with reference to Bonds of a Series, shall mean, as of any date, a Bond or Bonds of such Series, theretofore or thereupon being authenticated and delivered, issued under the Resolution except: (i) any Bonds cancelled by any Fiduciary at or prior to such date; (ii) Bonds deemed to have been paid as provided in the Resolution; (iii) Bonds in lieu of or in substitution for which other Bonds shall have been issued pursuant to the Resolution; (iv) Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agent in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice; or (v) Option Bonds which, by the terms of the applicable Supplemental Resolution or Series Certificate, are deemed to have been tendered for purchase and no longer outstanding.

Parity Reimbursement Obligation shall mean a Reimbursement Obligation, the payment of which is secured by a pledge and lien on a parity with the lien created pursuant to the Resolution.

Paying Agent shall mean any paying agent for the Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

Person shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Pipeline Fund shall mean the Pipeline for Jobs Fund established pursuant to Chapter 624 of the Laws of 1999 of the State.

Pledged Property shall mean the items pledged to the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for all of the Bonds pursuant to the Resolution.

Prepayments Account shall mean the Prepayments Account established in the Revenue Fund.

Principal Account shall mean the Principal Account established in the Debt Service Fund.

Principal Installment shall mean, as of any date with respect to any Series, the sum of (i) the principal amount and Appreciated Value (to the extent applicable) of Bonds of such Series due on such date and (ii) the unsatisfied balance (determined as provided in the Resolution) of any Sinking Fund Installments due on such date for Bonds of such Series.

Record Date shall mean (whether or not a Business Day) the fifteenth (15th) day of the calendar month prior to any interest payment date on the Bonds or any other date specified for particular Bonds in a related Supplemental Resolution or Series Certificate.

Redemption Fund shall mean the Redemption Fund established pursuant to the Resolution.

Redemption Price shall mean, when used with respect to a Bond (other than a Convertible Capital Appreciation Bond or a Capital Appreciation Bond), or a portion thereof to be redeemed, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, pursuant to the Resolution and the applicable Supplemental Resolution, but, when used with respect to a Convertible Capital Appreciation Bond or a Capital Appreciation Bond, "Redemption Price" shall mean the Appreciated Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

Refunding Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Resolution in order to refund Bonds.

Reimbursement Obligation shall mean an obligation of the Corporation described as such in the Resolution to reimburse directly the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Resolution shall mean the Multi-Purpose State Service Contract Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms of the Resolution.

Revenue Fund shall mean the Revenue Fund established pursuant to the Resolution.

Revolving Fund shall mean the State Water Pollution Control Revolving Fund established pursuant to Chapter 565 of the Laws of 1989 of the State, as amended.

Serial Bonds shall mean Bonds which mature in annual installments.

Series shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction pursuant to the Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Resolution, regardless of variations in maturity, interest rate, sinking fund, or other provisions.

Series Certificate means a certificate of an Authorized Officer of the Corporation fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so pursuant to the Resolution.

Service Contract shall mean, with respect to each Series of Bonds, a written agreement or agreements between the Corporation and the State pursuant to which the State agrees to pay the Corporation, subject to appropriations by the State legislature, such sums as necessary to meet the debt service payments on any Outstanding Bonds of such Series no later than when due.

Service Contract Bond Payments shall mean all payments or other amounts received or receivable by the Corporation pursuant to Service Contracts that are intended to provide sufficient amounts to timely pay Aggregate Bond Service, excluding, among others, amounts received or receivable

by the Corporation (i) that represent its fees, charges and expenses, (ii) that are to be applied to the payment of principal of and premium, if any, and interest on any Bond Anticipation Notes that are to be deemed paid within the meaning of the resolution that authorized such Bond Anticipation Notes or (iii) that are to be deposited in an escrow fund for the payment of principal and premium, if any, and interest on any Bonds to be paid within the meaning of the Resolution.

Sinking Fund Installment shall mean, as of a particular date, any future Sinking Fund Installment established pursuant to the Resolution.

Special Period shall mean any period commencing with the occurrence of an Event of Default described in the Resolution and ending on the date when all of the following shall exist: (i) there is an amount on deposit in the Revenue Fund at least equal to Aggregate Bond Service, (ii) the adopted budget of the State for the then current fiscal year of the State contains an appropriation for an amount to be paid to the Corporation as Service Contract Bond Payments for such fiscal year which, together with moneys available in the Revenue Fund, will at least equal the full amount required to be paid to the Corporation as Service Contract Bond Payments for such fiscal year of the State, and (iii) the proposed executive budget of the State, if such proposed executive budget shall then be available, for the immediately succeeding fiscal year of the State contains an appropriation for the amount required to be paid to the Corporation as Service Contract Bond Payments for such fiscal year.

Standby Purchase Agreement means an agreement by and between the Corporation and another person pursuant to which such person is obligated to purchase Option Bonds tendered for purchase.

State shall mean the State of New York.

State Contribution shall mean amounts appropriated and either paid or to be paid by the State to the Corporation for deposit in (i) the Revolving Fund, (ii) the Pipeline Fund, (iii) the 1285-p Fund, (iv) the 1285-q Fund, (v) the 1285-l Fund and (vi) any fund established by the State and administered by the Corporation for which the Corporation may provide funds or reimburse the State for its contribution to such Fund; provided, however, that (i) such amounts shall have been paid or will be paid to the Corporation pursuant to appropriations authorized for reimbursement or payment (if amendments to the Act provide for direct payment) from proceeds of Bonds as set forth in the Act and (ii) the State shall not have previously been reimbursed from proceeds of Bonds for such contribution.

State Contribution Fund shall mean the State Contribution Fund established pursuant to the Resolution.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with the Resolution.

Term Bonds shall mean Bonds having a single stated maturity date for which Sinking Fund Installments are specified in a Supplemental Resolution.

Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, as Trustee pursuant to the Resolution, and its successor or successors or any other corporation which may at any time be substituted in its place pursuant to the Resolution.

1285-l Fund shall mean the Fund established in accordance with Chapter 55 of the Laws of 1992 of the State of New York.

1285-p Fund shall mean the Fund established in accordance with Chapter 81 of the Laws of 2002 of the State of New York.

1285-q Fund shall mean the Fund established in accordance with Chapter 1 of the Laws of 2003.

Variable Interest Rate means a variable, adjustable, convertible or similar interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, for which the method of computing such variable interest rate is specified in the Supplemental Resolution authorizing such Bonds or in a Series Certificate; provided, that the related Supplemental Resolution shall specify (i) a Maximum Interest Rate, and (ii) the method or methods for determining the Variable Interest Rate and the frequency of change thereof; and provided further, that the method or methods for determining the Variable Interest Rate may include the selection of such rate by an indexing agent or remarketing agent as provided in an agreement between the Corporation and such agent, the utilization of an index or indices as described in the related Supplemental Resolution, or such other standard or standards set forth by the Corporation in the related Supplemental Resolution or any combination of the foregoing.

Variable Interest Rate Bond shall mean any Bond which bears a Variable Interest Rate, provided that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

SUMMARIES OF CERTAIN DOCUMENTS

The following are summaries of certain provisions of the Resolution and the Service Contract in connection with the Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Provisions for Issuance of Bonds (Sections 202, 203 and 206)

General. Bonds of any Series shall be authorized by a Supplemental Resolution which shall specify, or shall authorize an Authorized Officer to determine pursuant to a Series Certificate, among other things, the authorized principal amount, designation and Series of such Bonds and the purpose for which such Series of Bonds is being issued which shall be (i) one or more of the purposes described below, or (ii) the refunding of Bonds as hereinafter described or (iii) a combination of such purposes as are set forth in clauses (i) and (ii) of this paragraph.

All (but not less than all) the Bonds of such Series shall be executed by the Corporation for issuance under the Resolution and delivered to the Trustee and thereupon shall be authenticated by the Trustee and made available by it for delivery to the Corporation or upon its order, but only upon the receipt by the Trustee of:

(1) An Opinion of Bond Counsel to the effect that (i) the Corporation has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Corporation, is in full force and effect and is valid and binding upon the

Corporation and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge of the items which it purports to pledge to the payment of the Bonds pursuant to the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (iii) the Bonds of such Series are valid and binding special obligations of the Corporation as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution (except insofar as the enforceability thereof may be limited by any applicable bankruptcy, insolvency or similar law relating to the enforcement of creditors' rights generally or the availability of the remedy of specific performance, injunctive relief or any other equitable remedy), and entitled to the benefit of the Resolution and of the Act, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Resolution;

(2) A written order as to the delivery of the Bonds of such Series, signed by an Authorized Officer;

(3) A copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer;

(4) An executed copy of any Series Certificate delivered in connection therewith; and

(5) Such further documents and moneys as are required by the provisions of the Resolution or any Supplemental Resolution adopted pursuant to the Resolution.

Further Provisions for Issuance of Bonds. One or more Series of Bonds may be authenticated and delivered upon original issuance pursuant to the Resolution, in such principal amount or amounts for each such Series as may be determined from time to time by the Corporation, for the purpose of paying or providing for the payment or reimbursement of the Cost of Financing State Contributions.

The Bonds of each Series issued for such purposes shall be authenticated and made available for delivery by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution and described above) of:

(1) An Opinion of Bond Counsel to the effect that the Corporation has good, right and lawful authority to issue bonds for the purpose of financing the State Contributions to be financed with the proceeds of the Bonds of such Series;

(2) A certificate of an Authorized Officer stating that the Service Contract Bond Payments are sufficient to provide for the timely payment of all scheduled payments of principal and premium, if any, and interest on all Bonds Outstanding on such date;

(3) A certificate of an Authorized Officer setting forth the aggregate principal amount of Bonds issued and stating that such aggregate amount does not, at the time of delivery of such Bonds, exceed the maximum authorization therefor set forth in the Act, as amended to the date of the certificate;

(4) A certified copy of the applicable Service Contracts;

(5) A certificate of an Authorized Officer stating that no Special Period is in existence;

(6) A copy of the Series Certificate, if any, executed in connection with the Bonds of such Series; and

(7) If any Bonds of such Series are Option Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of and payment of interest due on all Option Bonds of such Series if the Owners thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Option Bonds of such Series.

Refunding Bonds. One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion of the Outstanding Bonds of a Series, in an aggregate principal amount which will provide funds, together with other moneys available therefor, to accomplish such refunding.

The Refunding Bonds of such Series shall be authenticated and made available for delivery by the Trustee only upon receipt by the Trustee (in addition to the documents described above) of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds so to be refunded on a redemption date specified in such instructions;

(2) Irrevocable instructions to the Trustee, satisfactory to it, to mail the notice in the manner described below under "Defeasance" with respect to the payment of the said Bonds pursuant to said Section; and

(3) Either (i) moneys or (ii) Investment Securities as shall be necessary to comply with the provisions described below under "Defeasance," which Investment Securities and moneys shall be held in trust and used only as provided in such provisions.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Supplemental Resolution authorizing such Bonds.

Bond Anticipation Notes (Section 205)

Whenever the Corporation shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Corporation may by resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Series of Bonds so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals thereof shall be payable only from (i) the proceeds of renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State pursuant to a Service Contract expressly for payment of such Bond Anticipation Notes or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or Account under the Resolution. Such proceeds and other amounts set forth in clauses (i) through (iv) above may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes other

than renewals thereof shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or Account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or Account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the resolution authorizing such Bond Anticipation Notes.

Credit Facility (Sections 206 and 207)

In connection with the issuance of any Series of Bonds under the Resolution, the Corporation may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Corporation. In connection therewith the Corporation may enter into such agreements with the issuer of such Credit Facility providing for, *inter alia*: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Corporation may secure such Credit Facility by an agreement providing for the purchase by the issuer of such Credit Facility of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Corporation in the applicable Supplemental Resolution or Series Certificate. The Corporation may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that except as otherwise provided in any Supplemental Resolution or Series Certificate, no Reimbursement Obligation, including any Parity Reimbursement Obligation (as defined below), shall be created, for purposes of the Resolution, until the related principal or interest payments on the Bonds are paid from such Credit Facility; provided further that it shall be a condition to obtaining any Credit Facility that any Reimbursement Obligation (including a Parity Reimbursement Obligation) or other obligation of the Corporation, to make any payments to the issuer of such Credit Facility shall be secured by a corresponding obligation of the State to make Service Contract Bond Payments in sufficient amounts to the Corporation, to reimburse the Corporation therefor. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, collateral and revenues securing such Series of Bonds on a parity with the lien created by the Resolution and the applicable Supplemental Resolution or Series Certificate (a Reimbursement Obligation secured in such manner being hereinafter referred to as a "Parity Reimbursement Obligation"). Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution or Series Certificate.

The Corporation may include such provisions in a Supplemental Resolution authorizing the issuance of a series of Bonds secured by a Credit Facility (or in the Series Certificate relating to such Bonds) as the Corporation deems appropriate.

The Pledge Effected by the Resolution (Section 501)

As security for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds, in accordance with their terms and the provisions of the Resolution, the Corporation, subject only to the provisions of the Resolution permitting the application thereof, for the purposes and on the terms and conditions set forth in the Resolution, pledges and assigns unto and grants a security interest to, the Trustee, and its respective successors in trust, (i) the proceeds of the sale of the Bonds, (ii) the Service Contract Bond Payments, (iii) the moneys, securities and funds held in the Funds and Accounts established under the Resolution, including the investments, if any, thereof and (iv) all rights, remedies, title and interest of the Corporation in any Service Contract other than (A) the rights of the Corporation to receive amounts under the Service Contract that do not constitute Service Contract Bond Payments, (B) the right of the Corporation to agree to the amendment of a Service Contract pursuant to the Resolution, (C) the right of the Corporation to agree to establish the terms of one Series or multiple Series of Bonds in a Service Contract or to establish the terms of the administration of the Revolving Fund, the Pipeline Fund or any other fund to be administered by the Corporation at a future date and (D) the right of the Corporation to enforce the provisions of any Service Contract independently of the Trustee, without limiting the right of the Trustee to enforce the payment of Service Contract Bond Payments or amounts payable to any Fiduciary pursuant to the Resolution.

The pledge shall be valid and binding from and after the date of issuance and delivery of the Bonds and the Pledged Property shall immediately be subject to the lien of the pledge, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof.

As and to the extent provided in any Supplemental Resolution authorizing a Series of Bonds and notwithstanding anything to the contrary contained in the Resolution, the Corporation may incur obligations or indebtedness to any Person providing a Credit Facility or Liquidity Facility, which are payable from the Service Contract Bond Payments on a parity with the Bonds and which are secured by a lien on and pledge of the Service Contract Bond Payments equal to and ratable with the lien and pledge made in the Resolution, without preference, priority or distinction over the rights of the Owners of the Bonds.

Establishment of Funds and Accounts (Section 502)

The Resolution provides that the following Funds and Accounts, which shall held and administered by the Trustee, shall be created and established pursuant to the Resolution:

(1) Bond Proceeds Fund, which shall contain therein the Costs of Issuance Account and the Funded Interest Account,

(2) State Contribution Fund,

(3) Revenue Fund, which shall contain therein the General Revenue Account and the Prepayments Account,

(4) Debt Service Fund, which shall contain therein the Principal Account and the Interest Account, and

(5) Redemption Fund.

Amounts held at any time by the Trustee in any of the Funds and Accounts established pursuant to the Resolution shall be held in trust separate and apart from all other funds and accounts of the Corporation. Additional funds, accounts or subaccounts may be created for other purposes by any Supplemental Resolution.

Bond Proceeds Fund (Section 503)

There shall be deposited from time to time in the Bond Proceeds Fund the cash proceeds of sale (inclusive of premium, if any, but not of accrued interest, underwriters' discount or amounts to be deposited in the State Contribution Fund) of any Series of Bonds and any other amounts determined by the Corporation to be deposited therein from time to time subject to the requirements of the Supplemental Resolution authorizing the issuance of such Series of Bonds. Amounts in the Bond Proceeds Fund, including any Account or subaccount thereof, shall be expended only for the purpose or purposes for which such Series of Bonds is being issued, and as may be provided in the Supplemental Resolution authorizing the issuance of such Series of Bonds.

Except as may be limited by applicable law, the Trustee shall pay out and permit the withdrawal of amounts on deposit in the Bond Proceeds Fund or any Account or subaccount established within the Bond Proceeds Fund pursuant to a Supplemental Resolution authorizing any Series of Bonds at any time for the purpose of making transfers to any Fund or Account required pursuant to the Resolution or a Supplemental Resolution.

Amounts on deposit in the Funded Interest Account or any subaccount thereof shall be transferred to the Interest Account prior to each interest payment date in accordance with the requirements of the Supplemental Resolution or Supplemental Resolutions authorizing such deposits to be made and providing for the application of such deposits.

Amounts on deposit in the Costs of Issuance Account or any subaccount thereof or any other Account or subaccount of the Bond Proceeds Fund thereof shall, in the case of the Costs of Issuance Accounts be applied to the payment of Costs of Issuance of Bonds, or, in the case of any other Account or subaccount of the Bond Proceeds Fund, be applied to the payment of such costs or expenses permitted by the applicable Supplemental Resolution but only upon receipt of those documents specified in the Resolution.

Upon the date, if any, specified in the applicable Supplemental Resolution or upon the written direction of an Authorized Officer, any amounts remaining (i) in the Costs of Issuance Account or any subaccount thereof and not set aside or appropriated by the Trustee to pay Costs of Issuance of the Series of Bonds which financed the payment of the Cost of Financing State Contributions, (ii) in the Funded Interest Account or any subaccount thereof and not set aside or appropriated by the Trustee to pay interest accrued to such date and (iii) in any other Account or any subaccount thereof of the Bond Proceeds Fund and not set aside or appropriated by the Trustee to pay any other cost or expense the payment of which was authorized or provided for by the Supplemental Resolution authorizing such Series of Bonds, shall be deposited in (A) the Prepayments Account, (B) the Redemption Fund, or (C) any one or more of the Funds and Accounts set forth in clauses (A) and (B) above. If the Trustee shall not have received written instructions from an Authorized Officer as provided in this paragraph within the time period, if any provided for in the applicable Supplemental Resolution, then the Trustee shall deposit such funds described in the preceding paragraph in the Redemption Fund.

State Contribution Fund (Section 504)

There shall be deposited in the State Contribution Fund any amounts which are required to be deposited therein pursuant to the Resolution, any Supplemental Resolution and any other amounts available therefor and determined by the Corporation to be deposited therein from time to time.

Except as otherwise provided in the applicable Supplemental Resolution, amounts deposited in the State Contribution Fund from the proceeds of a sale of a Series of Bonds shall be applied to pay or provide reimbursement to the State for State Contributions.

As and to the extent provided in a Supplemental Resolution or Series Certificate, upon a date set forth therein, any amount remaining in the State Contribution Fund and not set aside or appropriated by the Trustee for application in accordance with the applicable Supplemental Resolution, shall, upon receipt of written instructions from an Authorized Officer, be (i) deposited in the Prepayments Account (ii) deposited in the Redemption Fund or (iii) deposited in one or more of the Funds or Accounts described in clauses (i) through (ii) of this paragraph.

Revenue Fund; Amounts to Be Deposited Therein (Section 505)

The following shall, upon receipt thereof, be deposited into the Revenue Fund:

(i) To the General Revenue Account, such portion of the Service Contract Bond Payments representing Bond Service or any portion of the Debt Service Reserve Fund Requirement, and such portion of the Service Contract Bond Payments paid by any Person to the Corporation pursuant to and to the extent provided in a Credit Facility or a Liquidity Facility;

(ii) To the Prepayments Account, such portion of the Service Contract Bond Payments representing prepayments under any Service Contracts;

(iii) To the Prepayments Account, the amounts, if any, directed to be deposited therein pursuant to the Resolution; and

(iv) To the Prepayments Account, the earnings from the investment of the Funds and Accounts established under the Resolution directed to be so deposited pursuant to the Resolution.

Revenue Fund; Application Thereof (Section 506)

On or before the last business day prior to each interest payment date or Principal Installment due date, as the case may be, the Trustee shall transfer (i) from the Prepayments Account, to the extent any funds are on deposit therein, and (ii) to the extent necessary, from the General Revenue Account to the Principal Account and the Interest Account, the amount, if any, required so that the balance in the Debt Service Fund shall equal the Aggregate Bond Service for such interest payment date or Principal Installment due date.

If, after the transfers provided for in the preceding paragraph, there shall remain any amounts on deposit in the Prepayments Account, the Trustee, upon receipt of written instructions from an Authorized Officer of the Corporation, shall transfer from the Prepayments Account to the Redemption Fund all or any portion of such remaining amounts for the purposes of such Fund.

If after the transfers provided for in the first paragraph of this Section, there shall remain any amounts on deposit in the General Revenue Account, the Trustee shall transfer (i) unless otherwise directed in a Supplemental Resolution, to the Prepayments Account, the balance, if any of amounts remaining on deposit from such amounts which shall have been deposited into the General Revenue Account, as provided in the Resolution, by any Person pursuant to a Credit Facility or a Liquidity Facility and (ii) upon the written direction of an Authorized Officer of the Corporation, all or some portion of the balance of such amounts remaining on deposit to the Redemption Fund for the purposes of such Fund.

At the written direction of an Authorized Officer, the Trustee shall make transfers to the Corporation (i) from the Prepayments Account to the extent any funds are on deposit therein, and (ii) if necessary, from the General Revenue Account, of the amounts certified by an Authorized Officer of the Corporation as necessary to reimburse the Corporation or to pay reasonable and necessary expenses incurred by the Corporation in connection with the Bonds and not previously reimbursed; provided, that no such transfer shall result, in and of itself, on or before the immediately subsequent interest payment or Principal Installment due date, in a transfer of moneys on deposit in the Redemption Fund, pursuant to the Resolution, to the Debt Service Fund to make up a deficiency in such Fund with respect to such interest payment or Principal Installment due date.

Debt Service Fund (Section 507)

There shall be deposited into the Interest Account the following:

(i) Such amount determined pursuant to the applicable Supplemental Resolution or Series Certificate to represent accrued interest received upon the sale of a Series of Bonds;

(ii) Amounts transferred from the Funded Interest Account pursuant to the Resolution; and

(iii) Amounts transferred from the Revenue Fund or the Redemption Fund.

There shall be deposited into the Principal Account amounts transferred from the Revenue Fund or the Redemption Fund.

The Trustee shall pay out of the Interest Account to the respective Paying Agents on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date. The Trustee shall pay out of the Principal Account to the respective Paying Agents on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date. The Trustee shall pay out of the Interest Account to the respective Paying Agents, on or before any redemption date for any Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents to such payments on and after the due dates thereof.

Redemption Fund; Amounts to Be Deposited Therein (Section 509)

Upon receipt thereof, there shall be deposited into the Redemption Fund such portion of the Service Contract Bond Payments paid with directions to purchase or redeem Bonds.

Subject to the limitations contained in the last paragraph of this section, if, on the last Business Day preceding any interest payment date or Principal Installment due date, the amount on deposit in the Debt Service Fund shall be less than Aggregate Bond Service for such interest payment date or Principal Installment due date, then the Trustee shall transfer from the Redemption Fund to the

Debt Service Fund an amount (or all of the moneys in the Redemption Fund if less than the amount required) which will be sufficient to make up such deficiency.

To the extent not required to make up a deficiency as required in the second paragraph of this section, amounts in the Redemption Fund shall be applied by the Trustee as promptly as practicable after receipt of written instructions from an Authorized Officer of the Corporation, to the purchase, redemption (including premium, if any) or defeasance of Bonds. Interest on Bonds so purchased or redeemed shall be paid from the Debt Service Fund, and all expenses in connection with such purchase or redemption shall be paid by the Corporation from moneys held in the Revenue Fund pursuant to the Resolution.

The transfers required by the second paragraph of this section shall be made from amounts in the Redemption Fund only to the extent that such amounts are not then required to be applied to the redemption of Bonds for which notice of redemption shall have been given pursuant to the Resolution.

Investment of Funds and Accounts Held by the Trustee (Section 510)

Subject to the limitations set forth in the Resolution, moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in Investment Obligations. The Corporation, by written instructions signed by an Authorized Officer, shall direct the Trustee to invest and reinvest the moneys in any Fund or Account in Investment Obligations. The Investment Obligations purchased shall be held by the Trustee, or for its account as Trustee, and the Trustee shall keep the Corporation advised as to the details of all such investments. Unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds or in a resolution authorizing any series of Bond Anticipation Notes, to the extent not used to meet the requirements of such Funds or Accounts, income from such Investment Obligations shall be paid to the Corporation as received for deposit in the Prepayments Account; provided that (i) all income received from any Investment Obligations in the Bond Proceeds Fund except as provided by a Supplemental Resolution, shall be deposited in the Prepayments Account, (ii) the income from any Investment Obligations in the Principal Account and the Interest Account, to the extent provided in a Supplemental Resolution, shall remain in such Accounts and (iii) the income from any Investment Obligations in Accounts of the Revenue Fund shall remain in such Accounts. The Trustee at the direction of an Authorized Officer of the Corporation, later confirmed in writing, as to specific investments, shall sell or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from such Fund or Account, provided that no such direction shall be required to the extent such sale or redemption is necessary to make any payment from the Redemption Fund or Debt Service Fund. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or Account to the extent required to meet the requirements of such Fund or Account. No interest shall accrue on funds which shall remain uninvested. The Trustee shall not be liable on account of any investment made by it at the direction of the Corporation pursuant to the Resolution.

Satisfaction of Sinking Fund Installments (Section 511)

According to the Resolution, any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each Sinking Fund Installment shall be applied (together with amounts accumulated in the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee upon receipt of written instructions from an Authorized Officer of the Corporation, prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment as follows:

(a) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee, upon receipt of written instructions from an Authorized Officer of the Corporation, shall determine; or

(b) to the redemption of such Bonds if then redeemable by their terms at the price referred to in clause (a) hereof.

All Bonds so purchased or redeemed shall be delivered to the Trustee for cancellation prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment.

Upon the purchase or redemption of any Bonds pursuant to the first paragraph of this heading, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, except as otherwise specified in writing by an Authorized Officer of the Corporation.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Corporation may deliver to the Trustee at least forty-five (45) days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the provisions described in the first paragraph under this heading, of the Series and maturity entitled to such Sinking Fund Installment.

Payment of Bonds (Section 601)

The Corporation covenants that it shall duly and punctually pay or cause to be paid from the Pledged Property the principal or Redemption Price, if any, of every Bond and the interest thereon, at the date(s) and place(s), in the manner and from the sources mentioned in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments which may be established for any Series.

The Corporation further agrees that no later than such dates or intervals as the Supplemental Resolution relating to such Series shall provide, the Corporation shall provide to the State a certificate of an Authorized Officer setting forth the Bond Service, for a date or period specified therein, with respect to Bonds which bear interest at a fixed rate of interest, and with respect to Variable Interest Rate Bonds, the Bond Service, for a date or dates or period specified therein, on an estimate of Bond Service determined in such manner as the Supplemental Resolution relating to such Variable Interest Rate Bonds shall provide.

Power to Issue Bonds and Pledge Funds and Accounts (Section 605)

Pursuant to the Resolution, the Corporation is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except for any pledge of or lien upon the Service Contract Bond Payments made or to be credited for the benefit of the provider of a Credit Facility or Liquidity Facility and all corporate action on the part of the Corporation to that end has been duly and validly taken. The Bonds and the provisions of the Resolution shall be the valid and

legally enforceable special obligations of the Corporation in accordance with their terms and the terms of the Resolution. The Corporation shall at all times defend, preserve and protect the pledge of the Pledged Property and all the rights of the Bondowners under the Resolution against all claims and demands of all persons whomsoever.

Power to Finance State Contributions (Section 606)

Pursuant to the Resolution, the Corporation covenants that it has, and will have so long as any Bonds are Outstanding, good right and lawful power and authority to finance the Costs of Financing State Contributions.

Creation of Liens (Section 607)

Until the pledge created pursuant to the Resolution shall be discharged and satisfied as provided in the Resolution, the Corporation covenants that it shall not (i) issue any bonds or other evidences of indebtedness, other than the Bonds or Bond Anticipation Notes, secured by a pledge of the Pledged Property held or set aside by the Corporation or by the Fiduciaries under the Resolution nor create or cause to be created any lien or charge on the Pledged Property, provided that nothing contained herein shall prevent the Corporation from incurring obligations or indebtedness to any Person providing a Credit Facility or Liquidity Facility which is secured by a lien on and pledge of the Service Contract Bond Payments which is equal and ratable to or subordinate to the lien and pledge thereon made pursuant to the Resolution, nor (ii) at any time when the State is in default in making any payment required to be made under the Resolution or maintaining any Fund or Account required to be maintained in the amount required therefor by the Resolution, set apart or appropriate and pay any amount in any Fund or Account except as required by the Resolution; provided, however, that nothing contained herein shall prevent the Corporation from issuing bonds, notes or other obligations under another and separate resolution or indenture so long as the charge or lien created by such resolution or indenture is not prior or equal to the charge or lien created by the Resolution.

Additional Covenants (Section 608)

So long as any Bonds shall be Outstanding, the Corporation will, at all times, (a) comply with the obligations of the Corporation contained in any Service Contract and will use its best efforts to require the State to comply with the obligations of the State contained in any Service Contract to the extent such obligations constitute Pledged Property, and (b) use its best efforts to take all actions or proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to any Service Contract to the extent such rights constitute Pledged Property.

General (Section 611)

The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Act and the Resolution.

Amendments of Service Contracts (Section 612)

The Corporation, without the consent of the Trustee or of the Owners of Bonds Outstanding, may consent to any amendment, change, modification, or alteration of and cause to be amended, changed, modified or altered any provision of any Service Contract (except as would reduce the obligation of the State to pay Service Contract Bond Payments under the Service Contract) which would not materially adversely affect, in the Opinion of Bond Counsel, the interests of the Owners of the Bonds

Outstanding. The Bonds shall, for the purposes of this section, be deemed to not be materially adversely affected by, among other things, (i) an increase in the amounts payable under a Service Contract or in the term of the State's obligations (other than an increase in such term that changes the maturity date or payment date of any Outstanding Bonds), (ii) the issuance of additional Bonds secured by such Service Contract and the establishment of terms and provisions relating to such additional Bonds, (iii) any amendment, change, modification or alteration relating to the administration of the Revolving Fund, the Pipeline Fund or the addition of any other fund to be administered by the Corporation in the future or relating to the fees and charges of, and expenses incurred by, the Corporation; provided that no such amendment, change, modification or alteration shall reduce obligations to make payments for the benefit of Fiduciaries without the consent of such Fiduciaries.

The Corporation may consent to any amendment, change, modification or alteration of and cause to be amended, changed, modified or altered any provision of any Service Contract not described in the preceding paragraph, with the prior written consent of (A) the Owners of at least sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds then Outstanding, or (B) in case less than all of the several Series of Bonds then Outstanding are affected by the alteration, change, modification or amendment, the holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such change, alteration, modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds with respect to consent to such change, alteration, modification or amendment and provided, further, that no such alteration, change, modification or amendment shall decrease the amount of any Service Contract Bond Payment required to be made by the State pursuant to any Service Contract, or extend the time of payment of any Service Contract Bond Payment by the State so as to cause any payment thereunder to be less than the related payment in respect of Aggregate Bond Service. Any Service Contract may also be amended, changed, modified or altered without the consent of the Trustee or the Bondowners to provide conforming changes in connection with the issuance of any Series of Bonds which will not materially adversely affect, in the Opinion of Bond Counsel, the interest of the Owners of the Bonds Outstanding.

Agreement of the State (Section 613)

In accordance with the provisions of the Act, the Corporation on behalf of the State, pledges to and agrees with the owners of the Bonds that the State will not limit or alter the rights and powers vested by the Act in the Corporation to fulfill the terms of any contract made with Bondowners or in any way impair the rights and remedies of such owners, until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest (if payable under the terms of any Bonds), and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

Resignation of Trustee (Section 707)

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Corporation and publishing notice thereof, specifying the date when such resignation shall take effect, once in an Authorized Newspaper, and such resignation shall take effect upon the day specified in such notice unless (i) no successor shall have been appointed by such date in which case such resignation shall become effective upon the appointment of a successor, or (ii) previously a successor shall have been appointed by the Corporation or the Bondowners, as provided in the Resolution, in which event such resignation shall take effect immediately on the appointment of such successor. The Trustee shall also mail a copy of the

notice required to be given by this paragraph, postage prepaid, to each of the registered owners of the Bonds, at their last address, if any, appearing on the registry books.

Removal of Trustee (Section 708)

The Trustee may be removed (i) at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. excluding any Bonds held by or for the account of the Corporation, and (ii) at any time other than during the continuance of an Event of Default or a Special Period by resolution of the Board of Directors of the Corporation evidenced by an instrument in writing, filed with the Trustee, and signed by an Authorized Officer, provided, however, in each case that a successor Trustee shall be simultaneously appointed with the filing of such instrument.

Resignation or Removal of Paying Agent and Appointment of Successor (Section 713)

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Corporation, the Trustee, and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by the Corporation. Any successor Paying Agent shall be appointed by the Corporation with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least One Hundred Million Dollars ($100,000,000), and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Supplemental Resolutions Effective upon Filing with the Trustee (Section 801)

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution of the Corporation may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of the Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Corporation in the Resolution, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the Resolution;

(5) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in various sections of the Resolution relating to issuance of additional Series of Bonds, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to

amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Pledged Property or of any other moneys, securities, funds or accounts;

(7) To modify any of the provisions of the Resolution as may be necessary, or desirable to provide for the issuance of Bonds in book-entry only form pursuant to the Resolution;

(8) To modify any of the provisions of the Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(9) To describe State Contributions to be financed by the Bonds or Costs of Financing such Contributions; or

(10) To establish a Debt Service Reserve Fund pursuant to a Supplemental Resolution relating to any Series of Bonds with such terms and conditions as shall be set forth in such Supplemental Resolution.

Supplemental Resolutions Effective upon Consent of Trustee (Section 802)

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation and (ii) the filing with the Trustee and the Corporation of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;

(2) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To provide for any change in the Resolution which, in the opinion of the Corporation, does not materially adversely affect or diminish the rights or interests of the Trustee or the Bondowners, provided that in making such determination the Corporation shall be entitled to rely on an opinion of Bond Counsel, in accordance with the Resolution; or

(4) To modify, amend or supplement the Resolution or any Supplemental Resolution in such manner as to permit the qualification thereof under any Federal statute now or hereafter in effect or under any state Blue Sky Law, and, in connection therewith, if they so determine, to add to the Resolution or any Supplemental Resolution, such other terms, conditions and provisions as may be permitted or required by said Federal statute or Blue Sky Law, provided that any such Supplemental Resolution referred to in this subsection (4) shall not, in the judgment of the

Trustee, be to the prejudice of the owners of the Bonds, provided that in making such judgment the Trustee shall be entitled to rely on an opinion of counsel satisfactory to the Trustee.

Supplemental Resolutions Effective with Consent of Bondowners (Section 803)

At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondowners in accordance with and subject to the provisions of the Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation and upon compliance with the provisions of the Resolution, shall become fully effective in accordance with its terms as provided in the Resolution.

Powers of Amendment (Section 902)

Any modification or amendment of the Resolution and of the rights and obligations of the Corporation and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Owners of at least sixty-six and two-thirds percent (66 2/3%) in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least sixty-six and two-thirds percent (66 2/3%) in principal amount of the Bonds of each Series so affected and outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds with respect to such modification or amendment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Corporation and all Owners of Bonds.

Consent of Bondowners (Section 903)

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions described under “Powers of Amendment” above, to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Corporation to Bondowners and shall be published once in an Authorized Newspaper (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution will not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified in the Resolution and (b) an Opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and

binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been published as provided in the Resolution.

Rights and Remedies in Lieu of Those Set Forth in Act (Section 1001)

In accordance with Section 1290.1(c) of the Act, the rights and remedies of the Owners of the Bonds and of the Trustee set forth in the Resolution are in lieu of the rights and remedies of Owners of Bonds of the Corporation set forth in Section 1294 of the Act.

Events of Default (Section 1002)

Each of the following events constitute an Event of Default under the Resolution:

(a) There shall occur a default in the payment of principal or Redemption Price of or interest on any Bond after the same shall have become due, whether at maturity or upon call for redemption or otherwise;

(b) There shall occur a failure to observe, or a refusal to comply with, the terms of the Resolution or the Bonds, other than a failure or refusal constituting an event specified in (a) above or (c) below; provided, however, that with respect to any failure to observe or refusal to comply with the covenants and agreements set forth in the Resolution, such failure or refusal shall have continued for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, if given to the Corporation by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, and provided further, that if the failure stated in the notice cannot be remedied within the applicable period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action has been instituted by the Corporation within such period and is being diligently pursued; or

(c) An "event of default by the State," as such term is used in any Service Contract, shall have occurred and be continuing.

No default under any resolution, agreement, or other instrument other than the Resolution or any Service Contract shall constitute or give rise to an Event of Default under the Resolution.

Remedies Upon an Event of Default (Section 1003)

The Bondowners and the Trustee acting for the Bondowners shall be entitled to all of the rights and remedies provided in the Act and to all of the rights and remedies otherwise provided or permitted by law. The Trustee may enforce any remedy given to the Corporation under any Service Contract other than the right to payments not constituting either Service Contract Bond Payments or amounts payable to Fiduciaries pursuant to the Resolution and other than the right of the Corporation to agree to the amendment of any Service Contract in accordance with the Resolution. The Bonds shall not be subject to acceleration upon the occurrence of an Event of Default.

Priority of Payments After Event of Default (Section 1004)

In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (excluding funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and

interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Fiduciaries after making provision for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, shall be applied as follows:

(i) To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

(ii) To the payment to the persons entitled thereto of the unpaid principal, Appreciated Value or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal, Appreciated Value or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

Defeasance (Section 1005)

If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds then Outstanding the principal, Appreciated Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer of the Corporation and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All or any portion of the Outstanding Bonds of any Series or any maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time, shall be sufficient to pay when due the principal, Appreciated Value or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available

for the payment of the principal, Appreciated Value or Redemption Price, if applicable, and interest on said Bonds. Such notice shall be mailed postage prepaid, to the registered Owners of the Bonds or portion of Bonds which are to be deemed to have been paid hereunder, at their last mailing address, if any, appearing on the registry books. Neither Investment Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Appreciated Value or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal, Appreciated Value or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Appreciated Value or Redemption Price, if applicable, of and interest on such Bonds, as realized, be transferred by the Trustee to the Corporation, and any such moneys so paid by the Trustee to the Corporation shall be released of any trust, lien or pledge created by the Resolution. The Resolution also contains special provisions relating to the defeasance of Variable Interest Rate Bonds and Option Bonds.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published once in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.

SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT

Administration of the Revolving Fund (Article I)

In consideration of the payments to be made by the State pursuant to the Service Contract, the Corporation agrees that: (i) during the term of the Service Contract and subject to the provisions thereof, it will perform certain services relating to the operation and administration of the Revolving Fund, (ii) during the term of the Service Contract and subject to the provisions thereof, it will perform certain services with respect to the operation and administration of the Pipeline Fund, (iii) during the term of the Service Contract and subject to the provisions thereof, it will perform all services relating to the operation and administration of the 1285-q Fund, (iv) during the term of the Service Contract and subject to the provisions thereof, it will perform all services relating to the operation and administration of the 1285-p Fund and (v) during the term of the Service Contract and subject to the provisions thereof, it will perform all services relating to the operation and administration of the 1285-l Fund.

Issuance of Bonds by the Corporation (Article II)

The State agrees that the Corporation may, subject to the provisions of the Service Contract and the Act, issue series of Bonds as from time to time agreed upon by the State and the Corporation, such Bonds to be secured in whole or in part by the Service Contract and related payments to be made by the State as therein provided. The Bonds, other than Bonds issued for the purpose of refunding Bonds, shall be issued from time to time in such principal amounts such that the Corporation may realize from the sale thereof net proceeds sufficient to finance certain State Contributions to the Multi-Purpose Fund, to the extent authorized pursuant to the Act and as may be agreed to from time to time in accordance with the Service Contract. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Corporation may also issue any series of Bonds in amounts sufficient to fund the Debt Service Reserve Fund to the debt service reserve fund requirement, if any, required by the Resolution and to pay the fees and charges of, and expenses incurred by, the Corporation in connection with, and the amount of interest on such series of Bonds to be paid from Bond proceeds ("Funded Interest"), if any, to be realized upon, the issuance and sale of such series of Bonds.

The State and the Corporation agree that prior to issuance of any Additional Bonds, the State and the Corporation shall enter into a supplement to the Service Contract which shall evidence the agreement of the State and the Corporation that such series of Additional Bonds relating to one or more Multi-Purpose Funds are to be secured by the Service Contract. Such supplement shall also set forth the maximum principal amount of such series of Additional Bonds, the Debt Service Payment Dates for such series of Additional Bonds and any additional conditions and limitations as are to apply to such series of Bonds.

Payments by the State (Article III)

Service Contract Bond Payments. The State agrees to pay the Corporation on or before each Contract Payment Date (as hereinafter defined) preceding each Debt Service Payment Date for so long as the Corporation shall have outstanding Bonds (i) a sum of money equal to the amount required for interest payments accrued and unpaid on the Bonds as of such Debt Service Payment Date and (ii) in the case of a principal payment date, a sum of money which will be sufficient to equal the principal payments and sinking fund installments accrued and unpaid on the Bonds as of such Debt Service Payment Date. “Contract Payment Date” means either the first business day in March and September or a date not prior to the fifth business day preceeding each March 15th and September 15th, as indicated in the applicable Service Contract.

The Resolution provides that the Trustee shall advise the State of monies on deposit, as cash, in the Debt Service Fund on the fifteenth business day preceding each Debt Service Payment Date (such monies being hereinafter referred to as “Available Funds”). The payments due on each Contract Payment Date preceding each Debt Service Payment Date shall be reduced by an amount equal to such Available Funds to the extent such amount is not required to be applied to or to make any payment of principal or interest or premium due prior to such Debt Service Payment Date. If any such Available Funds are not available, as cash, on the applicable Debt Service Payment Date, the State shall, notwithstanding such notice from the Trustee, make an immediate and additional payment on such Debt Service Payment Date in the amount of the Available Funds that are not so available, as cash, on such date. In the event any Bond or Bonds shall, in accordance with the Service Contract, bear interest other than at a fixed rate, the amount of the interest payments by the State under the Service Contract shall be determined by assuming that interest during any period for which the rate of interest has not theretofore been finally determined will accrue at the maximum rate of interest established by the Resolution for such Bond or Bonds; and, if an interest payment by the State shall exceed the actual amount of interest payable on such Bond or Bonds in the ensuing interest period, the next interest payment due from the State under

the Service Contract shall be reduced by an amount equal to such excess remaining on deposit in the Debt Service Fund at the time such next interest payment is due.

Fees and Expenses. In addition, the State agrees to pay to the Corporation on or before each Contract Payment Date preceding each Debt Service Payment Date for so long as the Corporation shall have outstanding Bonds all fees and other charges of, and expenses incurred by, the Corporation in connection with the issuance and administration of the Bonds, as certified to the State by an Authorized Officer of the Corporation.

Rights of Prepayment. The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable pursuant to the foregoing provisions. Except as otherwise agreed by the Corporation and the State, any amounts so prepaid shall be credited to the corresponding payments to be made by the State under the foregoing provisions in the order in which they become due.

Other Payments. The State may, at any time in its sole discretion, make payments to the Corporation for the purpose of (i) directly funding the cost of State Contributions to any specific Multi-Purpose Fund that will not be funded with the proceeds of Bonds, (ii) paying notes issued in anticipation of Bonds at their maturity or earlier redemption date, (iii) redeeming Bonds pursuant to the exercise by the Corporation of any option it may have under the Resolution to do so; and (iv) defeasing Bonds or notes issued in anticipation of Bonds prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution. Any payments made by the State to the Corporation for the purposes set forth in this paragraph shall, subject to the provisions of the Resolution, be applied by the Corporation to such purpose, and, if so directed in the Service Contract or in the Resolution, shall be deposited in a fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided in the Service Contract or in the Resolution.

The State further agrees upon demand of the Corporation (i) to satisfy any deficiency in any debt service reserve fund applicable to the Bonds; (ii) to pay all amounts which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation which may have been obtained as contemplated by the Service Contract, if and to the extent such obligation arises as a result of the State's failure to make any nondiscretionary payment pursuant to the foregoing provisions; and (iii) to pay all amounts which may become due pursuant to any agreement relating to the issuance of variable rate Bonds as contemplated by the Service Contract.

Nature of Obligation to Make Payments. The State agrees that, subject to the provisions of the following paragraph, its obligation to make the payments provided for in the Service Contract shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Corporation or any other person or entity having an interest in the Service Contract or the payments made thereunder.

Notwithstanding anything in the Service Contract to the contrary (i) the obligation of the State or of the Commissioner of Environmental Conservation with respect to the Revolving Fund, or the obligation of the State and DOB with respect to the Pipeline Fund, or the obligation of the State and DOB with respect to the 1285-q Fund, or the obligation of the State and DOB with respect to the 1285-p Fund, or the obligation of the State and DOB with respect to the 1285-l Fund to pay the amounts therein provided for is subject to annual appropriation by the State Legislature; (ii) the obligation of the State or of the Commissioner of Environmental Conservation with respect to the Revolving Fund, or the obligation of the State and DOB with respect to the Pipeline Fund, or the obligation of the State and DOB with respect to the 1285-q Fund, or the obligation of the State and DOB with respect to the 1285-p Fund, or the obligation of the State and DOB with respect to the 1285-l Fund to pay the amounts therein provided for shall not constitute a debt of the State within the meaning of any constitutional or statutory

provision and shall be deemed executory only to the extent of monies available therefor and no liability shall be incurred by the State beyond the monies available for such purpose; and (iii) the State Legislature shall not be legally or morally obligated to make appropriations to satisfy the State's obligation to make payments under the Service Contract relating to any specific Multi-Purpose Fund, and there can be no assurance that the State Legislature will make any such appropriations.

State Contribution Fund Requisitions. Proceeds from the sale of Bonds deposited in the State Contribution Fund shall be made available to reimburse the State to the extent that the Director of the Budget certifies (i) that such proceeds represent amounts previously appropriated and paid by the State to the Corporation for deposit in the Multi-Purpose Fund, (ii) that such appropriated amounts were paid to the Corporation pursuant to appropriations authorized for reimbursement from Bond proceeds pursuant to the Act, and (iii) that the State has not previously been reimbursed from Bond proceeds or otherwise for such amounts paid to the Corporation for deposit in the Multi-Purpose Fund.

Application of Service Contract Payments. Any amounts paid to the Corporation pursuant to the Service Contract may be used by the Corporation solely to fund debt service requirements of Bonds, any debt service reserve requirements of Bonds; fees, charges and expenses of the Corporation payable by the State pursuant to the Service Contract, or other obligations, including bonds issued to fund any required debt service reserve requirement or Funded Interest for Bonds, of the Corporation issued to finance State Contributions to the Multi-Purpose Fund.

Duties of the Corporation relating to the Bonds (Article IV)

From the net proceeds derived from the sale of Bonds. and from any other monies available to it for such purpose, the Corporation agrees to finance State Contributions to the Multi-Purpose Fund in accordance with the applicable provisions of the Act.

The following funds. in addition to such other funds and accounts which may be required or permitted by the Resolution, shall be established and retained under the Resolution:

(a) Revenue Fund;

(b) State Contribution Fund;

(c) Bond Proceeds Fund;

(d) Debt Service Fund; and

(e) Redemption Fund.

Subject to the provisions of the Service Contract summarized below under "Pledge and Assignment," proceeds from the sale of Bonds deposited in the Bond Proceeds Fund may be used by the Corporation solely (i) to pay or reimburse the Corporation for costs and expenses incurred in connection with the issuance and sale of Bonds or (ii) to pay Funded Interest.

All payments made by the State in respect of scheduled debt service on the Bonds pursuant to the Service Contract and, to the extent not otherwise provided in the related Series Certificate or Supplemental Resolution relating to the such Bonds, all accrued interest received by the Corporation upon the initial issuance and sale of such Bonds shall be deposited in the Debt Service Fund.

Investment earnings on monies in the Bond Proceeds Fund, the Debt Service Fund, the Debt Service Reserve Fund, if any, and the Revenue Fund shall be transferred to the Debt Service Fund at the times and to the extent and in the manner provided in the Resolution.

Upon (i) payment to the Corporation of the amount required therefor and (ii) the direction by the State to the Corporation to do so, the Corporation shall exercise any option it may have under the Resolution to redeem all or any portion of any series of Bonds, and the Corporation shall deposit into the Redemption Fund all payments received from the State and designated for such purpose.

Monies in each fund or account established pursuant to the Resolution shall be held and administered by the Corporation or by the Trustee or the Paying Agent, as provided in the Resolution, and shall not be commingled with any other funds of the Corporation.

In addition to the duties of the Corporation with respect to the audit powers granted the State under the Public Authorities Law or of any other law, the Corporation agrees to keep accounts and records which clearly identify the purposes for which monies received by the Corporation, including the proceeds of Bonds, pursuant to the Service Contract have been expended. The Corporation agrees to submit annual financial reports to the State, with respect to the receipt and expenditure of monies under the Service Contract, within 90 days after the end of each Corporation fiscal year during which the Service Contract is in force. The Corporation agrees to make available for inspection by the State such accounts and records as may be determined necessary or desirable by the State.

Within thirty days after the issuance of any series of Bonds, the Corporation shall (except as may be provided in any agreement entered into relating to the issuance of variable rate Bonds) furnish to the State a schedule of the aggregate of all debt service payments to be made on each date in respect of all Bonds then being issued or then otherwise outstanding.

During each year the Corporation shall have Bonds outstanding, the Corporation shall, not later than 120 days before the beginning of each State fiscal year, advise the State of the schedule of anticipated cash requirements due from the State pursuant to specified provisions of the Service Contract on each Contract Payment Date preceding each Debt Service Payment Date during such fiscal year.

The Corporation agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of any series of Bonds issued under the Resolution and then outstanding or any series of bonds issued under other resolutions of the Corporation providing for environmental infrastructure revenue bonds, the proceeds of which were used to finance State Contributions to the Multi-Purpose Fund. Refunding Bonds may be issued as part of the same series of Bonds that are issued to finance State Contributions to the Multi-Purpose Fund. Such refunding Bonds shall be deemed Bonds for all purposes of the Service Contract, except that the net proceeds derived from the sale of such refunding Bonds shall be used by the Corporation to pay or provide for the payment of the Bonds or bonds to be refunded or repaid.

When all Bonds issued under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Corporation shall promptly pay or cause to be paid to the State any monies remaining in the Bond Proceeds Fund, Debt Service Fund, Redemption Fund and Revenue Fund not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Any monies so remaining in the State Contribution Fund shall be used by the Corporation as provided in the Service Contract and in the Resolution.

Pledge and Assignment (Article V)

The State consents to the pledge and assignment by the Corporation to the holders of any of the Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Corporation in the Service Contract, of all or any of the payments by the State as provided in the Service Contract and of all or any of the funds established under the Resolution.

Special Covenants (Article VI)

The State agrees that whenever requested by the Corporation with reasonable advance notification it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Corporation, such information concerning (a) the operations and finances of the State and related entities of the State and such other matters that the Corporation considers necessary to enable it to complete and publish an official statement, placement memorandum or other similar document relating to the sale or issuance of Bonds or to comply with any contractual agreements relating to the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, or to maintain ratings on the Bonds by any nationally recognized municipal bond rating agency, and (b) the payments to be made by the State as provided herein, or information necessary to enable the Corporation to make any reports required by law or governmental regulations in connection with the Bonds or other obligations issued or incurred under the Resolution.

Neither the Corporation nor the State will terminate the Service Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability, covenant, agreement, condition or obligation arising out of or connected with the Service Contract.

The Service Contract may not be amended, changed, modified or altered so as to materially adversely affect the rights of the holders of any Bonds without the consent of such holders or any trustee acting on their behalf given in accordance with the provisions of the Resolution. Neither (a) an increase in the amounts payable under the Service Contract or in the term of the State's obligations (other than an increase in such term that changes the maturity date or payment date of any outstanding Bonds), (b) the issuance of additional Bonds secured by the Service Contract and the establishment of terms relating to such additional Bonds in accordance with applicable law, (c) any amendment, change, modification or alteration to Article I of the Service Contract, nor (d) any amendment, change, modification or alteration relating to the administration of the Revolving Fund, the Pipeline Fund or the addition of any other fund to be administered by the Corporation in the future or relating to the fees and charges of, and expenses incurred by, the Corporation, shall be deemed to be such a material adverse change.

In the event of any conflict between any of the provisions of the Service Contract and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede certain provisions of the Service Contract summarized above limiting the nature of the obligations of the State to make payments under the Service Contract.

The State agrees to request appropriations during the term of the Service Contract for each fiscal year of the State in an amount equal to any payments required to be made to the Corporation pursuant to the Service Contract during such fiscal year.

Solely with respect to any series of Bonds issued under related Supplemental Resolutions, the State covenants that it shall at all times do and perform all acts and things necessary or desirable and within its power in order to assure that interest accrued or paid on the Bonds shall, for the purposes of the income taxation of New York State and political subdivisions of New York State, be excludable from the gross income of the recipients thereof.

Events of Default by the State and Remedies (Article VII)

If for any reason, other than a failure by the State Legislature to appropriate monies for the purposes set forth in the Service Contract, the State shall fail to pay when due any of the required payments provided for in the Service Contract or shall fail to observe or perform any other covenant, obligation, condition or agreement on its part to be observed or performed, the Corporation shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary, or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, condition, agreement or covenant of the State hereunder.

The remedies conferred upon or reserved to the Corporation as described in the preceding paragraph in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

Events of Default by the Corporation and Remedies (Article VIII)

If the Corporation shall fail to observe or perform any covenant, obligation, condition or agreement on its part to be observed or performed, and such failure to observe or perform shall have continued for sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Corporation by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, condition, agreement or covenant of the Corporation under the Service Contract.

The remedies conferred upon or reserved to the State as described in the preceding paragraph in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Service Contract or of the obligations of the State to make the payments provided for as described above under "Payments by the State," nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

Miscellaneous (Article IX)

The Service Contract shall not terminate prior to the date on which no Bonds remain outstanding that are payable from payments to be made, subject to appropriation, by the State pursuant to the terms of the Service Contract.

Exhibit 5B – Certain Definitions and
Summary of Certain Documents (EIR Bonds Program)

CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS RELATING TO

ENVIRONMENTAL INFRASTRUCTURE REVENUE BONDS

The following summaries of the terms and provisions of certain documents do not purport to be complete and reference should be made to each of these documents individually for full and complete statements of such documents and all provisions therein.

DEFINITIONS OF CERTAIN TERMS

The following definitions apply to the summaries of the Resolution and the Service Contract and to the terms not otherwise defined in the Annual Information Statement.

Account shall mean any account established pursuant to the Resolution.

Act shall mean 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 amended from time to time.

Additional Bonds shall mean any Bonds that are payable from payments to be made by the State pursuant to the Service Contract.

Aggregate Bond Service shall mean, for any specified date, the sum of the amounts of Bond Service due and payable on such date for all Bonds of all Series then Outstanding.

Amortized Value, when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value at any given date obtained by dividing the total premium or discount at which such Investment Obligations were purchased by the number of interest payment dates remaining to maturity on such Investment Obligations after the original purchase date and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of such purchase; and (i) in the case of Investment Obligations purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of Investment Obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Appreciated Value shall mean, in connection with any Bond, an amount with respect to such Bond determined by reference to the applicable accretion table or tables and related provisions set forth within or determined pursuant to the applicable Supplemental Resolution or Series Certificate.

Authorized Newspaper shall mean a newspaper customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

Authorized Officers shall mean the Chairman, President, Executive Vice President, Chief Financial Officer, Secretary or Director of Corporate Operations authorized to perform the act or sign the document in question.

Authorized State Representative shall mean the Director of the Budget of the State or another official of the State designated in writing by the Director of the Budget to act on his or her behalf.

Available Monies shall mean (a) in the case of the Revolving Fund, federal capitalization grants heretofore or hereafter awarded by EPA to the State and received for deposit in the Revolving Fund, together with the related matching contributions made by the State to the Revolving Fund, all to the extent such matching contributions made by the State are financed with the issuance of Bonds under the Resolution and (b) in the case of the Pipeline Fund, moneys appropriated by the State and contributed by the State to the Pipeline Fund or such State contributions which are financed with the issuance of Bonds under the Resolution.

Bond or Bonds shall mean any bond or bonds, as the case may be, authenticated and delivered under the Resolution.

Bond Anticipation Notes shall mean notes issued pursuant to the Resolution.

Bond Proceeds Fund shall mean the Bond Proceeds Fund established pursuant to the Resolution.

Bond Service shall mean as of any date and with respect to any Series, an amount equal to the sum of (i) interest due and payable on such date on Bonds of such Series and (ii) the Principal Installment, if any, due and payable on such date for such Series and (iii) any principal of and interest on Bonds of such Series previously due and not yet paid as of such date.

Bond Year shall mean any period commencing on March 15 of a year and ending on March 15 of the next succeeding year.

Bondowner or Owner of Bonds, or any similar terms, shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day on which banks located in (i) The City of New York, New York and (ii) the city in which the principal office of the Trustee is located are not required or authorized to remain closed and on which the New York Stock Exchange, Inc. is not closed.

Capital Appreciation Bonds shall mean the Bonds of any Series so designated in a Supplemental Resolution; provided, however, that the term "Capital Appreciation Bonds" shall only be used with respect to Bonds the interest on which is payable only at maturity or earlier redemption or acceleration of maturity in amounts determined by reference to the Appreciated Value of each such Bond.

Convertible Capital Appreciation Bonds shall mean Bonds which, on or prior to the Current Interest Commencement Date, have the characteristics of Capital Appreciation Bonds and, after the Current Interest Commencement Date, have the characteristics of Current Interest Bonds, in each case with such further terms and conditions as may be designated therefor within or pursuant to a Supplemental Resolution adopted prior to the issuance of such Series of such Bonds.

Corporate Trust Office shall mean the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at One M&T Plaza, Buffalo, New York 14203.

Corporation shall mean the New York State Environmental Facilities Corporation, the corporation organized and existing under the Act, or any successor thereto.

Cost of Financing shall mean with respect to any State Contribution(s) (i) the amount of such State Contribution(s), (ii) amounts, if any, required by the Resolution or Series Certificate to be paid into any Fund or account upon the issuance of any Series of Bonds, (iii) any amounts required to pay when due (whether at the maturity of principal or the due date of interest or upon redemption) any indebtedness (other than Bonds), including Bond Anticipation Notes, incurred to finance State Contribution(s) and (iv) the Costs of Issuance of the Bonds.

Costs of Issuance shall mean all items of expense, directly or indirectly payable or reimbursable by or to the Corporation or the State, related to the authorization, sale and issuance of Bonds or Bond Anticipation Notes, including but not limited to underwriting fees not paid in the form of a discount on the purchase price of Bonds, bond issuance and annual charges payable by the Corporation pursuant to the Public Authorities Law of the State of New York, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums, fees or charges for any Credit Facility or Liquidity Facility and any other cost, charge or fee in connection with the original issuance of Bonds.

Costs of Issuance Account shall mean the Costs of Issuance Account established in the Bond Proceeds Fund pursuant to the Resolution.

Credit Facility means an irrevocable letter of credit, bond insurance policy, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility, insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, a corporation, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Resolution and with the Supplemental Resolution authorizing such Bonds or a Series Certificate, whether or not the Corporation is in default under the Resolution; provided, that use of a Credit Facility shall not result, at the time of delivery of the Credit Facility, in a reduction in the rating of any Bonds Outstanding, and provided further, that a substitute Credit Facility (the "Substitute Credit Facility") may be obtained from time to time (i) which shall contain the same material terms as set forth in the Credit Facility for which substitution is made, and (ii) will not, in and of itself, result in a rating of the related Bonds lower than those which then prevailed.

Current Interest Bonds means Bonds that bear interest which is payable semiannually or more often.

Current Interest Commencement Date means the date established prior to the issuance of each Series of Convertible Capital Appreciation Bonds, at which time the Appreciated Value ceases to increase and on and after which date interest on the Maturity Amount is payable currently on the next ensuing interest payment dates.

Debt Service Fund shall mean the Debt Service Fund established pursuant to the Resolution.

Debt Service Payment Date with respect to any series of Additional Bonds, shall mean the dates identified as such in a supplement to the Service Contract.

Debt Service Reserve Fund shall mean a Debt Service Reserve Fund established pursuant to a Supplemental Resolution adopted in accordance with the provisions of the Resolution.

DEC shall mean the New York State Department of Environmental Conservation.

DOB shall mean the Division of the Budget of the State of New York.

EPA shall mean the United States Environmental Protection Agency.

Event of Default shall mean an event described in "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Events of Default."

Fiduciary or Fiduciaries shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fixed Rate Conversion Date shall mean the date after which a Variable Interest Rate Bond shall bear interest at a fixed rate of interest to the maturity date.

Fund shall mean any fund established pursuant to the Resolution.

Funded Interest Account shall mean the Funded Interest Account established in the Bond Proceeds Fund pursuant to the Resolution.

General Revenue Account shall mean the General Revenue Account established within the Revenue Fund pursuant to the Resolution.

Interest Account shall mean the Interest Account established in the Debt Service Fund pursuant to the Resolution.

Investment Obligations shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of the funds held under the Resolution:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed as to timely payment by, the United States of America, including obligations of any Federal agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed as to timely payment by the United States of America or any other evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in this clause (i) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations and which underlying obligations are not available to satisfy the claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

(ii) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (b) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) hereof which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this clause (ii) on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) obligations issued by any state or any public agencies or municipalities which at the time of their purchase are rated by any nationally recognized bond rating agency which is then rating the bonds not lower than the corresponding rating on the Bonds on the date of purchase of such obligations;

(iv) direct and general obligations of any state of the United States to the payment of the principal of and interest on which the full faith and credit of such state is pledged; provided that at the time of their purchase under the Resolution such obligations are rated by any nationally recognized bond rating agency which is then rating the Bonds not lower than the corresponding rating on the Bonds on the date of purchase of such obligations;

(v) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated in either of the two highest rating categories by any nationally recognized bond rating agency which is then rating the Bonds;

(vi) shares of a diversified open-end management investment company as defined in the Investment Company Act of 1940, which is a money market fund, which is then rated in any of the three highest rating categories by any nationally recognized bond rating agency which is then rating the Bonds or money market accounts of the Trustee or any bank or trust company organized under the laws of the United States or any state thereof, which has a combined capital and surplus of not less than Fifty Million Dollars ($50,000,000);

(vii) bank time deposits evidenced by certificates of deposit issued by banks (which may include any Fiduciary) which are members of the Federal Deposit Insurance Corporation, provided that such time deposits are fully secured by obligations described in items (i) or (ii) above, which obligations at all times have a market value (exclusive of accrued interest) at least equal to such bank time deposits so secured, including interest;

(viii) repurchase agreements relating to securities of the type specified in clauses (i) and (ii) above, provided that such securities in an amount at least equal to the face value of such agreements shall be delivered as security for such agreements to the account of the Trustee to be held therein during the term of the agreements;

(ix) investment contracts (a) providing for the future purchase of securities of the type described in (i), (ii), (iii) and (iv) above, which contracts have been approved for sale by a

national securities exchange and all regulatory authorities having jurisdiction or (b) the obligor under which or the guarantor thereof shall have a credit rating such that its long-term debt is rated at least "A+" by Standard & Poor's Rating's Group if the Bonds are then rated by such rating agency and at least "Al" by Moody's Investors Service if the Bonds are then rated by such rating agency; and

(x) obligations of any corporation chartered by the United States, including but not limited to: the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, Federal home loan banks, the Federal National Mortgage Association, the Tennessee Valley Authority, and the Resolution Funding Corp.

Liquidity Facility shall mean an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch established pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Corporation, pursuant to which the Corporation is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Supplemental Resolution authorizing such Bond or a Series Certificate, provided, that the use of the Liquidity Facility shall not result, at the time of delivery of the Liquidity Facility, in a reduction in the rating of any Bonds Outstanding; and provided further that a substitute Liquidity Facility (the "Substitute Liquidity Facility") may be obtained from time to time (i) which shall contain the same material terms as set forth in the Liquidity Facility for which substitution is made, and (ii) will not, in and of itself, result in a rating of the related Bonds lower than those which then prevailed.

Maturity Amount shall mean the Appreciated Value of (i) any Capital Appreciation Bond as of the stated maturity thereof or (ii) any Convertible Capital Appreciation Bond as of the Current Interest Commencement Date thereof.

Maximum Interest Rate shall mean, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Bond or a Series Certificate, that shall be the maximum rate at which such Bond may bear interest at any time.

Minimum Denomination shall mean the minimum principal amount payable at maturity for any Series of Bonds, as specified in a related Supplemental Resolution or Series Certificate.

Multi-Purpose Fund shall have the meaning given such term in the applicable Service Contract.

Opinion of Bond Counsel shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the Corporation and satisfactory to the Trustee.

Option Bond means any Bond which by its terms may be tendered by and at the option of the Owner thereof for redemption by the Corporation prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Owner thereof.

Original Principal Amount shall mean the Appreciated Value of any Capital Appreciation Bond or Convertible Capital Appreciation Bond as of the date of original issuance.

Outstanding when used with reference to Bonds of a Series, shall mean, as of any date, a Bond or Bonds of such Series, theretofore or thereupon being authenticated and delivered, issued under the Resolution except: (i) any Bonds cancelled by any Fiduciary at or prior to such date; (ii) Bonds deemed to have been paid as provided in the Resolution; (iii) Bonds in lieu of or in substitution for which other Bonds shall have been issued pursuant to the Resolution; (iv) Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agent in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Resolution or provision satisfactory to the Trustee shall have been made for the giving of such notice; or (v) Option Bonds which, by the terms of the applicable Supplemental Resolution or Series Certificate, are deemed to have been tendered for purchase and no longer outstanding.

Parity Reimbursement Obligation shall mean a Reimbursement Obligation, the payment of which is secured by a pledge and lien on a parity with the lien created pursuant to the Resolution.

Paying Agent shall mean any paying agent for the Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

Person shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

Pipeline Fund shall mean the Pipeline for Jobs Fund established pursuant to Chapter 624 of the Laws of 1999 of the State.

Pledged Property shall mean the items pledged to the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for all of the Bonds pursuant to the Resolution.

Prepayments Account shall mean the Prepayments Account established in the Revenue Fund.

Principal Account shall mean the Principal Account established in the Debt Service Fund.

Principal Installment shall mean, as of any date with respect to any Series, the sum of (i) the principal amount and Appreciated Value (to the extent applicable) of Bonds of such Series due on such date and (ii) the unsatisfied balance (determined as provided in the Resolution) of any Sinking Fund Installments due on such date for Bonds of such Series.

Record Date shall mean (whether or not a Business Day) the fifteenth (15th) day of the calendar month prior to any interest payment date on the Bonds or any other date specified for particular Bonds in a related Supplemental Resolution or Series Certificate.

Redemption Fund shall mean the Redemption Fund established pursuant to the Resolution.

Redemption Price shall mean, when used with respect to a Bond (other than a Convertible Capital Appreciation Bond or a Capital Appreciation Bond), or a portion thereof to be redeemed, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, pursuant to the Resolution and the applicable Supplemental Resolution, but, when used with respect to a Convertible Capital Appreciation Bond or a Capital Appreciation Bond, "Redemption Price" shall mean the Appreciated Value on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

Refunding Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Resolution in order to refund Bonds.

Reimbursement Obligation shall mean an obligation of the Corporation described as such in the Resolution to reimburse directly the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Resolution shall mean the Multi-Purpose State Service Contract Revenue Bond Resolution, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms of the Resolution.

Revenue Fund shall mean the Revenue Fund established pursuant to the Resolution.

Revolving Fund shall mean the State Water Pollution Control Revolving Fund established pursuant to Chapter 565 of the Laws of 1989 of the State, as amended.

Serial Bonds shall mean Bonds which mature in annual installments.

Series shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction pursuant to the Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Resolution, regardless of variations in maturity, interest rate, sinking fund, or other provisions.

Series Certificate means a certificate of an Authorized Officer of the Corporation fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so pursuant to the Resolution.

Service Contract shall mean, with respect to each Series of Bonds, a written agreement or agreements between the Corporation and the State pursuant to which the State agrees to pay the Corporation, subject to appropriations by the State legislature, such sums as necessary to meet the debt service payments on any Outstanding Bonds of such Series no later than when due.

Service Contract Bond Payments shall mean all payments or other amounts received or receivable by the Corporation pursuant to Service Contracts that are intended to provide sufficient amounts to timely pay Aggregate Bond Service, excluding, among others, amounts received or receivable

by the Corporation (i) that represent its fees, charges and expenses, (ii) that are to be applied to the payment of principal of and premium, if any, and interest on any Bond Anticipation Notes that are to be deemed paid within the meaning of the resolution that authorized such Bond Anticipation Notes or (iii) that are to be deposited in an escrow fund for the payment of principal and premium, if any, and interest on any Bonds to be paid within the meaning of the Resolution.

Sinking Fund Installment shall mean, as of a particular date, any future Sinking Fund Installment established pursuant to the Resolution.

Special Period shall mean any period commencing with the occurrence of an Event of Default described in the Resolution and ending on the date when all of the following shall exist: (i) there is an amount on deposit in the Revenue Fund at least equal to Aggregate Bond Service, (ii) the adopted budget of the State for the then current fiscal year of the State contains an appropriation for an amount to be paid to the Corporation as Service Contract Bond Payments for such fiscal year which, together with moneys available in the Revenue Fund, will at least equal the full amount required to be paid to the Corporation as Service Contract Bond Payments for such fiscal year of the State, and (iii) the proposed executive budget of the State, if such proposed executive budget shall then be available, for the immediately succeeding fiscal year of the State contains an appropriation for the amount required to be paid to the Corporation as Service Contract Bond Payments for such fiscal year.

Standby Purchase Agreement means an agreement by and between the Corporation and another person pursuant to which such person is obligated to purchase Option Bonds tendered for purchase.

State shall mean the State of New York.

State Contribution shall mean amounts appropriated and either paid or to be paid by the State to the Corporation for deposit in (i) the Revolving Fund, (ii) the Pipeline Fund, (iii) the 1285-p Fund, (iv) the 1285-q Fund, (v) the 1285-l Fund and (vi) any fund established by the State and administered by the Corporation for which the Corporation may provide funds or reimburse the State for its contribution to such Fund; provided, however, that (i) such amounts shall have been paid or will be paid to the Corporation pursuant to appropriations authorized for reimbursement or payment (if amendments to the Act provide for direct payment) from proceeds of Bonds as set forth in the Act and (ii) the State shall not have previously been reimbursed from proceeds of Bonds for such contribution.

State Contribution Fund shall mean the State Contribution Fund established pursuant to the Resolution.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution, adopted by the Corporation in accordance with the Resolution.

Term Bonds shall mean Bonds having a single stated maturity date for which Sinking Fund Installments are specified in a Supplemental Resolution.

Trustee shall mean Manufacturers and Traders Trust Company, Buffalo, New York, as Trustee pursuant to the Resolution, and its successor or successors or any other corporation which may at any time be substituted in its place pursuant to the Resolution.

1285-l Fund shall mean the Fund established in accordance with Chapter 55 of the Laws of 1992 of the State of New York.

1285-p Fund shall mean the Fund established in accordance with Chapter 81 of the Laws of 2002 of the State of New York.

1285-q Fund shall mean the Fund established in accordance with Chapter 1 of the Laws of 2003.

Variable Interest Rate means a variable, adjustable, convertible or similar interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, for which the method of computing such variable interest rate is specified in the Supplemental Resolution authorizing such Bonds or in a Series Certificate; provided, that the related Supplemental Resolution shall specify (i) a Maximum Interest Rate, and (ii) the method or methods for determining the Variable Interest Rate and the frequency of change thereof; and provided further, that the method or methods for determining the Variable Interest Rate may include the selection of such rate by an indexing agent or remarketing agent as provided in an agreement between the Corporation and such agent, the utilization of an index or indices as described in the related Supplemental Resolution, or such other standard or standards set forth by the Corporation in the related Supplemental Resolution or any combination of the foregoing.

Variable Interest Rate Bond shall mean any Bond which bears a Variable Interest Rate, provided that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

SUMMARIES OF CERTAIN DOCUMENTS

The following are summaries of certain provisions of the Resolution and the Service Contract in connection with the Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

Provisions for Issuance of Bonds (Sections 202, 203 and 206)

General. Bonds of any Series shall be authorized by a Supplemental Resolution which shall specify, or shall authorize an Authorized Officer to determine pursuant to a Series Certificate, among other things, the authorized principal amount, designation and Series of such Bonds and the purpose for which such Series of Bonds is being issued which shall be (i) one or more of the purposes described below, or (ii) the refunding of Bonds as hereinafter described or (iii) a combination of such purposes as are set forth in clauses (i) and (ii) of this paragraph.

All (but not less than all) the Bonds of such Series shall be executed by the Corporation for issuance under the Resolution and delivered to the Trustee and thereupon shall be authenticated by the Trustee and made available by it for delivery to the Corporation or upon its order, but only upon the receipt by the Trustee of:

(1) An Opinion of Bond Counsel to the effect that (i) the Corporation has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Corporation, is in full force and effect and is valid and binding upon the

Corporation and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge of the items which it purports to pledge to the payment of the Bonds pursuant to the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (iii) the Bonds of such Series are valid and binding special obligations of the Corporation as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution (except insofar as the enforceability thereof may be limited by any applicable bankruptcy, insolvency or similar law relating to the enforcement of creditors' rights generally or the availability of the remedy of specific performance, injunctive relief or any other equitable remedy), and entitled to the benefit of the Resolution and of the Act, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Resolution;

(2) A written order as to the delivery of the Bonds of such Series, signed by an Authorized Officer;

(3) A copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer;

(4) An executed copy of any Series Certificate delivered in connection therewith; and

(5) Such further documents and moneys as are required by the provisions of the Resolution or any Supplemental Resolution adopted pursuant to the Resolution.

Further Provisions for Issuance of Bonds. One or more Series of Bonds may be authenticated and delivered upon original issuance pursuant to the Resolution, in such principal amount or amounts for each such Series as may be determined from time to time by the Corporation, for the purpose of paying or providing for the payment or reimbursement of the Cost of Financing State Contributions.

The Bonds of each Series issued for such purposes shall be authenticated and made available for delivery by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Resolution and described above) of:

(1) An Opinion of Bond Counsel to the effect that the Corporation has good, right and lawful authority to issue bonds for the purpose of financing the State Contributions to be financed with the proceeds of the Bonds of such Series;

(2) A certificate of an Authorized Officer stating that the Service Contract Bond Payments are sufficient to provide for the timely payment of all scheduled payments of principal and premium, if any, and interest on all Bonds Outstanding on such date;

(3) A certificate of an Authorized Officer setting forth the aggregate principal amount of Bonds issued and stating that such aggregate amount does not, at the time of delivery of such Bonds, exceed the maximum authorization therefor set forth in the Act, as amended to the date of the certificate;

(4) A certified copy of the applicable Service Contracts;

(5) A certificate of an Authorized Officer stating that no Special Period is in existence;

(6) A copy of the Series Certificate, if any, executed in connection with the Bonds of such Series; and

(7) If any Bonds of such Series are Option Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of and payment of interest due on all Option Bonds of such Series if the Owners thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Option Bonds of such Series.

Refunding Bonds. One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion of the Outstanding Bonds of a Series, in an aggregate principal amount which will provide funds, together with other moneys available therefor, to accomplish such refunding.

The Refunding Bonds of such Series shall be authenticated and made available for delivery by the Trustee only upon receipt by the Trustee (in addition to the documents described above) of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds so to be refunded on a redemption date specified in such instructions;

(2) Irrevocable instructions to the Trustee, satisfactory to it, to mail the notice in the manner described below under "Defeasance" with respect to the payment of the said Bonds pursuant to said Section; and

(3) Either (i) moneys or (ii) Investment Securities as shall be necessary to comply with the provisions described below under "Defeasance," which Investment Securities and moneys shall be held in trust and used only as provided in such provisions.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Supplemental Resolution authorizing such Bonds.

Bond Anticipation Notes (Section 205)

Whenever the Corporation shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Corporation may by resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Series of Bonds so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals thereof shall be payable only from (i) the proceeds of renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State pursuant to a Service Contract expressly for payment of such Bond Anticipation Notes or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or Account under the Resolution. Such proceeds and other amounts set forth in clauses (i) through (iv) above may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes other

than renewals thereof shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or Account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or Account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the resolution authorizing such Bond Anticipation Notes.

Credit Facility (Sections 206 and 207)

In connection with the issuance of any Series of Bonds under the Resolution, the Corporation may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Corporation. In connection therewith the Corporation may enter into such agreements with the issuer of such Credit Facility providing for, *inter alia*: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Corporation may secure such Credit Facility by an agreement providing for the purchase by the issuer of such Credit Facility of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Corporation in the applicable Supplemental Resolution or Series Certificate. The Corporation may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that except as otherwise provided in any Supplemental Resolution or Series Certificate, no Reimbursement Obligation, including any Parity Reimbursement Obligation (as defined below), shall be created, for purposes of the Resolution, until the related principal or interest payments on the Bonds are paid from such Credit Facility; provided further that it shall be a condition to obtaining any Credit Facility that any Reimbursement Obligation (including a Parity Reimbursement Obligation) or other obligation of the Corporation, to make any payments to the issuer of such Credit Facility shall be secured by a corresponding obligation of the State to make Service Contract Bond Payments in sufficient amounts to the Corporation, to reimburse the Corporation therefor. Any such Reimbursement Obligation may be secured by a pledge of, and a lien on, collateral and revenues securing such Series of Bonds on a parity with the lien created by the Resolution and the applicable Supplemental Resolution or Series Certificate (a Reimbursement Obligation secured in such manner being hereinafter referred to as a "Parity Reimbursement Obligation"). Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution or Series Certificate.

The Corporation may include such provisions in a Supplemental Resolution authorizing the issuance of a series of Bonds secured by a Credit Facility (or in the Series Certificate relating to such Bonds) as the Corporation deems appropriate.

The Pledge Effected by the Resolution (Section 501)

As security for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds, in accordance with their terms and the provisions of the Resolution, the Corporation, subject only to the provisions of the Resolution permitting the application thereof, for the purposes and on the terms and conditions set forth in the Resolution, pledges and assigns unto and grants a security interest to, the Trustee, and its respective successors in trust, (i) the proceeds of the sale of the Bonds, (ii) the Service Contract Bond Payments, (iii) the moneys, securities and funds held in the Funds and Accounts established under the Resolution, including the investments, if any, thereof and (iv) all rights, remedies, title and interest of the Corporation in any Service Contract other than (A) the rights of the Corporation to receive amounts under the Service Contract that do not constitute Service Contract Bond Payments, (B) the right of the Corporation to agree to the amendment of a Service Contract pursuant to the Resolution, (C) the right of the Corporation to agree to establish the terms of one Series or multiple Series of Bonds in a Service Contract or to establish the terms of the administration of the Revolving Fund, the Pipeline Fund or any other fund to be administered by the Corporation at a future date and (D) the right of the Corporation to enforce the provisions of any Service Contract independently of the Trustee, without limiting the right of the Trustee to enforce the payment of Service Contract Bond Payments or amounts payable to any Fiduciary pursuant to the Resolution.

The pledge shall be valid and binding from and after the date of issuance and delivery of the Bonds and the Pledged Property shall immediately be subject to the lien of the pledge, and the lien of the pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof.

As and to the extent provided in any Supplemental Resolution authorizing a Series of Bonds and notwithstanding anything to the contrary contained in the Resolution, the Corporation may incur obligations or indebtedness to any Person providing a Credit Facility or Liquidity Facility, which are payable from the Service Contract Bond Payments on a parity with the Bonds and which are secured by a lien on and pledge of the Service Contract Bond Payments equal to and ratable with the lien and pledge made in the Resolution, without preference, priority or distinction over the rights of the Owners of the Bonds.

Establishment of Funds and Accounts (Section 502)

The Resolution provides that the following Funds and Accounts, which shall held and administered by the Trustee, shall be created and established pursuant to the Resolution:

(1) Bond Proceeds Fund, which shall contain therein the Costs of Issuance Account and the Funded Interest Account,

(2) State Contribution Fund,

(3) Revenue Fund, which shall contain therein the General Revenue Account and the Prepayments Account,

(4) Debt Service Fund, which shall contain therein the Principal Account and the Interest Account, and

(5) Redemption Fund.

Amounts held at any time by the Trustee in any of the Funds and Accounts established pursuant to the Resolution shall be held in trust separate and apart from all other funds and accounts of the Corporation. Additional funds, accounts or subaccounts may be created for other purposes by any Supplemental Resolution.

Bond Proceeds Fund (Section 503)

There shall be deposited from time to time in the Bond Proceeds Fund the cash proceeds of sale (inclusive of premium, if any, but not of accrued interest, underwriters' discount or amounts to be deposited in the State Contribution Fund) of any Series of Bonds and any other amounts determined by the Corporation to be deposited therein from time to time subject to the requirements of the Supplemental Resolution authorizing the issuance of such Series of Bonds. Amounts in the Bond Proceeds Fund, including any Account or subaccount thereof, shall be expended only for the purpose or purposes for which such Series of Bonds is being issued, and as may be provided in the Supplemental Resolution authorizing the issuance of such Series of Bonds.

Except as may be limited by applicable law, the Trustee shall pay out and permit the withdrawal of amounts on deposit in the Bond Proceeds Fund or any Account or subaccount established within the Bond Proceeds Fund pursuant to a Supplemental Resolution authorizing any Series of Bonds at any time for the purpose of making transfers to any Fund or Account required pursuant to the Resolution or a Supplemental Resolution.

Amounts on deposit in the Funded Interest Account or any subaccount thereof shall be transferred to the Interest Account prior to each interest payment date in accordance with the requirements of the Supplemental Resolution or Supplemental Resolutions authorizing such deposits to be made and providing for the application of such deposits.

Amounts on deposit in the Costs of Issuance Account or any subaccount thereof or any other Account or subaccount of the Bond Proceeds Fund thereof shall, in the case of the Costs of Issuance Accounts be applied to the payment of Costs of Issuance of Bonds, or, in the case of any other Account or subaccount of the Bond Proceeds Fund, be applied to the payment of such costs or expenses permitted by the applicable Supplemental Resolution but only upon receipt of those documents specified in the Resolution.

Upon the date, if any, specified in the applicable Supplemental Resolution or upon the written direction of an Authorized Officer, any amounts remaining (i) in the Costs of Issuance Account or any subaccount thereof and not set aside or appropriated by the Trustee to pay Costs of Issuance of the Series of Bonds which financed the payment of the Cost of Financing State Contributions, (ii) in the Funded Interest Account or any subaccount thereof and not set aside or appropriated by the Trustee to pay interest accrued to such date and (iii) in any other Account or any subaccount thereof of the Bond Proceeds Fund and not set aside or appropriated by the Trustee to pay any other cost or expense the payment of which was authorized or provided for by the Supplemental Resolution authorizing such Series of Bonds, shall be deposited in (A) the Prepayments Account, (B) the Redemption Fund, or (C) any one or more of the Funds and Accounts set forth in clauses (A) and (B) above. If the Trustee shall not have received written instructions from an Authorized Officer as provided in this paragraph within the time period, if any provided for in the applicable Supplemental Resolution, then the Trustee shall deposit such funds described in the preceding paragraph in the Redemption Fund.

State Contribution Fund (Section 504)

There shall be deposited in the State Contribution Fund any amounts which are required to be deposited therein pursuant to the Resolution, any Supplemental Resolution and any other amounts available therefor and determined by the Corporation to be deposited therein from time to time.

Except as otherwise provided in the applicable Supplemental Resolution, amounts deposited in the State Contribution Fund from the proceeds of a sale of a Series of Bonds shall be applied to pay or provide reimbursement to the State for State Contributions.

As and to the extent provided in a Supplemental Resolution or Series Certificate, upon a date set forth therein, any amount remaining in the State Contribution Fund and not set aside or appropriated by the Trustee for application in accordance with the applicable Supplemental Resolution, shall, upon receipt of written instructions from an Authorized Officer, be (i) deposited in the Prepayments Account (ii) deposited in the Redemption Fund or (iii) deposited in one or more of the Funds or Accounts described in clauses (i) through (ii) of this paragraph.

Revenue Fund; Amounts to Be Deposited Therein (Section 505)

The following shall, upon receipt thereof, be deposited into the Revenue Fund:

(i) To the General Revenue Account, such portion of the Service Contract Bond Payments representing Bond Service or any portion of the Debt Service Reserve Fund Requirement, and such portion of the Service Contract Bond Payments paid by any Person to the Corporation pursuant to and to the extent provided in a Credit Facility or a Liquidity Facility;

(ii) To the Prepayments Account, such portion of the Service Contract Bond Payments representing prepayments under any Service Contracts;

(iii) To the Prepayments Account, the amounts, if any, directed to be deposited therein pursuant to the Resolution; and

(iv) To the Prepayments Account, the earnings from the investment of the Funds and Accounts established under the Resolution directed to be so deposited pursuant to the Resolution.

Revenue Fund; Application Thereof (Section 506)

On or before the last business day prior to each interest payment date or Principal Installment due date, as the case may be, the Trustee shall transfer (i) from the Prepayments Account, to the extent any funds are on deposit therein, and (ii) to the extent necessary, from the General Revenue Account to the Principal Account and the Interest Account, the amount, if any, required so that the balance in the Debt Service Fund shall equal the Aggregate Bond Service for such interest payment date or Principal Installment due date.

If, after the transfers provided for in the preceding paragraph, there shall remain any amounts on deposit in the Prepayments Account, the Trustee, upon receipt of written instructions from an Authorized Officer of the Corporation, shall transfer from the Prepayments Account to the Redemption Fund all or any portion of such remaining amounts for the purposes of such Fund.

If after the transfers provided for in the first paragraph of this Section, there shall remain any amounts on deposit in the General Revenue Account, the Trustee shall transfer (i) unless otherwise directed in a Supplemental Resolution, to the Prepayments Account, the balance, if any of amounts remaining on deposit from such amounts which shall have been deposited into the General Revenue Account, as provided in the Resolution, by any Person pursuant to a Credit Facility or a Liquidity Facility and (ii) upon the written direction of an Authorized Officer of the Corporation, all or some portion of the balance of such amounts remaining on deposit to the Redemption Fund for the purposes of such Fund.

At the written direction of an Authorized Officer, the Trustee shall make transfers to the Corporation (i) from the Prepayments Account to the extent any funds are on deposit therein, and (ii) if necessary, from the General Revenue Account, of the amounts certified by an Authorized Officer of the Corporation as necessary to reimburse the Corporation or to pay reasonable and necessary expenses incurred by the Corporation in connection with the Bonds and not previously reimbursed; provided, that no such transfer shall result, in and of itself, on or before the immediately subsequent interest payment or Principal Installment due date, in a transfer of moneys on deposit in the Redemption Fund, pursuant to the Resolution, to the Debt Service Fund to make up a deficiency in such Fund with respect to such interest payment or Principal Installment due date.

Debt Service Fund (Section 507)

There shall be deposited into the Interest Account the following:

(i) Such amount determined pursuant to the applicable Supplemental Resolution or Series Certificate to represent accrued interest received upon the sale of a Series of Bonds;

(ii) Amounts transferred from the Funded Interest Account pursuant to the Resolution; and

(iii) Amounts transferred from the Revenue Fund or the Redemption Fund.

There shall be deposited into the Principal Account amounts transferred from the Revenue Fund or the Redemption Fund.

The Trustee shall pay out of the Interest Account to the respective Paying Agents on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date. The Trustee shall pay out of the Principal Account to the respective Paying Agents on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date. The Trustee shall pay out of the Interest Account to the respective Paying Agents, on or before any redemption date for any Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents to such payments on and after the due dates thereof.

Redemption Fund; Amounts to Be Deposited Therein (Section 509)

Upon receipt thereof, there shall be deposited into the Redemption Fund such portion of the Service Contract Bond Payments paid with directions to purchase or redeem Bonds.

Subject to the limitations contained in the last paragraph of this section, if, on the last Business Day preceding any interest payment date or Principal Installment due date, the amount on deposit in the Debt Service Fund shall be less than Aggregate Bond Service for such interest payment date or Principal Installment due date, then the Trustee shall transfer from the Redemption Fund to the

Debt Service Fund an amount (or all of the moneys in the Redemption Fund if less than the amount required) which will be sufficient to make up such deficiency.

To the extent not required to make up a deficiency as required in the second paragraph of this section, amounts in the Redemption Fund shall be applied by the Trustee as promptly as practicable after receipt of written instructions from an Authorized Officer of the Corporation, to the purchase, redemption (including premium, if any) or defeasance of Bonds. Interest on Bonds so purchased or redeemed shall be paid from the Debt Service Fund, and all expenses in connection with such purchase or redemption shall be paid by the Corporation from moneys held in the Revenue Fund pursuant to the Resolution.

The transfers required by the second paragraph of this section shall be made from amounts in the Redemption Fund only to the extent that such amounts are not then required to be applied to the redemption of Bonds for which notice of redemption shall have been given pursuant to the Resolution.

Investment of Funds and Accounts Held by the Trustee (Section 510)

Subject to the limitations set forth in the Resolution, moneys in any Fund or Account shall be continuously invested and reinvested or deposited and redeposited by the Trustee in Investment Obligations. The Corporation, by written instructions signed by an Authorized Officer, shall direct the Trustee to invest and reinvest the moneys in any Fund or Account in Investment Obligations. The Investment Obligations purchased shall be held by the Trustee, or for its account as Trustee, and the Trustee shall keep the Corporation advised as to the details of all such investments. Unless otherwise provided in a Supplemental Resolution authorizing a Series of Bonds or in a resolution authorizing any series of Bond Anticipation Notes, to the extent not used to meet the requirements of such Funds or Accounts, income from such Investment Obligations shall be paid to the Corporation as received for deposit in the Prepayments Account; provided that (i) all income received from any Investment Obligations in the Bond Proceeds Fund except as provided by a Supplemental Resolution, shall be deposited in the Prepayments Account, (ii) the income from any Investment Obligations in the Principal Account and the Interest Account, to the extent provided in a Supplemental Resolution, shall remain in such Accounts and (iii) the income from any Investment Obligations in Accounts of the Revenue Fund shall remain in such Accounts. The Trustee at the direction of an Authorized Officer of the Corporation, later confirmed in writing, as to specific investments, shall sell or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from such Fund or Account, provided that no such direction shall be required to the extent such sale or redemption is necessary to make any payment from the Redemption Fund or Debt Service Fund. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or Account to the extent required to meet the requirements of such Fund or Account. No interest shall accrue on funds which shall remain uninvested. The Trustee shall not be liable on account of any investment made by it at the direction of the Corporation pursuant to the Resolution.

Satisfaction of Sinking Fund Installments (Section 511)

According to the Resolution, any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each Sinking Fund Installment shall be applied (together with amounts accumulated in the Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee upon receipt of written instructions from an Authorized Officer of the Corporation, prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment as follows:

(a) to the purchase of Bonds of the maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee, upon receipt of written instructions from an Authorized Officer of the Corporation, shall determine; or

(b) to the redemption of such Bonds if then redeemable by their terms at the price referred to in clause (a) hereof.

All Bonds so purchased or redeemed shall be delivered to the Trustee for cancellation prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment.

Upon the purchase or redemption of any Bonds pursuant to the first paragraph of this heading, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments in direct chronological order, except as otherwise specified in writing by an Authorized Officer of the Corporation.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Corporation may deliver to the Trustee at least forty-five (45) days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the provisions described in the first paragraph under this heading, of the Series and maturity entitled to such Sinking Fund Installment.

Payment of Bonds (Section 601)

The Corporation covenants that it shall duly and punctually pay or cause to be paid from the Pledged Property the principal or Redemption Price, if any, of every Bond and the interest thereon, at the date(s) and place(s), in the manner and from the sources mentioned in the Bonds according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments which may be established for any Series.

The Corporation further agrees that no later than such dates or intervals as the Supplemental Resolution relating to such Series shall provide, the Corporation shall provide to the State a certificate of an Authorized Officer setting forth the Bond Service, for a date or period specified therein, with respect to Bonds which bear interest at a fixed rate of interest, and with respect to Variable Interest Rate Bonds, the Bond Service, for a date or dates or period specified therein, on an estimate of Bond Service determined in such manner as the Supplemental Resolution relating to such Variable Interest Rate Bonds shall provide.

Power to Issue Bonds and Pledge Funds and Accounts (Section 605)

Pursuant to the Resolution, the Corporation is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except for any pledge of or lien upon the Service Contract Bond Payments made or to be credited for the benefit of the provider of a Credit Facility or Liquidity Facility and all corporate action on the part of the Corporation to that end has been duly and validly taken. The Bonds and the provisions of the Resolution shall be the valid and

legally enforceable special obligations of the Corporation in accordance with their terms and the terms of the Resolution. The Corporation shall at all times defend, preserve and protect the pledge of the Pledged Property and all the rights of the Bondowners under the Resolution against all claims and demands of all persons whomsoever.

Power to Finance State Contributions (Section 606)

Pursuant to the Resolution, the Corporation covenants that it has, and will have so long as any Bonds are Outstanding, good right and lawful power and authority to finance the Costs of Financing State Contributions.

Creation of Liens (Section 607)

Until the pledge created pursuant to the Resolution shall be discharged and satisfied as provided in the Resolution, the Corporation covenants that it shall not (i) issue any bonds or other evidences of indebtedness, other than the Bonds or Bond Anticipation Notes, secured by a pledge of the Pledged Property held or set aside by the Corporation or by the Fiduciaries under the Resolution nor create or cause to be created any lien or charge on the Pledged Property, provided that nothing contained herein shall prevent the Corporation from incurring obligations or indebtedness to any Person providing a Credit Facility or Liquidity Facility which is secured by a lien on and pledge of the Service Contract Bond Payments which is equal and ratable to or subordinate to the lien and pledge thereon made pursuant to the Resolution, nor (ii) at any time when the State is in default in making any payment required to be made under the Resolution or maintaining any Fund or Account required to be maintained in the amount required therefor by the Resolution, set apart or appropriate and pay any amount in any Fund or Account except as required by the Resolution; provided, however, that nothing contained herein shall prevent the Corporation from issuing bonds, notes or other obligations under another and separate resolution or indenture so long as the charge or lien created by such resolution or indenture is not prior or equal to the charge or lien created by the Resolution.

Additional Covenants (Section 608)

So long as any Bonds shall be Outstanding, the Corporation will, at all times, (a) comply with the obligations of the Corporation contained in any Service Contract and will use its best efforts to require the State to comply with the obligations of the State contained in any Service Contract to the extent such obligations constitute Pledged Property, and (b) use its best efforts to take all actions or proceedings reasonably necessary in the judgment of the Corporation to protect its rights with respect to any Service Contract to the extent such rights constitute Pledged Property.

General (Section 611)

The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Act and the Resolution.

Amendments of Service Contracts (Section 612)

The Corporation, without the consent of the Trustee or of the Owners of Bonds Outstanding, may consent to any amendment, change, modification, or alteration of and cause to be amended, changed, modified or altered any provision of any Service Contract (except as would reduce the obligation of the State to pay Service Contract Bond Payments under the Service Contract) which would not materially adversely affect, in the Opinion of Bond Counsel, the interests of the Owners of the Bonds

Outstanding. The Bonds shall, for the purposes of this section, be deemed to not be materially adversely affected by, among other things, (i) an increase in the amounts payable under a Service Contract or in the term of the State's obligations (other than an increase in such term that changes the maturity date or payment date of any Outstanding Bonds), (ii) the issuance of additional Bonds secured by such Service Contract and the establishment of terms and provisions relating to such additional Bonds, (iii) any amendment, change, modification or alteration relating to the administration of the Revolving Fund, the Pipeline Fund or the addition of any other fund to be administered by the Corporation in the future or relating to the fees and charges of, and expenses incurred by, the Corporation; provided that no such amendment, change, modification or alteration shall reduce obligations to make payments for the benefit of Fiduciaries without the consent of such Fiduciaries.

The Corporation may consent to any amendment, change, modification or alteration of and cause to be amended, changed, modified or altered any provision of any Service Contract not described in the preceding paragraph, with the prior written consent of (A) the Owners of at least sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds then Outstanding, or (B) in case less than all of the several Series of Bonds then Outstanding are affected by the alteration, change, modification or amendment, the holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such change, alteration, modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds with respect to consent to such change, alteration, modification or amendment and provided, further, that no such alteration, change, modification or amendment shall decrease the amount of any Service Contract Bond Payment required to be made by the State pursuant to any Service Contract, or extend the time of payment of any Service Contract Bond Payment by the State so as to cause any payment thereunder to be less than the related payment in respect of Aggregate Bond Service. Any Service Contract may also be amended, changed, modified or altered without the consent of the Trustee or the Bondowners to provide conforming changes in connection with the issuance of any Series of Bonds which will not materially adversely affect, in the Opinion of Bond Counsel, the interest of the Owners of the Bonds Outstanding.

Agreement of the State (Section 613)

In accordance with the provisions of the Act, the Corporation on behalf of the State, pledges to and agrees with the owners of the Bonds that the State will not limit or alter the rights and powers vested by the Act in the Corporation to fulfill the terms of any contract made with Bondowners or in any way impair the rights and remedies of such owners, until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest (if payable under the terms of any Bonds), and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

Resignation of Trustee (Section 707)

The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Corporation and publishing notice thereof, specifying the date when such resignation shall take effect, once in an Authorized Newspaper, and such resignation shall take effect upon the day specified in such notice unless (i) no successor shall have been appointed by such date in which case such resignation shall become effective upon the appointment of a successor, or (ii) previously a successor shall have been appointed by the Corporation or the Bondowners, as provided in the Resolution, in which event such resignation shall take effect immediately on the appointment of such successor. The Trustee shall also mail a copy of the

notice required to be given by this paragraph, postage prepaid, to each of the registered owners of the Bonds, at their last address, if any, appearing on the registry books.

Removal of Trustee (Section 708)

The Trustee may be removed (i) at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized. excluding any Bonds held by or for the account of the Corporation, and (ii) at any time other than during the continuance of an Event of Default or a Special Period by resolution of the Board of Directors of the Corporation evidenced by an instrument in writing, filed with the Trustee, and signed by an Authorized Officer, provided, however, in each case that a successor Trustee shall be simultaneously appointed with the filing of such instrument.

Resignation or Removal of Paying Agent and Appointment of Successor (Section 713)

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Corporation, the Trustee, and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by the Corporation. Any successor Paying Agent shall be appointed by the Corporation with the approval of the Trustee and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least One Hundred Million Dollars ($100,000,000), and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Supplemental Resolutions Effective upon Filing with the Trustee (Section 801)

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution of the Corporation may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of the Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Corporation in the Resolution, other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the Resolution;

(5) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in various sections of the Resolution relating to issuance of additional Series of Bonds, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to

amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Pledged Property or of any other moneys, securities, funds or accounts;

(7) To modify any of the provisions of the Resolution as may be necessary, or desirable to provide for the issuance of Bonds in book-entry only form pursuant to the Resolution;

(8) To modify any of the provisions of the Resolution in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(9) To describe State Contributions to be financed by the Bonds or Costs of Financing such Contributions; or

(10) To establish a Debt Service Reserve Fund pursuant to a Supplemental Resolution relating to any Series of Bonds with such terms and conditions as shall be set forth in such Supplemental Resolution.

Supplemental Resolutions Effective upon Consent of Trustee (Section 802)

For any one or more of the following purposes, and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation and (ii) the filing with the Trustee and the Corporation of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution;

(2) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To provide for any change in the Resolution which, in the opinion of the Corporation, does not materially adversely affect or diminish the rights or interests of the Trustee or the Bondowners, provided that in making such determination the Corporation shall be entitled to rely on an opinion of Bond Counsel, in accordance with the Resolution; or

(4) To modify, amend or supplement the Resolution or any Supplemental Resolution in such manner as to permit the qualification thereof under any Federal statute now or hereafter in effect or under any state Blue Sky Law, and, in connection therewith, if they so determine, to add to the Resolution or any Supplemental Resolution, such other terms, conditions and provisions as may be permitted or required by said Federal statute or Blue Sky Law, provided that any such Supplemental Resolution referred to in this subsection (4) shall not, in the judgment of the

Trustee, be to the prejudice of the owners of the Bonds, provided that in making such judgment the Trustee shall be entitled to rely on an opinion of counsel satisfactory to the Trustee.

Supplemental Resolutions Effective with Consent of Bondowners (Section 803)

At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondowners in accordance with and subject to the provisions of the Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Corporation and upon compliance with the provisions of the Resolution, shall become fully effective in accordance with its terms as provided in the Resolution.

Powers of Amendment (Section 902)

Any modification or amendment of the Resolution and of the rights and obligations of the Corporation and of the Owners of the Bonds, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Owners of at least sixty-six and two-thirds percent (66 2/3%) in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least sixty-six and two-thirds percent (66 2/3%) in principal amount of the Bonds of each Series so affected and outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds with respect to such modification or amendment. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Corporation and all Owners of Bonds.

Consent of Bondowners (Section 903)

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions described under “Powers of Amendment” above, to take effect when and as provided in the Resolution. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Corporation to Bondowners and shall be published once in an Authorized Newspaper (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution will not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Owners of the percentages of Outstanding Bonds specified in the Resolution and (b) an Opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and

binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been published as provided in the Resolution.

Rights and Remedies in Lieu of Those Set Forth in Act (Section 1001)

In accordance with Section 1290.1(c) of the Act, the rights and remedies of the Owners of the Bonds and of the Trustee set forth in the Resolution are in lieu of the rights and remedies of Owners of Bonds of the Corporation set forth in Section 1294 of the Act.

Events of Default (Section 1002)

Each of the following events constitute an Event of Default under the Resolution:

(a) There shall occur a default in the payment of principal or Redemption Price of or interest on any Bond after the same shall have become due, whether at maturity or upon call for redemption or otherwise;

(b) There shall occur a failure to observe, or a refusal to comply with, the terms of the Resolution or the Bonds, other than a failure or refusal constituting an event specified in (a) above or (c) below; provided, however, that with respect to any failure to observe or refusal to comply with the covenants and agreements set forth in the Resolution, such failure or refusal shall have continued for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, if given to the Corporation by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration, and provided further, that if the failure stated in the notice cannot be remedied within the applicable period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action has been instituted by the Corporation within such period and is being diligently pursued; or

(c) An "event of default by the State," as such term is used in any Service Contract, shall have occurred and be continuing.

No default under any resolution, agreement, or other instrument other than the Resolution or any Service Contract shall constitute or give rise to an Event of Default under the Resolution.

Remedies Upon an Event of Default (Section 1003)

The Bondowners and the Trustee acting for the Bondowners shall be entitled to all of the rights and remedies provided in the Act and to all of the rights and remedies otherwise provided or permitted by law. The Trustee may enforce any remedy given to the Corporation under any Service Contract other than the right to payments not constituting either Service Contract Bond Payments or amounts payable to Fiduciaries pursuant to the Resolution and other than the right of the Corporation to agree to the amendment of any Service Contract in accordance with the Resolution. The Bonds shall not be subject to acceleration upon the occurrence of an Event of Default.

Priority of Payments After Event of Default (Section 1004)

In the event that the funds held by the Fiduciaries shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (excluding funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and

interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Fiduciaries after making provision for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Resolution, shall be applied as follows:

(i) To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

(ii) To the payment to the persons entitled thereto of the unpaid principal, Appreciated Value or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal, Appreciated Value or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

Defeasance (Section 1005)

If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds then Outstanding the principal, Appreciated Value and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer of the Corporation and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All or any portion of the Outstanding Bonds of any Series or any maturity within a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time, shall be sufficient to pay when due the principal, Appreciated Value or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available

for the payment of the principal, Appreciated Value or Redemption Price, if applicable, and interest on said Bonds. Such notice shall be mailed postage prepaid, to the registered Owners of the Bonds or portion of Bonds which are to be deemed to have been paid hereunder, at their last mailing address, if any, appearing on the registry books. Neither Investment Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Appreciated Value or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal, Appreciated Value or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required hereinabove to pay the principal, Appreciated Value or Redemption Price, if applicable, of and interest on such Bonds, as realized, be transferred by the Trustee to the Corporation, and any such moneys so paid by the Trustee to the Corporation shall be released of any trust, lien or pledge created by the Resolution. The Resolution also contains special provisions relating to the defeasance of Variable Interest Rate Bonds and Option Bonds.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Fiduciary after the date when such Bonds became due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published once in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.

SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE CONTRACT

Administration of the Revolving Fund (Article I)

In consideration of the payments to be made by the State pursuant to the Service Contract, the Corporation agrees that: (i) during the term of the Service Contract and subject to the provisions thereof, it will perform certain services relating to the operation and administration of the Revolving Fund, (ii) during the term of the Service Contract and subject to the provisions thereof, it will perform certain services with respect to the operation and administration of the Pipeline Fund, (iii) during the term of the Service Contract and subject to the provisions thereof, it will perform all services relating to the operation and administration of the 1285-q Fund, (iv) during the term of the Service Contract and subject to the provisions thereof, it will perform all services relating to the operation and administration of the 1285-p Fund and (v) during the term of the Service Contract and subject to the provisions thereof, it will perform all services relating to the operation and administration of the 1285-l Fund.

Issuance of Bonds by the Corporation (Article II)

The State agrees that the Corporation may, subject to the provisions of the Service Contract and the Act, issue series of Bonds as from time to time agreed upon by the State and the Corporation, such Bonds to be secured in whole or in part by the Service Contract and related payments to be made by the State as therein provided. The Bonds, other than Bonds issued for the purpose of refunding Bonds, shall be issued from time to time in such principal amounts such that the Corporation may realize from the sale thereof net proceeds sufficient to finance certain State Contributions to the Multi-Purpose Fund, to the extent authorized pursuant to the Act and as may be agreed to from time to time in accordance with the Service Contract. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Corporation may also issue any series of Bonds in amounts sufficient to fund the Debt Service Reserve Fund to the debt service reserve fund requirement, if any, required by the Resolution and to pay the fees and charges of, and expenses incurred by, the Corporation in connection with, and the amount of interest on such series of Bonds to be paid from Bond proceeds ("Funded Interest"), if any, to be realized upon, the issuance and sale of such series of Bonds.

The State and the Corporation agree that prior to issuance of any Additional Bonds, the State and the Corporation shall enter into a supplement to the Service Contract which shall evidence the agreement of the State and the Corporation that such series of Additional Bonds relating to one or more Multi-Purpose Funds are to be secured by the Service Contract. Such supplement shall also set forth the maximum principal amount of such series of Additional Bonds, the Debt Service Payment Dates for such series of Additional Bonds and any additional conditions and limitations as are to apply to such series of Bonds.

Payments by the State (Article III)

Service Contract Bond Payments. The State agrees to pay the Corporation on or before each Contract Payment Date (as hereinafter defined) preceding each Debt Service Payment Date for so long as the Corporation shall have outstanding Bonds (i) a sum of money equal to the amount required for interest payments accrued and unpaid on the Bonds as of such Debt Service Payment Date and (ii) in the case of a principal payment date, a sum of money which will be sufficient to equal the principal payments and sinking fund installments accrued and unpaid on the Bonds as of such Debt Service Payment Date. “Contract Payment Date” means either the first business day in March and September or a date not prior to the fifth business day preceeding each March 15th and September 15th, as indicated in the applicable Service Contract.

The Resolution provides that the Trustee shall advise the State of monies on deposit, as cash, in the Debt Service Fund on the fifteenth business day preceding each Debt Service Payment Date (such monies being hereinafter referred to as “Available Funds”). The payments due on each Contract Payment Date preceding each Debt Service Payment Date shall be reduced by an amount equal to such Available Funds to the extent such amount is not required to be applied to or to make any payment of principal or interest or premium due prior to such Debt Service Payment Date. If any such Available Funds are not available, as cash, on the applicable Debt Service Payment Date, the State shall, notwithstanding such notice from the Trustee, make an immediate and additional payment on such Debt Service Payment Date in the amount of the Available Funds that are not so available, as cash, on such date. In the event any Bond or Bonds shall, in accordance with the Service Contract, bear interest other than at a fixed rate, the amount of the interest payments by the State under the Service Contract shall be determined by assuming that interest during any period for which the rate of interest has not theretofore been finally determined will accrue at the maximum rate of interest established by the Resolution for such Bond or Bonds; and, if an interest payment by the State shall exceed the actual amount of interest payable on such Bond or Bonds in the ensuing interest period, the next interest payment due from the State under

the Service Contract shall be reduced by an amount equal to such excess remaining on deposit in the Debt Service Fund at the time such next interest payment is due.

Fees and Expenses. In addition, the State agrees to pay to the Corporation on or before each Contract Payment Date preceding each Debt Service Payment Date for so long as the Corporation shall have outstanding Bonds all fees and other charges of, and expenses incurred by, the Corporation in connection with the issuance and administration of the Bonds, as certified to the State by an Authorized Officer of the Corporation.

Rights of Prepayment. The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable pursuant to the foregoing provisions. Except as otherwise agreed by the Corporation and the State, any amounts so prepaid shall be credited to the corresponding payments to be made by the State under the foregoing provisions in the order in which they become due.

Other Payments. The State may, at any time in its sole discretion, make payments to the Corporation for the purpose of (i) directly funding the cost of State Contributions to any specific Multi-Purpose Fund that will not be funded with the proceeds of Bonds, (ii) paying notes issued in anticipation of Bonds at their maturity or earlier redemption date, (iii) redeeming Bonds pursuant to the exercise by the Corporation of any option it may have under the Resolution to do so; and (iv) defeasing Bonds or notes issued in anticipation of Bonds prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution. Any payments made by the State to the Corporation for the purposes set forth in this paragraph shall, subject to the provisions of the Resolution, be applied by the Corporation to such purpose, and, if so directed in the Service Contract or in the Resolution, shall be deposited in a fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided in the Service Contract or in the Resolution.

The State further agrees upon demand of the Corporation (i) to satisfy any deficiency in any debt service reserve fund applicable to the Bonds; (ii) to pay all amounts which may become due to the issuer of any surety bond, insurance policy, letter of credit or similar obligation which may have been obtained as contemplated by the Service Contract, if and to the extent such obligation arises as a result of the State's failure to make any nondiscretionary payment pursuant to the foregoing provisions; and (iii) to pay all amounts which may become due pursuant to any agreement relating to the issuance of variable rate Bonds as contemplated by the Service Contract.

Nature of Obligation to Make Payments. The State agrees that, subject to the provisions of the following paragraph, its obligation to make the payments provided for in the Service Contract shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Corporation or any other person or entity having an interest in the Service Contract or the payments made thereunder.

Notwithstanding anything in the Service Contract to the contrary (i) the obligation of the State or of the Commissioner of Environmental Conservation with respect to the Revolving Fund, or the obligation of the State and DOB with respect to the Pipeline Fund, or the obligation of the State and DOB with respect to the 1285-q Fund, or the obligation of the State and DOB with respect to the 1285-p Fund, or the obligation of the State and DOB with respect to the 1285-l Fund to pay the amounts therein provided for is subject to annual appropriation by the State Legislature; (ii) the obligation of the State or of the Commissioner of Environmental Conservation with respect to the Revolving Fund, or the obligation of the State and DOB with respect to the Pipeline Fund, or the obligation of the State and DOB with respect to the 1285-q Fund, or the obligation of the State and DOB with respect to the 1285-p Fund, or the obligation of the State and DOB with respect to the 1285-l Fund to pay the amounts therein provided for shall not constitute a debt of the State within the meaning of any constitutional or statutory

provision and shall be deemed executory only to the extent of monies available therefor and no liability shall be incurred by the State beyond the monies available for such purpose; and (iii) the State Legislature shall not be legally or morally obligated to make appropriations to satisfy the State's obligation to make payments under the Service Contract relating to any specific Multi-Purpose Fund, and there can be no assurance that the State Legislature will make any such appropriations.

State Contribution Fund Requisitions. Proceeds from the sale of Bonds deposited in the State Contribution Fund shall be made available to reimburse the State to the extent that the Director of the Budget certifies (i) that such proceeds represent amounts previously appropriated and paid by the State to the Corporation for deposit in the Multi-Purpose Fund, (ii) that such appropriated amounts were paid to the Corporation pursuant to appropriations authorized for reimbursement from Bond proceeds pursuant to the Act, and (iii) that the State has not previously been reimbursed from Bond proceeds or otherwise for such amounts paid to the Corporation for deposit in the Multi-Purpose Fund.

Application of Service Contract Payments. Any amounts paid to the Corporation pursuant to the Service Contract may be used by the Corporation solely to fund debt service requirements of Bonds, any debt service reserve requirements of Bonds; fees, charges and expenses of the Corporation payable by the State pursuant to the Service Contract, or other obligations, including bonds issued to fund any required debt service reserve requirement or Funded Interest for Bonds, of the Corporation issued to finance State Contributions to the Multi-Purpose Fund.

Duties of the Corporation relating to the Bonds (Article IV)

From the net proceeds derived from the sale of Bonds. and from any other monies available to it for such purpose, the Corporation agrees to finance State Contributions to the Multi-Purpose Fund in accordance with the applicable provisions of the Act.

The following funds. in addition to such other funds and accounts which may be required or permitted by the Resolution, shall be established and retained under the Resolution:

(a) Revenue Fund;

(b) State Contribution Fund;

(c) Bond Proceeds Fund;

(d) Debt Service Fund; and

(e) Redemption Fund.

Subject to the provisions of the Service Contract summarized below under "Pledge and Assignment," proceeds from the sale of Bonds deposited in the Bond Proceeds Fund may be used by the Corporation solely (i) to pay or reimburse the Corporation for costs and expenses incurred in connection with the issuance and sale of Bonds or (ii) to pay Funded Interest.

All payments made by the State in respect of scheduled debt service on the Bonds pursuant to the Service Contract and, to the extent not otherwise provided in the related Series Certificate or Supplemental Resolution relating to the such Bonds, all accrued interest received by the Corporation upon the initial issuance and sale of such Bonds shall be deposited in the Debt Service Fund.

Investment earnings on monies in the Bond Proceeds Fund, the Debt Service Fund, the Debt Service Reserve Fund, if any, and the Revenue Fund shall be transferred to the Debt Service Fund at the times and to the extent and in the manner provided in the Resolution.

Upon (i) payment to the Corporation of the amount required therefor and (ii) the direction by the State to the Corporation to do so, the Corporation shall exercise any option it may have under the Resolution to redeem all or any portion of any series of Bonds, and the Corporation shall deposit into the Redemption Fund all payments received from the State and designated for such purpose.

Monies in each fund or account established pursuant to the Resolution shall be held and administered by the Corporation or by the Trustee or the Paying Agent, as provided in the Resolution, and shall not be commingled with any other funds of the Corporation.

In addition to the duties of the Corporation with respect to the audit powers granted the State under the Public Authorities Law or of any other law, the Corporation agrees to keep accounts and records which clearly identify the purposes for which monies received by the Corporation, including the proceeds of Bonds, pursuant to the Service Contract have been expended. The Corporation agrees to submit annual financial reports to the State, with respect to the receipt and expenditure of monies under the Service Contract, within 90 days after the end of each Corporation fiscal year during which the Service Contract is in force. The Corporation agrees to make available for inspection by the State such accounts and records as may be determined necessary or desirable by the State.

Within thirty days after the issuance of any series of Bonds, the Corporation shall (except as may be provided in any agreement entered into relating to the issuance of variable rate Bonds) furnish to the State a schedule of the aggregate of all debt service payments to be made on each date in respect of all Bonds then being issued or then otherwise outstanding.

During each year the Corporation shall have Bonds outstanding, the Corporation shall, not later than 120 days before the beginning of each State fiscal year, advise the State of the schedule of anticipated cash requirements due from the State pursuant to specified provisions of the Service Contract on each Contract Payment Date preceding each Debt Service Payment Date during such fiscal year.

The Corporation agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of any series of Bonds issued under the Resolution and then outstanding or any series of bonds issued under other resolutions of the Corporation providing for environmental infrastructure revenue bonds, the proceeds of which were used to finance State Contributions to the Multi-Purpose Fund. Refunding Bonds may be issued as part of the same series of Bonds that are issued to finance State Contributions to the Multi-Purpose Fund. Such refunding Bonds shall be deemed Bonds for all purposes of the Service Contract, except that the net proceeds derived from the sale of such refunding Bonds shall be used by the Corporation to pay or provide for the payment of the Bonds or bonds to be refunded or repaid.

When all Bonds issued under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Corporation shall promptly pay or cause to be paid to the State any monies remaining in the Bond Proceeds Fund, Debt Service Fund, Redemption Fund and Revenue Fund not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Any monies so remaining in the State Contribution Fund shall be used by the Corporation as provided in the Service Contract and in the Resolution.

Pledge and Assignment (Article V)

The State consents to the pledge and assignment by the Corporation to the holders of any of the Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Corporation in the Service Contract, of all or any of the payments by the State as provided in the Service Contract and of all or any of the funds established under the Resolution.

Special Covenants (Article VI)

The State agrees that whenever requested by the Corporation with reasonable advance notification it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Corporation, such information concerning (a) the operations and finances of the State and related entities of the State and such other matters that the Corporation considers necessary to enable it to complete and publish an official statement, placement memorandum or other similar document relating to the sale or issuance of Bonds or to comply with any contractual agreements relating to the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, or to maintain ratings on the Bonds by any nationally recognized municipal bond rating agency, and (b) the payments to be made by the State as provided herein, or information necessary to enable the Corporation to make any reports required by law or governmental regulations in connection with the Bonds or other obligations issued or incurred under the Resolution.

Neither the Corporation nor the State will terminate the Service Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability, covenant, agreement, condition or obligation arising out of or connected with the Service Contract.

The Service Contract may not be amended, changed, modified or altered so as to materially adversely affect the rights of the holders of any Bonds without the consent of such holders or any trustee acting on their behalf given in accordance with the provisions of the Resolution. Neither (a) an increase in the amounts payable under the Service Contract or in the term of the State's obligations (other than an increase in such term that changes the maturity date or payment date of any outstanding Bonds), (b) the issuance of additional Bonds secured by the Service Contract and the establishment of terms relating to such additional Bonds in accordance with applicable law, (c) any amendment, change, modification or alteration to Article I of the Service Contract, nor (d) any amendment, change, modification or alteration relating to the administration of the Revolving Fund, the Pipeline Fund or the addition of any other fund to be administered by the Corporation in the future or relating to the fees and charges of, and expenses incurred by, the Corporation, shall be deemed to be such a material adverse change.

In the event of any conflict between any of the provisions of the Service Contract and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede certain provisions of the Service Contract summarized above limiting the nature of the obligations of the State to make payments under the Service Contract.

The State agrees to request appropriations during the term of the Service Contract for each fiscal year of the State in an amount equal to any payments required to be made to the Corporation pursuant to the Service Contract during such fiscal year.

Solely with respect to any series of Bonds issued under related Supplemental Resolutions, the State covenants that it shall at all times do and perform all acts and things necessary or desirable and within its power in order to assure that interest accrued or paid on the Bonds shall, for the purposes of the income taxation of New York State and political subdivisions of New York State, be excludable from the gross income of the recipients thereof.

Events of Default by the State and Remedies (Article VII)

If for any reason, other than a failure by the State Legislature to appropriate monies for the purposes set forth in the Service Contract, the State shall fail to pay when due any of the required payments provided for in the Service Contract or shall fail to observe or perform any other covenant, obligation, condition or agreement on its part to be observed or performed, the Corporation shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary, or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, condition, agreement or covenant of the State hereunder.

The remedies conferred upon or reserved to the Corporation as described in the preceding paragraph in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Service Contract, nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

Events of Default by the Corporation and Remedies (Article VIII)

If the Corporation shall fail to observe or perform any covenant, obligation, condition or agreement on its part to be observed or performed, and such failure to observe or perform shall have continued for sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Corporation by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, condition, agreement or covenant of the Corporation under the Service Contract.

The remedies conferred upon or reserved to the State as described in the preceding paragraph in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Service Contract or of the obligations of the State to make the payments provided for as described above under "Payments by the State," nor may they include any amendment, change, modification or alteration of the Service Contract that is prohibited by the Service Contract.

Miscellaneous (Article IX)

The Service Contract shall not terminate prior to the date on which no Bonds remain outstanding that are payable from payments to be made, subject to appropriation, by the State pursuant to the terms of the Service Contract.

Exhibit 6A – Outstanding Bonds

NYS ENVIRONMENTAL FACILITIES CORPORATION
INDUSTRIAL FINANCING PROGRAM
PRIVATE ACTIVITY BOND SCHEDULE
AS OF SEPTEMBER 30, 2021

Description	Closed	Issue Amount	Outstanding Amount
Waste Management - 2012	5/12	25,000,000	25,000,000
Casella Waste - 2014	12/14	25,000,000	25,000,000
Casella Waste - 2014R-2	6/16	15,000,000	15,000,000
Casella Waste - 2020	9/20	40,000,000	40,000,000
		105,000,000	105,000,000