

PN-ACB-665



# **India Workshop on the Structure and Operation of Pooled and Leveraged Lending Programs**

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COTR Sarah Wines*

*Finance Working Papers*

**INDIA WORKSHOP  
ON THE STRUCTURE AND  
OPERATION OF POOLED  
AND LEVERAGED LENDING  
PROGRAMS**

by

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## Advantages of Pooled Loan Program

- Provides access to capital markets for local infrastructure projects
- Lowers interest costs through umbrella credit enhancement facilities
- Lowers issuance costs through standardized legal agreements and financial structures
- Improves market for longer term maturities
- Lowers administrative costs due to cost sharing by all pooled government borrowers
- Helps jump-start or rapidly expand national bond market
- Establishes well-defined project structure, risk allocation, and capital requirements for municipal officials and project sponsors who seek to include projects in a pooled financing
- Improves ability to monitor local credits and act as buffer between local governments and lenders

## Examples of Pooled Loan Programs

- State Bond Banks - Maine Bond Bank

Generally, a state created public authority that sells its own securities (without state guarantees or state repayment obligations) and relends bond proceeds to local governments. Investors look exclusively to the issuer or local borrowers for repayment.

- State Revolving Funds

New York State Environmental Facilities Corp.

Special purpose state entities (commonly focused on wastewater projects) that make loans from a fund created by federal or state grants and relends funds when repayments on outstanding loans are made. A leveraged loan program involves issuing bonds that are financed by underlying loan repayment revenue streams.

- Interlocal Financing Pools - Florida Sunshine Pool

When a limited number of cities through interlocal agreements (with state approval) agree to issue debt jointly to tap investment resources (such as low-interest variable rate loans) that require larger volume than most cities can reach without pooling their debt offerings. Also provides economies of scale otherwise unrealized if separate individual financings were undertaken.

- On-lending Programs - FINDETER, Colombia

Where a second tier bank, FINDETER, provides funding for infrastructure projects through first tier commercial banks that conduct credit worthiness determinations.

## Types of Pooled Loan Financing

- Long-term infrastructure

Where public authority or bond bank issues long-term bonds under a master legal indenture and use bond proceeds to purchase debt obligations of localities.

- Short-term cash flow financing

Where localities face operating cash flow shortfalls because of differences in timing between the receipt of revenues and operating expenditures. Typically, these short term issues are secured by the locality's pledge of those operating revenues.

- Equipment lease financing

Where vendor financing or conventional debt financing for relatively small equipment purchases is often prohibitively expensive, while up-front cash purchases deplete needed reserves. The bond bank typically provides standardized loan and security documentation that streamlines the process and allow banks to bid aggressively on the loans because of their increased comfort with the credit of local borrowers.

## Necessary Elements of Pooled Financing

- Public Authority
  - Deal Flow
  - Strong Balance Sheet
  - Credit Enhancement
  - Project Facilitation
- Master Legal Agreements
- Private Sector Investors

**Profile of Pooled  
Financing of Waste Water Treatment Plants  
in New York State**

**Environment Facilities Corporation**

<u>Year</u>	<u>Number of Borrowers</u>	<u>Bond Amount</u>	<u>Average Project Size</u>	<u>Interest Rate of Bonds</u>
96	42	\$326,720,000	\$8,000,000	2.95% to 5.20%
95	15	75,475,000	5,000,000	3.45% to 5.40%
94	18	56,660,000	3,100,000	3.00% to 6.85%
94	41	261,260,000	6,300,000	4.10% to 6.85%

## Types of National Government Support

Although the objective of a pooled loan program is to facilitate the development of local government access to capital markets without national or sovereign guarantees, there are several steps a national government could take to provide credit support to a pooled loan program that falls short of a sovereign guarantee.

- Moral obligation on debt service reserve fund - where bond banks issues includes a debt service reserve that is equal to a particular level of debt service (usually one year) - In case of default and drawn on the reserve fund, the bank covenants that it will seek national government appropriated funds.
- Annual appropriation of debt service reserve (usually one year). The annual appropriation pledge of the state mitigates the risk of local borrowers default, but investors still bear the risk of non-appropriation by the state.
- National government aid intercept provisions where bond back has the authority to intercept state or national aid to local governments if governments default on their obligations.
- National capitalization grants - used to create revolving loan funds which will eventually become self-supporting. Grants are used as seed money to issue direct loans on back bond issues.
- National government administrative grants to support start-up and early year administrative expenses

## **Local Government Participation**

Developing a program that is attractive to local governments is the hallmark of any successful pooled lending program.

- Requires sensitivity to, and familiarity with, infrastructure needs of municipal participants.
- Program design should reflect extensive local officials' comments and input.
- Application process should be simple and streamlined.
- Project eligibility review and ranking should be determined by a transparent process that provides for local official appeal.
- Separate categories of assistance may be necessary to respond to extremely distressed communities based on clearly established criteria.
- Opportunity for input and comment should be available before annual intended use plan is approved.

## **Program Management**

Effective management of a pooled lending program must be experienced in municipal financing. Professional and competent management must also:

- Be free of political influence
- Effectively evaluate projects against established criteria
- Maintain financing schedules
- Work effectively with capital markets participants
- Develop confidence of rating agencies
- Earn the trust of local governments

## Legal and Legal Related Documents Necessary for a Pooled Lending Program

In the absence of sovereign guarantees, rating agencies rate bond banks primarily on the legal structure of the issue and the legal structure of the bond bank, as well as the credit quality of the underlying borrowers.

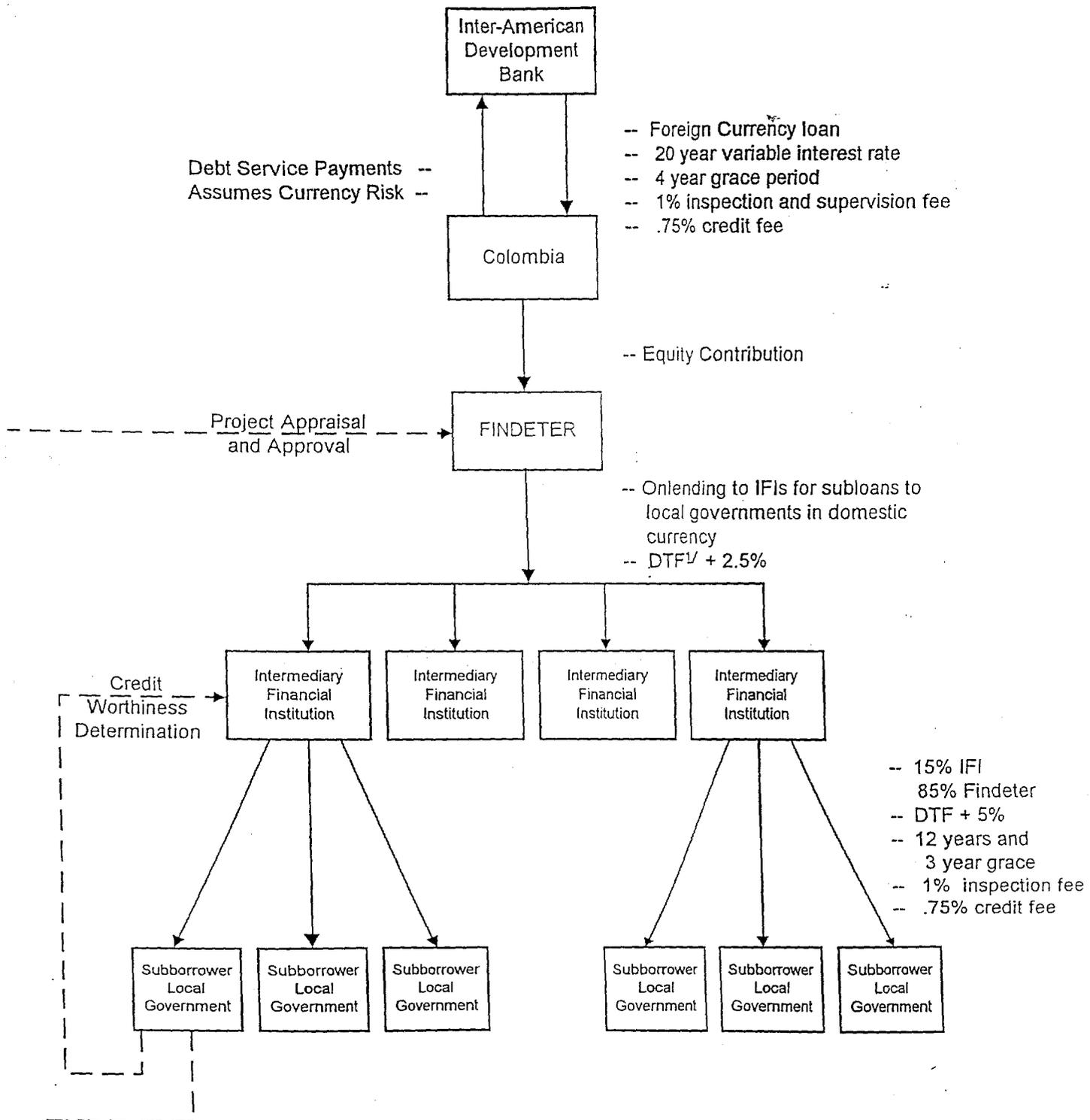
- Enabling Legislation, if necessary
  
- Regulations with eligibility standards, evaluation criteria, and remedies
  
- Loan Application Form
  - Reflects Corporation's investment program criteria
  - Thoughtful risk allocation strategy
  - Framework for follow on loan agreements and other documents
  
- Loan Agreement
  - Sets forth terms and security
  - Fee schedule and administrative expenses
  - Payment schedule
  - Redemption qualifications
  - Closing conditions
  
- Financing Indenture
  - Pledge of securities
  - Flow of funds
  - Requirements to issue additional bonds
  - Covenants - including coverage
  - Defaults and Remedies
  - Redemption and Defeasance
  
- Credit Enhancement Facility (may be found in other legal documents)
  - Reserve Accounts
  - Liquidity Agreements
  - Letters of Credit
  - Insurance/Guarantee
  - Overcollateralization
  - Revenue Intercepts

**Environmental Facilities Corporation**  
**Anticipated FFY 97 Intended Use Plan and Financing Schedule**

July 1996	IUP Public meetings and Hearings & Application Workshops
August 1996	Financial Hardship information deadline
August/September 1996	Application workshops
October 1, 1996	IUP effective date
November 1, 1996	Applications due for Winter Pool
December 2, 1996	Complete application/project ready for financing
March 7, 1997	Winter Pool closing
April 1, 1997	Applications due for Summer Pool
May 1, 1997	Complete application/project ready for financing
June 2, 1997	Last date to submit application (For Direct Loans)
August 5, 1997	Summer Pool closing
September 30, 1997	End of financing period

# Hawkins Delafield & Wood

## Simplified Flow of Funds for COLOMBIA ON-LENDING PROGRAM



<sup>1/</sup> DTF - Average three-month market interest rate for obtaining resources

# *Hawkins, Delafield & Wood*

## Simplified Flow of Funds for ADB Loan to the People's Republic of China for the Second Agricultural Bank of China Project

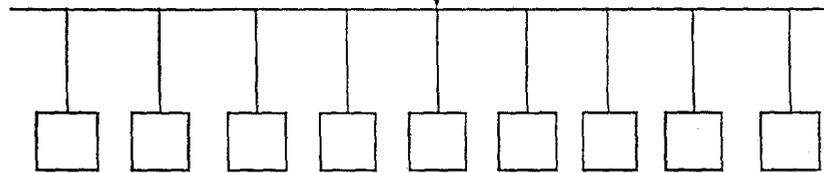
ADB  
\$100 M

People's  
Republic of  
China

- 15 years + 4 year grace
- Variable Rate
- .75 commitment fee per annum on graduated basis

Agricultural  
Bank of  
China

- Assumes foreign exchange risk
- Assumes interest rate variation risk



Subloan Agreements in  
local currency

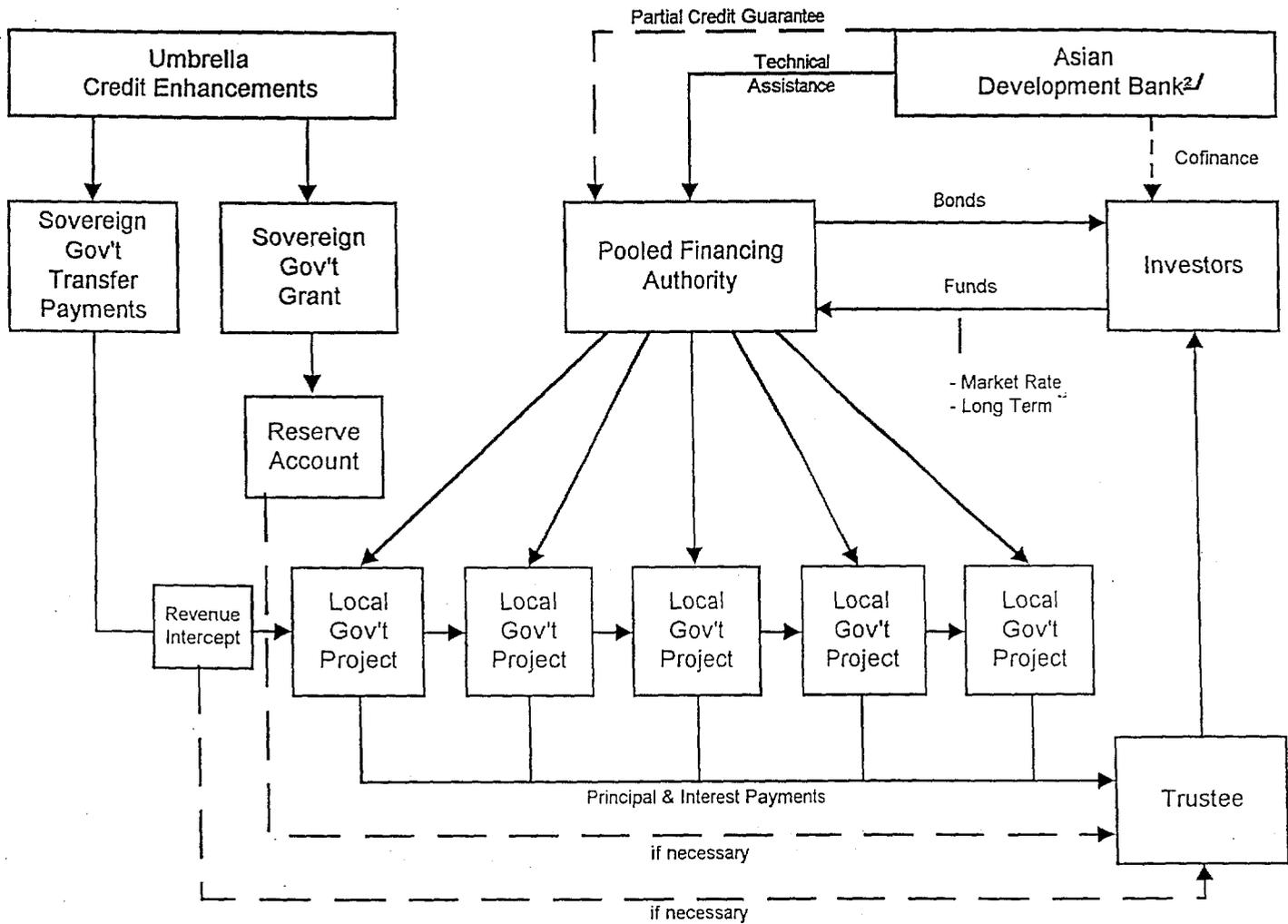
30% minimum  
- equity contribution

Full foreign  
- exchange and  
interest rate risk  
passed on to sub-  
borrowers

- 1 to 10 years
- maximum 2 year grace
- No less than 2% above cost of funds

Limitations of On-lending	
Leverage capacity	- Limited
Mobilization of Private Debt Financing	- 0
Cost to local borrowers	- Cost of ADB borrowing + .75% commitment + minimum of 2%
Diversification of financial sources for project finance	- None, bank lending only

Simplified Flow of Funds  
for  
Pooled Financing<sup>1/</sup>



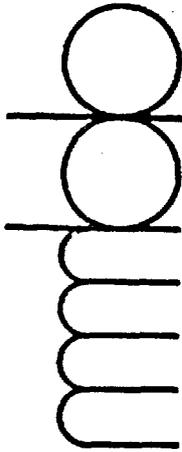
Advantages of Pooled Financing	
Leverage capacity	- High
Mobilization of private debt financing	- Accomplished
Cost to local borrower	- Cost of pooled financing authority borrowing below stand-alone financing
Capital market development	- Jump start bond market or expand access to market for larger number of local governments

<sup>1/</sup>This structure serves as a representative model and can be modified to meet host country, borrower or investor interest.

<sup>2/</sup>The Bank's role can take many forms. The two options provided here are only representative. Other options may be considered by Bank management.

APPLICATION FORM

*District*



**MAINE MUNICIPAL BOND BANK**  
45 University Drive • P.O. Box 2268  
Augusta, Maine 04338  
Telephone (207) 622-9386

The undersigned Governmental Unit (the Applicant) hereby requests the Maine Municipal Bond Bank to purchase the following described obligations of the Applicant. *This application shall not constitute a contract or a commitment to enter into a contract.*

Name of Governmental Unit \_\_\_\_\_

Type of Unit  Water District  
 Sewer District  
 Other \_\_\_\_\_

Mailing Address \_\_\_\_\_  
\_\_\_\_\_

**Chief Administrative Officer**

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Telephone \_\_\_\_\_  
Date \_\_\_\_\_

**Contact Person (if different)**

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Telephone \_\_\_\_\_

Specific Purpose of Issue: \_\_\_\_\_  
\_\_\_\_\_

(How money will be spent, if more than one project attach separate cost breakdown for each)

**Source of funds for Project: (000)**

Unit's Share \_\_\_\_\_  
State Share \_\_\_\_\_  
Federal Share \_\_\_\_\_  
Other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Total Funds =====

**Cost Breakdown: (000)**

Land \_\_\_\_\_  
Design Cost \_\_\_\_\_  
Contractors \_\_\_\_\_  
Feasibility Study \_\_\_\_\_  
Legal \_\_\_\_\_  
Other \_\_\_\_\_  
Total Project Cost \_\_\_\_\_  
Total =====

**Bond Amount to be Purchased by Bond Bank \$** \_\_\_\_\_

Amount Authorized \$ \_\_\_\_\_  
Authorized By \_\_\_\_\_  
Date Authorized \_\_\_\_\_  
Form of Authorization \_\_\_\_\_  
Bidding Date for Project \_\_\_\_\_  
Expected Completion Date \_\_\_\_\_

**Bond Counsel**

Address \_\_\_\_\_  
\_\_\_\_\_ Zip \_\_\_\_\_  
Telephone \_\_\_\_\_

**Local Counsel (If Different)**

Address \_\_\_\_\_  
\_\_\_\_\_ Zip \_\_\_\_\_  
Telephone \_\_\_\_\_

**Clearance Required By:**

	Yes	No	Date Obtained (or expected)
Department of Environmental Protection	<input type="checkbox"/>	<input type="checkbox"/>	_____
U.S. Corp of Engineers	<input type="checkbox"/>	<input type="checkbox"/>	_____
Intergovernmental Review	<input type="checkbox"/>	<input type="checkbox"/>	_____
Local Planning Board	<input type="checkbox"/>	<input type="checkbox"/>	_____
Others (List)	<input type="checkbox"/>	<input type="checkbox"/>	_____
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____

1. Since the date of your last Annual Report or Financial Statements have you issued or authorized any new long term debt?

Yes  No

2. Have you issued any notes or entered into any loans for operating purposes?

Yes  No

3. Please show the amount of Revenue (Operating) Anticipation Notes your unit of government has borrowed in the last five years.

19_____	_____
19_____	_____
19_____	_____
19_____	_____
19_____	_____

4. Are there any other factors that have occurred since the date of your last Annual Report or Financial Statements that would significantly affect your revenue, expenditures or overall financial condition?

Yes  No

**Information Regarding Financing**

Please provide the following information for any bonds or notes (BAN's, TAN's, GAN's) to be refunded.

Type of Obligation	Original Issue Date	Original Principal Amount	Maturity Date	Redemption Amount (If any)	Amount to be Refinanced
-----------------------	------------------------	------------------------------	------------------	-------------------------------	----------------------------



**SCHEDULE B**

1. Fiscal Year End \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

2. What are the charges currently in effect for your services? \_\_\_\_\_

3. When are charges for services due and payable?

- Yearly,                       Semi-Annually,                       Quarterly,                       Monthly

4. What is your interest rate penalty? \_\_\_\_\_

5. When was your last rate increase? \_\_\_\_\_

What was the percentage increase? \_\_\_\_\_

6. When do you plan to propose or implement your next rate increase? \_\_\_\_\_

7. List all special Districts serving your municipality for any purpose, even if other municipalities are also served by them:  
(Sewer, Parking, Utilities, etc.)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. List all the cities and/or towns your district serves:

**City/Town**

**Estimated Number of District Users**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

## SCHEDULE C

1. List the ten (10) largest taxpayers, users, customers, beneficiaries, etc. within your governmental unit or jurisdiction showing approximate percentages:

Name of Individual or Firm	Annual User Charge	Percentage of Total Charges
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

2. Are there any current or projected substantial non-governmental users of the district (i.e. consumers of 5% or more of the service) with whom the system/borrower has a special arrangement as to rates and charges (excluding bulk rates) which are not available to the general public?

Yes

No

3. List the three (3) largest employers in your local area:

Firm Name	Estimated Employment
_____	_____
_____	_____
_____	_____

4. Population:

1970 Census \_\_\_\_\_ 1980 Census \_\_\_\_\_ 1990 Census \_\_\_\_\_

19\_\_\_\_ 19\_\_\_\_ 19\_\_\_\_ Current

5. Number of Facility Customers \_\_\_\_\_

6. Number of District Employees \_\_\_\_\_

7. Unemployment Rate for Area \_\_\_\_\_

8. Please explain any major changes: \_\_\_\_\_



### SCHEDULE E

**Overlapping Debt- List all outstanding debt of governmental units that have overlapping jurisdiction (county, school district, town, water district, sewer district, etc.) with your own unit.**

Name of Governmental Unit	Date of Issuance or Borrowing	Date of Maturity	Total Amount Outstanding	Your Share of Outstanding Debt (%)
---------------------------	-------------------------------	------------------	--------------------------	------------------------------------

Total \$ \_\_\_\_\_  
 \_\_\_\_\_

### SCHEDULE F

**Proposed Capital outlay for the next five (5) years**

<u>Purpose</u>	<u>AMOUNT TO BE PAID BY</u>		<u>Total Cost</u>	<u>Repayment Schedule (Number of Years)</u>
	<u>District</u>	<u>Others</u>		

19 \_\_\_\_\_  
 19 \_\_\_\_\_  
 19 \_\_\_\_\_  
 19 \_\_\_\_\_  
 19 \_\_\_\_\_

If your unit has a Capital Budget, check here  and enclose a copy.

# ACTUAL REVENUES AND EXPENDITURES AND CHANGE IN EQUITY BALANCE

	Historical	Most Current Completed Year	Projected	
Budget for year	_____	_____	_____	_____
Sources of Income for fiscal year ended	_/_/_	_/_/_	_/_/_	_/_/_
Operating Revenue	_____	_____	_____	_____
Other Revenue	_____	_____	_____	_____
Misc., Interest, Etc.	_____	_____	_____	_____
Total Revenues	_____	_____	_____	_____
Expenditures:				
Operation & Maintenance Expense	_____	_____	_____	_____
Depreciation	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____
Interest Long Term	_____	_____	_____	_____
Interest Short Term	_____	_____	_____	_____
Principal Payment	_____	_____	_____	_____
Sinking Fund Payment	_____	_____	_____	_____
and/or Reserve Requirement	_____	_____	_____	_____
Misc., All other expenses	_____	_____	_____	_____
Total Expenditures	_____	_____	_____	_____
NET INCOME (LOSS)	_____	_____	_____	_____

Are sinking fund payments mandatory?  Yes  No Annual Amount Required \_\_\_\_\_

If you have Farmer's Home Administration Loans (FmHA) are annual cash reserves required (other than principal)?  Yes  No Annual Amount Required \_\_\_\_\_

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## SUMMARY OF BALANCE SHEET

	Historical		Most Current Completed Year	Projected	
Fiscal Year Ending	/	/	/	/	/
<b>ASSETS:</b>					
Cash	_____	_____	_____	_____	_____
Investments & Sinking Funds	_____	_____	_____	_____	_____
Accounts Receivable (Less Reserve for losses)	_____	_____	_____	_____	_____
Plant & Equipment (Less Depreciation Reserve)	_____	_____	_____	_____	_____
Other Assets	_____	_____	_____	_____	_____
Deferred Debits	_____	_____	_____	_____	_____
<b>TOTAL ASSETS</b>	=====	=====	=====	=====	=====
<b>LIABILITIES:</b>					
Long-term Debt	_____	_____	_____	_____	_____
Notes Payable	_____	_____	_____	_____	_____
Accounts Payable	_____	_____	_____	_____	_____
Contributions in Aid of Construction	_____	_____	_____	_____	_____
Debt Retired through Retained Earnings	_____	_____	_____	_____	_____
Deferred Credits	_____	_____	_____	_____	_____
Sinking Fund/Reserves	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
<b>TOTAL LIABILITIES</b>	=====	=====	=====	=====	=====
<b>EQUITY BALANCE</b>	=====	=====	=====	=====	=====

Short Term Debt at the end of last three fiscal years:

	19____	19____	19____
Bond Anticipation Notes	_____	_____	_____
Other (Grant Anticipation, etc.)	_____	_____	_____
Operating Notes Payable	_____	_____	_____
Total	_____	_____	_____

Payables at the end of the last three fiscal years:

Contracts and Judgements	_____	_____	_____
Warrants Payable (Accounts Payable)	_____	_____	_____
Others	_____	_____	_____
Total	_____	_____	_____
Pension Plan: Unfunded Liabilities	_____	_____	_____

Name of plan(s) \_\_\_\_\_

Any pending litigation in excess of \$10,000?  Yes  No

If yes, please explain:

Is there in place in your community or pending before the governing body any limitation on the ability of the governmental unit to raise through taxes or rates, or expend from revenues, funds necessary to pay the costs incurred if you issue the debt called for in this application. *If there is, please enclose a copy of the ordinance or proposed governmental unit resolution explaining and defining the possible limitations.*

**NOTE: APPLICANT MUST ENCLOSE THE FOLLOWING: (PLEASE CHECK IF INCLUDED)**

- 1. One copy of District's Charter with amendments
- 2. One copy of each of last three annual audit reports
- 3. One copy of last rate case filing Date: \_\_\_\_\_
- 4. Two copies of latest annual audit report
- 5. Two copies of latest PUC annual report
- 6. Rate Schedules (Old Schedule plus new schedule to include the new debt)

Any material facts that amplify the financial effect on the community not requested in this application should be noted here:

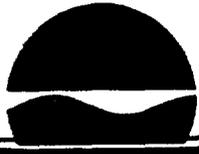
The facts and representations in this application form are from the official records of this unit and are correct in all material respects to the best of our knowledge.

Name of Applicant \_\_\_\_\_

Authorized Signature \_\_\_\_\_

(i.e. Chief Operating Officer, Superintendent)

Title \_\_\_\_\_



Department of Environmental Conservation

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# Intended Use Plan Project Priority System Project Priority List

New York State Revolving Fund  
for  
Water Pollution Control

Effective  
October 1, 1995--September 30, 1996

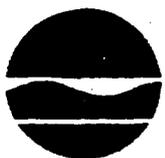
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The State of New York  
GEORGE E. PATAKI, *Governor*

Department of Environmental Conservation  
MICHAEL D. ZAGATA, *Commissioner*

Environmental Facilities Corporation  
TERRY AGRISS, *President*

October 1995



**NEW YORK STATE  
WATER POLLUTION CONTROL REVOLVING FUND  
INTENDED USE PLAN  
EFFECTIVE OCTOBER 1, 1995 - SEPTEMBER 30, 1996**

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**NEW YORK STATE  
WATER POLLUTION CONTROL REVOLVING FUND  
INTENDED USE PLAN**

I. Introduction and Discussion of Significant Issues and Proposals

**Introduction**

The New York State Revolving Fund (SRF) for water pollution control provides interest-free short term, and low interest rate long term loans to municipalities to finance planning, design, and construction of water quality protection projects. The SRF is authorized by the Federal Water Quality Act of 1987 (which added Title VI, State Water Pollution Control Revolving Funds, to the Clean Water Act), Chapter 565 of the Laws of New York State of 1989 (as amended by Chapters 55 and 645 of the Laws of 1992, and Chapters 230 and 231 of the Laws of 1995), and federal and state implementing regulations.

This Intended Use Plan (IUP) provides:

- (1) a list of projects for which the closing on a long term SRF loan is expected to occur prior to September 30, 1996;
- (2) a multi-year list of projects expected to request SRF financing;
- (3) estimates of the long term loan amounts for each listed project;
- (4) criteria for selecting projects to receive financial assistance from the Project Priority List;
- (5) anticipated funds available for project loans;
- (6) a description of the goals of the SRF program; and
- (7) the project scoring and ranking system.

The New York State Environmental Facilities Corporation (EFC) offers a Short Term Financing Program (loan terms of up to 2 years) which operates in conjunction with a long term financing program (loan terms of up to 20 years). SRF short term loans can provide interest-free interim financing to municipalities which have completed planning and sewer district formation (if applicable) for eligible projects that need financing to complete design and start construction. Upon maturity, the short term loans can be taken out with long term SRF loans, or other funding (e.g., Rural Economic and Community Development (RECD) grants or loans). Short term loans are available to municipalities with high priority projects listed in the Multi-Year Project Priority List. Approval of applications for short term loans is on a first come/first served basis.

**Program Issues and Initiatives**

1. This IUP addresses the use of monies expected to be available to the SRF through September 30, 1996. The financing capability of this IUP is based on the total of funds available plus projected loan repayments and interest earnings from the SRF. No infusion of additional Federal grant money is anticipated this year due to continued Congressional debate on reauthorization of the Federal Water Quality Act.

Resources anticipated to be available in the SRF as of October 1, 1995 for project loans total \$455 million (See Section VI). These resources must be allocated to financial hardship loans, other long term direct loans, pooled long term financings and short term loans. This amount will not provide sufficient monies for long term financing of all municipal water pollution control projects on the annual Project Priority List. Therefore, funding lines have been established in the Final IUP. At this time, it is not anticipated that the Project Priority List will be amended later in the funding year to include other long term loan projects. The amount anticipated to be used for short term loans during this IUP period is \$70 million.

2. The 50 percent interest rate subsidy has been extended until March 31, 1996. As this date occurs part way through the financing period of this IUP, the cost saving benefit of the enhanced subsidy will apply only to those municipalities that close on long term loans and meet other qualifying requirements by that date. After March 31, 1996, the subsidy will revert to one-third of the market rate. See Attachment D, Appendix A for the anticipated FFY 96 financing schedule.
3. Please note that Section 169 of the Local Finance Law, which authorizes municipalities to issue "grid notes" to EFC in connection with the short term loan program under the SRF, expires on June 30, 1996. EFC intends to pursue legislation extending this authorization. Pending passage of such an extension, however, the EFC cannot make any representations about the continued availability of short term loans after June 30, 1996.
4. New projects will be added to the Multi-Year Project Priority List as they are identified by municipalities interested in SRF financing. This will facilitate applications for short term financing as a municipality could immediately qualify for a short term loan, provided the project meets environmental significance criteria, has a project score above the long term funding line in its project category, the municipality has an approved technical planning report and has completed the State Environmental Review Process. Although there is no priority list for short term loans, which are processed on a first-come first-served basis, EFC will process complete applications in-house before approving an application for any new project.

The public will be notified of additions to the Multi-Year List through a notice in the Environmental Notice Bulletin. The notice will be published quarterly and contain a list of all new projects.

II. Activities to be Supported

- A. **Eligible Projects** - The SRF was established to help municipalities finance publicly-owned facilities that reduce or prevent water pollution. Wastewater treatment facilities are the most common project type. Other projects may also be eligible, if the primary purpose of such facilities is water quality protection.

The following categories describe projects which are eligible for SRF financing. As other types of projects may be eligible for SRF financing, municipal officials are encouraged to contact EFC to discuss their proposed project.

● Treatment Works Projects

- Sanitary sewers, wastewater pumping facilities, wastewater treatment facilities, infiltration/inflow correction, sewer replacement and rehabilitation, combined sewer overflow abatement, and storm sewer pollution control;
- Sludge processing and disposal facilities;
- Filter backwash and sludge processing and disposal facilities for municipally-owned drinking water treatment plants;
- Sewers or treatment capacity for industrial wastewater provided such facilities are publicly-owned;
- Devices or systems used for the storage, treatment, recycling or reclamation of industrial wastewater, provided they are part of the municipal wastewater system;
- Publicly-owned water conservation devices or systems such as water meters, water saving devices, and reuse or recycling devices; and
- Municipally-owned marine pumpout facilities, dump stations, and treatment works needed to accommodate collected wastes.

● Nonpoint Source Pollution Control Projects

- Non-hazardous, inactive hazardous, and construction & demolition (C&D) landfill capping and closure;
- Landfill reclamation;
- Landfill leachate collection, storage and treatment;

- Ash lagoon remediation;
- Facilities to collect and treat runoff from municipal airports which has been contaminated by aircraft deicers or other pollutants;
- Highway deicing material storage facilities;
- Remediation of contamination from leaking petroleum storage tanks, underground injection wells and inactive municipal hazardous waste sites;
- Stormwater management facilities, such as street sweepers, sediment traps and basins, constructed wetlands and biofilters;
- Stream bank stabilization and erosion control;
- Highway bank stabilization and drainage erosion control;
- Restoration of riparian vegetation, wetlands and other water bodies; and
- Land purchase or conservation easements for water quality protection.

- Estuary Conservation and Management Plans and Projects

The SRF can fund the implementation of Estuary Conservation and Management Plans. For an implementation project to be eligible, it must be consistent with the EPA-approved estuary plan developed pursuant to Section 320 of the Clean Water Act. Projects that are nonpoint source control related must also be consistent with the approved nonpoint source management plan.

- B. **Project Costs** - Eligible project costs will be financed as indicated by the Priority System and as discussed in Section IV. Short term interest-free loans and long term loans (direct or leveraged, including refinancing of existing debt) will be provided.
- C. **Refinancing Costs** - Publicly-owned water pollution control facilities that commenced construction after March 7, 1985, are eligible for SRF loans. Planning, design, and other pre-construction costs incurred prior to March 7, 1985, may be allowable if related to an otherwise eligible project that commenced construction after this date. Projects must meet certain SRF requirements to be refinanced (e.g., SEQR/SERP, Affirmative Action).
- D. **Administrative Costs** - SRF resources will also be used to support the cost of program and project administration. Administrative costs supported by the SRF cannot exceed that allowed by Federal law (4% of the total amount of Federal Capitalization Grants received). Other administrative costs will be covered by fees

paid by loan recipients (See Section V and Attachment D, Appendix B).

**III. Loan Programs and Interest Rates**

**A. Short Term Financing Program**

The SRF provides interest-free short term loans to municipalities for eligible projects. A short term loan can provide financing for planning, design, construction start-up, and associated costs that accrue before long term financing is needed. It also can be used to prefinance costs that will be reimbursed from proceeds of grants and loans from other sources. Examples include DEC's Landfill Closure Assistance Program, HUD and RECD. Generally, loans have an initial term of one year (six month minimum term) plus sufficient time for the municipality to obtain long term financing. For projects with a total cost under \$4 million, the loan term may be up to two years.

**B. Long Term Financing Program**

Most long term loans to municipalities derive from the sale of EFC's bonds. These are known as leveraged loans. Some long term loans are made directly from the SRF corpus. These are called direct loans. The type of long term loan (i.e., leveraged or direct) depends on the criteria outlined in 21 NYCRR Section 2602.4 of the implementing State regulations. Direct loans are restricted to situations of economic or financial hardship; a credit rating which would impair the ability of EFC to sell its bonds; small size; or other factors making it not feasible for inclusion in a bond sale.

The standard interest rate for leveraged loans is two-thirds of the market rate. The enhanced interest rate is one-half of the market rate. The market rate is the interest rate obtained by EFC on the sale of bonds for a SRF pooled bond issuance. EFC bond interest rates depend on EFC's bond rating, which is based on the underlying security for all series of bonds issued under the Master Financing Indenture, and the market conditions at the time of sale. For all leveraged loans, the EFC interest rate subsidy is provided by the earnings on reserve accounts established for such loans. Depending upon the subsidy, an amount equal to one-third or one-half of each loan is deposited to a reserve account for that loan. The monies residing in the reserve accounts are then invested at the interest rate at which the EFC bonds are sold. The earnings on these investments are passed along to each borrower in the form of an interest rate subsidy. The market interest rate for leveraged loans made from New York's SRF in the Spring 1995 Bond Pool sale was 5.29%. The net effective interest rate for loans in this pool was approximately 3.72% (1/3 subsidy projects), or 2.84% (1/2 subsidy projects).

The standard direct loan interest rate is two-thirds of the market rate. The enhanced interest rate is one-half of the market rate. The interest rate on direct loans may be further reduced, or may be interest-free, if the project represents financial hardship as explained below.

The temporary legislative enhancement of the SRF interest rate subsidy from one-third to one-half of the market rate, which expired on January 1, 1995, has now been extended. The Governor signed legislation on July 26, 1995 (Chapter 231 of the Laws of 1995) that extends the one-half market rate subsidy until March 31, 1996.

**For sewage treatment works projects serving residential areas, Reduced Interest Rate Loans can be provided where financial hardship exists.** The hardship determination is based upon a comparison of projected and targeted sewer service charges (total debt service plus operation & maintenance cost) for a typical household expressed as a percentage of Median Household Income (MHI) for the service area. A graph on page 8 shows Target Service Charges (TSC) for three ranges of MHI. This graph and the TSC are unchanged from last year. It is necessary to provide estimated service charges for the proposed project for a typical household on an Equivalent Dwelling Unit (EDU) basis. Calculation of service charges on an EDU basis enables equitable treatment of systems that include significant commercial, industrial, or institutional wastewater loadings.

A municipality would be eligible for a reduced interest rate loan when the total estimated annual sewer service charge, calculated using the appropriate SRF subsidized interest rate, exceeds the TSC. A reduced interest rate loan will be made at an interest rate which brings the estimated charge down to or as close as possible to the TSC. An example of how the interest rate determination is made is included on page 8. In situations where the ability of the borrower to repay the loan would be questionable, even with interest-free financing, the municipality will be encouraged to examine cost reduction alternatives and to seek other funding sources which could be used in combination with a SRF loan. The maximum size of project eligible for a Reduced Interest Rate Loan due to financial hardship is \$10 million.

EFC will provide a written confirmation to a municipality if it qualifies for a reduced interest rate loan because of financial hardship. Written interest rate determinations will be provided only for Environmentally Significant Projects, as determined by the Commissioner of DEC. When determining environmental significance, the Commissioner will consider all relevant factors which shall include an assessment of (1) public health and safety; (2) protection of environmental resources; (3) population affected; (4) attainment of state water quality goals and standards; and (5) compliance with state and federal law, rules and regulations.

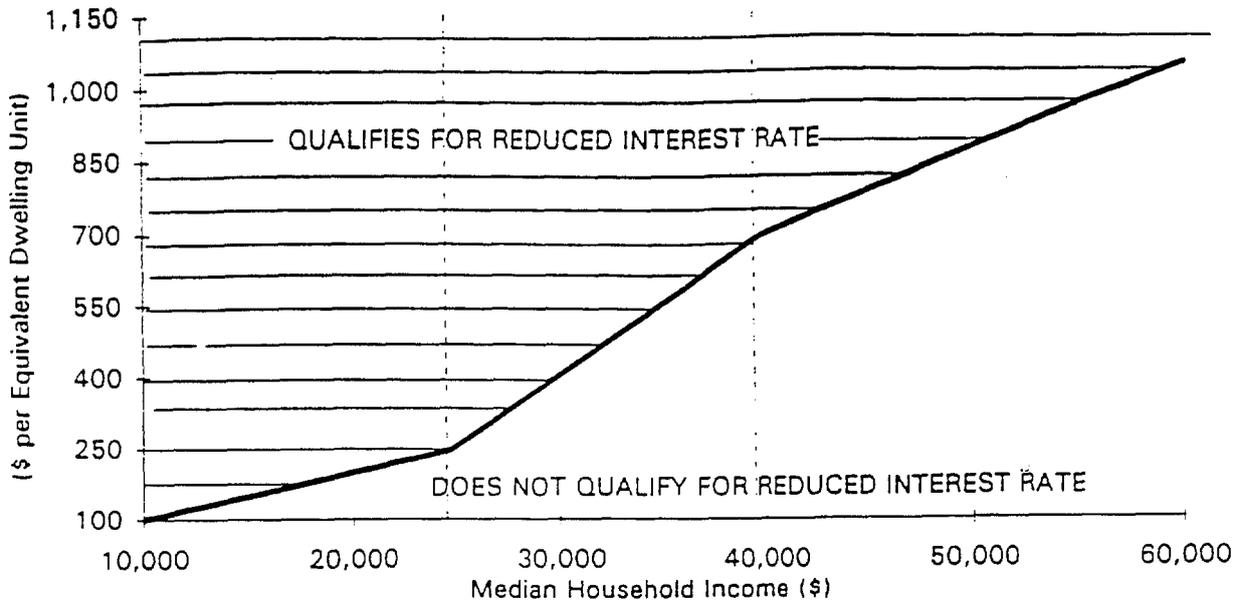
The reduced interest rate determination will be valid for a two year period, provided the estimated per unit residential service charge does not significantly change due to revised cost estimates, commitments from other funding sources, or changes in the designated service area. To assure that there will be sufficient SRF resources to provide loans to projects which have received written confirmation that they qualify for reduced interest rate loans due to financial hardship, funds are reserved (Project Category D) for all such projects that demonstrate that they will be ready for financing within the effective period of the IUP.

A guidance document is available from EFC that explains the Reduced Interest Rate Loan approval process and describes the specific information needed by EFC to determine whether a municipality qualifies for such a loan. This information pertains to the calculation of the estimated annual service charge and the municipality's credit. You should discuss this opportunity with EFC as soon as reliable project costs and service area information are available.

**The SRF can also provide up to two interest-free direct loans of up to \$3.0 million each for innovative projects (See Attachment E, Appendix E).**

Total Estimated Annual Sewer Service Charge

**TARGET ANNUAL SEWER SERVICE CHARGE (TSC)**  
(\$ per Equivalent Dwelling Unit)



Formulas for Target:

MHI < \$24,725  
TSC = MHI x .01

\$24,725 < MHI < \$39,558  
TSC = 247 + (MHI - 24,725) x .03

MHI > \$39,558  
TSC = MHI x .0175

**EXAMPLE OF INTEREST RATE DETERMINATION FOR A HARDSHIP LOAN**

<b>Assumptions:</b>	Median Household Income	\$33,000
	SRF Loan Amount	\$2,500,000
	Annual Operation & Maintenance Costs	\$60,000
	Equivalent Dwelling Units	323
	Interest Rate	6%
	Regular Subsidy	50%

<b>Calculations:</b>	Target Annual Service Charge per EDU:	
	$247 + (33,000 - 24,725) \times .03 =$	\$496

<u>Total Costs Associated with Sewer Service</u>	
Annual Debt Service (on \$2,500,000)	
based on a 3% net interest (6% x 50%)	\$173,500
Plus O&M Costs	\$60,000
Total Costs at 50% Subsidy	<u>\$233,500</u>
Total Costs at 50% Subsidy per EDU	\$723

In this example, the calculated total costs per EDU after EFC's 50% subsidy is \$723, \$228 above the Target. This indicates qualification for a Hardship Loan. The next step is to calculate the interest rate at which total costs per EDU will approximately equal the Target.

<u>Total Costs Associated with Sewer Service</u>	
Annual Debt Service (on \$2,500,000)	
based on a 0% interest loan	\$100,000
Plus O&M Costs	\$60,000
Total Costs with a 0% loan	<u>\$160,000</u>
Total Costs with a 0% loan per EDU	\$496

Based on the assumptions cited above, this municipality would qualify for a 0% interest loan.

Note: The interest rates and subsidy cited are for illustrative purposes only. These factors will vary.

**IV. Project Scoring and Selection**

**A. Project Scoring System - The Project Priority System scores a project based on:**

1. the existing conditions which cause or caused the problem;
2. the value of the resource which will be improved or protected including the classification of the receiving water;
3. the severity of impairment to the desired usage of the affected receiving water;
4. the degree of improvement to the desired usage likely to result;
5. progress of and mandate for the project; and
6. the financial impact on the applicant municipality.

The project scoring criteria contained in Section 649.12 of the New York State Water Pollution Control Revolving Fund Regulations (6 NYCRR Part 649) are included in Attachment E, Appendix C.

Innovative projects will initially be scored according to the Priority Rating System. When project information is made available by the applicant, each candidate project will be evaluated in accordance with the criteria noted in Attachment E, Appendix E.

The Commissioner shall give priority consideration to estuary implementation projects included in approved Comprehensive Estuary Management Plans developed in accordance with Section 320 of the Clean Water Act.

**B. Project Selection**

1. Short Term Loans - Short term loans are available to municipalities with projects listed in the Multi-Year Project Priority List that are determined to be environmentally significant by the Commissioner of DEC and score within the fundable range of the PPL for long term projects in their respective project category. Applications will be approved on a first come/first served basis, up to the total amount reserved for that purpose.
2. Long Term Loans - Projects are selected for long term financing in priority order within project categories. Projects will be selected as necessary to satisfy the mandate of the state authorizing legislation for regional distribution and to finance innovative technology pursuant to Section 17-1909(3)(b) of the ECL. Projects included in an executed Project Financing Agreement take precedence over those that are not. The selection process and criteria are explained in Attachment E, Appendix C. Project selection requirements are also addressed

in Section 649.3 of the SRF regulations.

- C. **The Project Priority List** - The IUP includes the water pollution control projects for which municipalities have expressed an interest in SRF financing. Attachment E, Section II describes project listing requirements. There are two lists as follows:

The **Annual Project Priority List** includes only those projects expected to qualify for long term loans within this Federal Fiscal Year (FFY). Projects are ranked in descending priority score order within each project category in accordance with the Project Priority System. The list consists of projects as specified in Section 603(c) of the Clean Water Act. The Annual Project Priority List is Attachment B. Due to limited resources, funding lines have been established.

If new long term loan projects develop within the period covered by the IUP, and meet the prerequisites for inclusion on the PPL, the IUP may be amended to include them. Any variation in the selection of projects to be financed from the final PPL (e.g., project bypass) will be in accordance with the Project Priority System. Due to the existence of funding lines, an amendment to the Annual Project Priority List is not likely to occur until projects on the Annual PPL are financed or bypassed.

The **Multi-Year Project Priority List** is an inventory of all projects for which municipalities have expressed interest in SRF financing this year or in future years. Projects on the Multi-Year List can receive short term financing if they meet program requirements for such financing. The Multi-Year List is Attachment C.

New projects will be added to the Multi-Year Project Priority List at the time they are identified.

V. Sources and Distribution of Funds and Program Administration Costs

The estimated funds available for projects in this IUP are summarized in Section VI. The estimate includes the carry-over monies from previous years, loan repayments, and interest earnings on investments of SRF resources. No additional Federal grant is anticipated this year.

The distribution of available funds among the project categories is shown in Section VI.

Up to 4% of the total amount of Federal Capitalization Grants (as provided by Section 603(d)(7) of the Clean Water Act) can be used to support the cost of program and project administration. Costs of program administration not covered by the 4% will be paid from fees charged to loan recipients. Fees charged at the time of loan origination may be included in the project costs financed by the SRF. There is also an annual fee for maintenance of loan accounts. See Attachment D, Appendix B for an explanation of loan fees.

**VI. SOURCES OF FUNDS AND LOAN POTENTIAL**  
As of October 1, 1995

<u>Undrawn Grant and State Match Balance as of 9/30/95</u>	\$414,686,300
 <u>Remaining Grant and State Match Draws</u>	
Series 1994D corpus	67,004,800
Series 1995A corpus	5,830,200
ST direct loans closed to date	89,541,400
LT direct loans closed to date	9,258,485
Program administration	<u>14,911,100</u>
<b>Sub Total</b>	<b>\$186,545,985</b>
 <u>Uncommitted Grant and Match Balance as of 9/30/95</u>	 \$228,140,315
 <u>Grants and Other Resources</u>	
FFY 1996 Grant & State Match (None Anticipated)	0
Prior Repayments & Interest Earnings	110,074,300
Clean Ocean Funds	1,832,900
Anticipated Interest Earnings	5,479,100
 Repayments expected during FFY 1996	
Leveraged Loans	34,720,400
Direct Loans	1,057,200
Short Term Loans	<u>73,822,600</u>
<b>Sub Total</b>	<b>\$226,986,500</b>
 <b>Balance Available for 1996 IUP</b>	 <b>\$455,126,815</b>
 <u>Proposed Uses for FFY 1996 IUP</u>	
Short Term Loans	70,000,000
Direct Loans	32,145,900
Leveraged Loans	<u>352,980,915</u>
<b>Total</b>	<b>\$455,126,815</b>

Distribution of Funds

The amount anticipated to be used for short term loans during this IUP period is \$70 million. Category D is allocated \$32,145,900 based on EFC's prior Reduced Interest Rate Loan Determinations for qualifying financial hardship projects. The remaining SRF funds will be allocated for long term loans as follows:

<u>Category</u>	<u>Percent</u>	<u>Corpus Allocation</u>	<u>Loan Potential</u>
A	0.97	\$3,431,768	\$5,250,829
B	50.53	178,356,795	402,920,959
C	48.50	171,192,352	425,833,174
Totals	100.00	\$352,980,915	\$834,004,962

Funds were allocated to each of Categories A, B and C in proportion to the identified needs within each project category that are expected to be financed through September 30, 1996, based on the Annual Project Priority List for FFY 1996. The loan potential, or the total dollars of eligible project costs in each of these categories, depends on the mix of projects expected to qualify for a one-half or one-third interest rate subsidy.

VII. Public Review and Comment

This document is New York State's draft Intended Use Plan for Federal Fiscal Year 1996, which runs from October 1, 1995 to September 30, 1996. This information has been sent to all municipalities with eligible projects appearing on the draft Project Priority List as well as to the Governor, the Director of the Division of the Budget, the Chairman of the Senate Finance Committee, the Chairman of the Assembly Ways and Means Committee, State Agencies involved with environmental infrastructure projects, and other interested persons. A public meeting and hearing was held on August 17, 1995, at the Colonie Town Library to review the draft IUP, including the list of projects scheduled to receive financial assistance during FFY 1996.

Oral and written comments were accepted at this meeting. The comment period remained open until September 1, 1995, which was 15 calendar days after the public hearing.

Two letters of comment were received. One writer commented that the Draft IUP was mailed too late for him to attend the public hearing in Albany. The second writer, representing small community interests, commented on the Project Priority System and project scoring and ranking. Each letter writer received a personal response. Comments of general interest which were raised in the letters and at the public hearing are addressed below.

Comment

What portions of drinking water projects can be financed?

Response

Portions of a water treatment plant that deal with waste products, such as treatment

of the backwash from a filter or clarifiers, plus the treatment and disposal of the resulting solid waste and sludges.

Comment

What do you mean by "area wide planning"?

Response

Statewide strategies or water quality plans such as Section 208 plans and Section 319 Nonpoint Source Management Plans.

Comment

For short term loans for small projects under 4 million and qualifying for loan terms of up to 24 months, do you look at total project costs or total SRF eligible costs?

Response

Total project costs.

Comment

Does the SRF provide a short term loan for 100% of construction costs?

Response

Yes, particularly for small projects. For larger projects with longer time frames, the municipality should try to estimate what cash they will need to get through the one year point and then convert to long term financing. This will ensure that we don't tie up all our money in short term loans. The community benefits from the zero interest short term loan until they are ready to go with long term.

Comment

What does it take to qualify for short term loan?

Response

Applications are accepted on a first-come first-served basis, up to the amount available. An applicant must have completed technical planning and complied with environmental review and affirmative action requirements. The special improvement district, if applicable, must be in place. Title to sites and rights-of-way may also be needed.

Comment

In reference to the chart on costs savings to be expected from an SRF loan, why is the 50% subsidy less than one-half?

Response

Included in the line is repayment of principal and interest cost as well as loan origination fees. That's why the savings are less than 50 percent.

Comment

Is the \$30 million for hardship loans is based on identified need?

Response

Yes. The financial hardship projects in Category D were identified by the municipalities, who requested EFC do a hardship review.

Comment

Is an engineering agreement needed if a municipality does the work in-house?

Response

You need to give us a force account proposal for your in-house planning costs and for any construction to be done by municipal forces. Need to explain what will be done, who's going to do it, how it will be done and what the costs are going to be.

Comment

Certificate to Title to Site. What about easements? Do you need easements in hand?

Response

Yes, you must have title in hand before EFC will release any money to you for construction costs, in the case of a short term loan, and before we will close on a long term loan.

Comment

Costs & Fees: are they figured on percentage of construction costs?

Response

Fees are based on project costs requested for financing. Fees can be financed by the loan or paid directly by the community. Financial hardship communities pay no fees.

Comment

Concern was expressed that phased or segmented projects, which receive a 2000 point score bonus, will have priority for funding if funding lines are established due to limited program resources. As most of the phased projects are in very large jurisdictions, the Project Priority System has a bias toward those communities. It was suggested that the Priority Ranking System Scoring Criteria be changed to give preference to projects for which the interest rate subsidy confers a significant unit cost savings to the individual rate payers of the project.

Response

New York State has for several years segmented or phased several larger municipal projects to maintain an effective statewide water pollution control construction program. A project is segmented when it is broken down into several discrete portions that may be financed and constructed separately from other project segments. Phased funding means a funding arrangement agreed to in a Project Financing Agreement by which a municipality proceeds with the construction of an entire project or segment, but receives loan monies sufficient to meet the cash flow needs for a specific fiscal period, rather than the cash flow needs for the entire project or segment. For some larger projects there may not be sufficient funds available in a single IUP for their complete financing, or their financing in any one

year would cause an extreme imbalance in the program. The score bonus ensures that subsequent segments or phases will receive priority so the project can be completed in an orderly manner. Please note that a similar feature (i.e., a 1000 point bonus) applies to the short term loan program to ensure that recipients of SRF short term loans have priority for subsequent long term loans if they so choose. Additionally, there are three population-based project categories, municipalities compete for funding with municipalities in their own category.

Comment

The amount allocated to each project category fluctuates each year, depending on the needs identified by municipalities. There appears to be no criterion for determining the amount of money to assign to each category in the event of competition for limited funds. Suggestion is to assign available monies to project categories where they will represent the greatest per capita savings to the rate payers of the project, and not in the same proportion for each category.

Response

The Project Priority System is based on the State authorizing legislation (ECL 17-1909(2)), which defines an Intended Use Plan and requires that the Commissioner establish, in regulation, a process for listing potentially eligible projects and a priority ranking system. The statute requires the Commissioner to take into account three primary factors in funding projects: (1) The environmental significance of potentially eligible projects, (2) a municipality's inability to pay for a project prior to receipt of financial assistance, and (3) the regional distribution of environmentally significant projects. The suggestion to use maximum cost benefit to rate payers to determine priority for funding is inconsistent with the statute, as it takes only one criterion into account, and could prevent an equitable statewide distribution of SRF benefits. Contrary to the statement that no criterion exists to allocate funds when there is a funding line, each year in the IUP, available funds, after allowing for Category D and for short term loans, are allocated to Categories A, B and C in proportion to the identified needs in the Annual Project Priority List. This ensures an equitable share of resources for each of the three population groups.

In relation to the funding of small community projects, several aspects of the SRF Program and the Project Priority System benefit small community borrowers. Project Category D was established in 1994 to give first priority to financial hardship situations. In allocating funds in the IUP, Category D needs are satisfied first. In addition to interest-free loans, loan processing fees are waived for financial hardship projects. Environmentally significant projects with scores above the current funding line in their project category qualify for interest-free short term loans. Short term loans are processed on a first-come first-served basis, and are made without regard to project category. The short term loan program saves municipalities money by reducing capitalized interest, by providing a source of funds to develop projects and to prefinance other funding sources (such as RECD and HUD), and by providing flexibility in the timing of long term financing. Fees are waived for Category D projects that receive short term loans. Each year, an amount is set aside in the IUP to provide for these loans.

1996 SRF INTENDED USE PLAN

ATTACHMENT A  
ABBREVIATIONS USED IN PROJECT DESCRIPTIONS

45

**Abbreviations Used in Project Descriptions**

COLL	Collector sewers
CSO	Combined Sewer Overflow (control, treatment or conveyance)
EST	Estuary
EXP	Expansion
FM	Force Main
I/I CORR	Infiltration and Inflow Correction
IMP	Improvement
INT	Interceptor sewer
LF-CAP (Title 3)	Landfill closure or capping of an inactive hazardous waste landfill
LF-CAP (Title 5)	Landfill closure or capping of a solid waste landfill, where municipality has applied for DEC Title 5 assistance.
LF-CAP (SWM)	Landfill closure or capping of a solid waste landfill, where municipality has not applied for Title 5 assistance.
LF-RECLAIM	Landfill closure by reclamation of site
LF-LCH	Landfill leachate collection, storage and treatment
MOD	Modifications
NPS	Nonpoint Source
ORF	Overflow Retention Facility
OS	Outfall Sewer
PS	Pump Station
REBUILD	Major repairs and replacement to worn out facilities
REF	Refinance

REHAB	Rehabilitation
RELIEF SEW	Relief Sewer
REMED	Remediation of contamination from leaking petroleum storage tanks and other municipal facilities
REPL	Replacement
SALT-STOR	Deicing materials storage facility
SAN	Sanitary
SAWS	Small Alternative Waste Systems
SEW	Sewer
SEW REHAB	Sewer Rehabilitation
SEW REPL	Sewer Replacement
SEW SEP	Sewer Separation
STM	Storm
STMSWR	Storm sewer
STP	Sewage Treatment Plant
STP EXP	Increase in hydraulic treatment capacity
STP MOD	Modification or improvement of a STP
STP UP	Upgrading the treatment process level of a STP
STR	Structural
WPCP	Water Pollution Control Plant
WTP	Water treatment plant
WQM	Water Quality Management
WW	Wastewater

**1996 SRF INTENDED USE PLAN**

**ATTACHMENT B**

**ANNUAL SRF PROJECT PRIORITY LIST**

1996 SRF INTENDED USE PLAN

1996 INTENDED USE PLAN

10/3/1995

Annual Project Priority List  
PROJECT CATEGORY: A

PROJECT NUMBER	Name	Description	ELIGIBLE COST	READY FOR FINANCING	SCORE
6077,01,0	VERNON, VILLAGE OF	STP UP	1,400,000	11/15/1995	1183
5483,02,0	HOOSICK FALLS, VILLAGE OF	# LF-CAP (TITLE 5)	1,125,829	# 10/01/1995	1156
6610,02,0	ELLCOTTVILLE, VILLAGE OF	INT & I/I CORR	1,300,000	11/15/1995	1129
5566,01,0	MORIAH, TOWN OF	COLL REPL (GROVER HILLS)	800,000	11/15/1995	1051
6442,01,0	HONEYEY FALLS, VILLAGE OF	STP MOD/IMP	350,000	11/15/1995	1018
6414,01,0	WAYLAND, VILLAGE OF	STP MOD & COMPOST FACILITY	275,000	11/15/1995	1011
6026,02,0	DEVELOPMENT AUTH. OF THE NORTH	COLL (ACQUISITION OF EXISTING	2,272,981	11/15/1995	45
5499,01,0	STEPHENTOWN (T)	# SALT-STOR	155,600	# 11/15/1995	25 *
5599,01,0	ROUND LAKE, VILLAGE OF	I/I CORR	1,020,000	04/01/1996	22
5321,06,0	NEWBURGH(T) (WINTERGREEN SD)	PS, FM	150,000	04/01/1996	12
5510,02,0	WESTPORT, TOWN OF	STP IMP (SLUDGE TREATMENT)	300,000	04/01/1996	11
5431,01,0	GLEN, TOWN OF	EXP OF COLL	237,250	04/01/1996	3
6453,01,0	AVON, VILLAGE OF	INT (EAST MAIN)	700,000	04/01/1996	0
SUBTOTAL: Category A			\$10,086,660		

\* Funding Line

NOTES: # Indicates Non Point Source (NPS) projects.  
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1996 INTENDED USE PLAN

10/3/1995

Annual Project Priority List  
PROJECT CATEGORY: B

PROJECT NUMBER	Name	Description	ELIGIBLE COST	READY FOR FINANCING	SCORE
5331,08,1	ORANGE, COUNTY OF	# LF-CAP (TITLE 3) (COST INC.)	1,710,000	# 11/15/1995	2156
7305,01,1	UNION VALE, TOWN OF	# LF-CAP (TITLE 5) (COST INC.)	33,000	# 11/15/1995	2100
5364,04,0	WESTCHESTER CO (YONKERS SD)	CSO PHASE 4	3,800,000	# 11/15/1995	2089
6478,02,1	VICTOR, TOWN OF	COLL, LOAN SUPPLEMENT	550,000	# 11/15/1995	2076
5152,42,2	NASSAU CO (CEDAR CREEK)	P S (NEWBRIDGE RD, RAY ST,	1,500,000	# 11/15/1995	2043
7318,02,1	DUTCHESS CO. WATER & WASTEWATER	STP MOD & IMP (COST INCREASE)	155,000	# 11/15/1995	2014
5154,02,1	BROOKHAVEN, TOWN OF	PS, INT, COLL (S. B. TECH.	500,000	# 11/15/1995	2008
5110,02,0	SOUTHOLD, TOWN OF	# LF-CAP (MSW) (FISHERS ISLAND	300,000	# 11/15/1995	1199
7315,01,0	COLUMBIA, COUNTY OF (City of	# LF-CAP (TITLE 5)	2,000,000	# 04/01/1996	1160
6037,05,0	ROME, CITY OF	# LF-CAP (TITLE 3) (PHASE 1)	1,845,000	# 11/15/1995	1157
7300,03,0	ULSTER CO RRA (ULSTER(T))	# LF-CAP (MSW)	4,325,000	# 11/15/1995	1156
5465,02,0	ROTTERDAM, TOWN OF	# LF-CAP (TITLE 5)	4,200,000	# 04/01/1996	1156
7303,01,0	WALLKILL, TOWN OF	# LF-CAP (TITLE 3)	3,450,000	# 11/15/1995	1131
7300,02,0	ULSTER CO RRA (NEW PALTZ(T))	# LF-CAP (MSW)	3,495,000	# 11/15/1995	1110
6696,01,0	ERIE CO.- SD #1	RELIEF SEW (FRENCH RD.)	1,280,000	# 11/15/1995	1087
6710,01,0	NIAGARA, TOWN OF	COLL (WILDWOOD SD/TUSCARORA	350,000	# 11/15/1995	1085
6344,06,0	OSWEGO, CITY OF (EAST SIDE)	SEW SEP (PH I, CSO)	2,600,000	# 11/15/1995	1084
6672,01,0	TONAWANDA, CITY OF	PS REHAB (YOUNG ST)	700,000	# 11/15/1995	1072
6696,02,0	ERIE CO.- SD #1	ORF, PS, FM, & INT	10,000,000	# 11/15/1995	1062
6696,02,1	ERIE CO.- SD #1	ORF, PS, FM & INT	2,000,000	# 04/01/1996	1062
6083,01,0	STOCKHOLM, TOWN OF	# SALT-STOR	206,000	# 11/15/1995	1062
5488,01,0	COLONIE, TOWN OF	PS, FM, COLL	3,785,000	# 11/15/1995	1047
5149,04,0	NASSAU CO (CEDAR CREEK, SD #3)	STP MOD (PH 4E) FINAL TANKS	35,500,000	# 11/15/1995	1043
5146,11,0	NASSAU CO (BAY PARK, SD #2)	STP MOD (CENTRAL HEATING	26,000,000	# 11/15/1995	1039
5376,01,0	ROCKLAND COUNTY SOLID W. MGMT	CO-COMPOSTING SLUDGE DISPOSAL	19,983,039	# 11/15/1995	1039
5321,01,0	NEWBURGH(T) (COLDEN PARK)	PS, FM	650,000	# 11/15/1995	1037
6702,06,0	AMHERST, TOWN OF	PS REHAB	550,000	# 11/15/1995	1013
6710,04,0	NIAGARA, TOWN OF	SEW REHAB (VETERAN HEIGHTS)	650,000	# 04/01/1996	1012
5162,01,0	BABYLON, TOWN OF	# LF-CAP AND LF-LCH (TITLE 3)	9,900,000	# 11/15/1995	214
5123,03,0	RIVERHEAD, TOWN OF	# LF-CAP (TITLE 5) AND	15,040,500	# 04/01/1996	199
5154,03,0	BROOKHAVEN, TOWN OF	# LF-CAP (MSW)	5,512,045	# 11/15/1995	189
6240,05,0	AUBURN, CITY OF	CSO (SEG. #3 & OVERFLOW SITE)	9,500,000	# 11/15/1995	164
7301,03,0	ULSTER CO RRA (HURLEY(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	156
7502,01,0	GLOVERSVILLE, CITY OF	# LF-CAP (TITLE 3)	5,000,000	# 11/15/1995	147
6076,03,0	UTICA, CITY OF	# LF-CAP (MSW) (C&D)	1,818,000	# 04/01/1996	137
6297,01,0	CANASTOTA, VILLAGE OF	SEW SEP/REHAB (CSO-PH. 2)	1,100,000	# 11/15/1995	134
7320,01,0	POUGHKEEPSIE, CITY OF	PS MOD	2,000,000	# 11/15/1995	134
7301,01,0	ULSTER CO RRA (ESOPUS(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,11,0	ULSTER CO RRA (GARDINER(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,04,0	ULSTER CO RRA (KINGSTON(C))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,06,0	ULSTER CO RRA (MARLBOROUGH(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,05,0	ULSTER CO RRA (OLIVE(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,02,0	ULSTER CO RRA (PLATTEKILL(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,10,0	ULSTER CO RRA (ROCHESTER(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,08,0	ULSTER CO RRA (ROSENDALE(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,12,0	ULSTER CO RRA (SAUGERTIES(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,07,0	ULSTER CO RRA (SHAWANGUNK(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
7301,09,0	ULSTER CO RRA (WAWARSING(T))	# LF-CAP (MSW)	520,000	# 04/01/1996	131
5355,02,0	CLARKSTOWN, TOWN OF	# LF-CAP (TITLE 3)	15,690,000	# 11/15/1995	131
7314,01,0	SAUGERTIES, TOWN OF	# LF-CAP (TITLE 5)	1,375,000	# 11/15/1995	131
7302,01,0	ESOPUS, TOWN OF	# LF-CAP (TITLE 5)	1,650,000	# 09/15/1995	131
7312,01,0	MARLBOROUGH, TOWN OF	# LF-CAP (TITLE 5)	927,000	# 03/15/1995	131
7304,01,0	WASHINGTON, TOWN OF	# LF-CAP (TITLE 5)	3,335,000	# 03/15/1995	131
6634,01,0	CHAUTAUQUA COUNTY	# LF-CAP (MSW) REF	5,780,000	# 11/15/1995	116
6475,02,0	CHEMUNG COUNTY	# LF-CAP (TITLE 5) & LF-LCH REF	9,080,000	# 11/15/1995	116
6396,01,0	TOMPKINS COUNTY	# LF-CAP (TITLE 5)	4,500,000	# 11/15/1995	116
6076,04,0	UTICA, CITY OF	SEW REHAB REF	6,135,000	# 11/15/1995	108
5355,03,0	CLARKSTOWN, TOWN OF	# NPS (LAKE RESTORATION (LAKE	1,525,000	# 11/15/1995	107
5362,03,0	WESTCHESTER CO (NEW ROCHELLE)	STP MOD - EQUIPMENT REPL	7,500,000	# 11/15/1995	101
6397,01,0	FULTON, CITY OF	STP UP	8,240,000	# 11/15/1995	98
7308,01,0	KIRYAS JOEL, VILLAGE OF	STP, PS, FM	10,500,000	# 11/15/1995	92
5550,01,1	QUEENSBURY, TOWN OF	COLL, INT (CENTRAL	5,000,000	# 11/15/1995	91
5331,05,0	ORANGE COUNTY	STP MOD (S.D. #1, HARRIMAN	300,000	# 11/15/1995	91
5331,05,1	ORANGE COUNTY	STP MOD (S.D. #1, HARRIMAN	300,000	# 04/01/1996	91
5331,06,0	ORANGE COUNTY	I/I CORR (S.D. #1)	6,790,000	# 11/15/1995	91
5364,05,0	WESTCHESTER CO (YONKERS SD)	CSO PHASE 5	6,700,000	# 11/15/1995	89
7319,01,0	WOODSTOCK, TOWN OF	# LF-CAP (TITLE 5)	11,020,000	# 04/01/1996	85
6325,04,0	ONONDAGA CO.	STP IMP (METRO ODOR CONTROL -	7,000,000	# 04/01/1996	82
6037,04,0	ROME, CITY OF	STP MOD (HEAD-END FACILITY)	2,000,000	# 04/01/1996	81
7351,01,0	WESTCHESTER CO (BLIND BROOK)	STP MOD - HEADWORKS AND I/I	3,500,000	# 04/01/1996	76
5361,02,0	YORKTOWN, TOWN OF	I/I CORR,	4,000,000	# 04/01/1996	74

NOTES: # Indicates Non Point Source (NPS) projects.

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1996 INTENDED USE PLAN

10/3/1995

Annual Project Priority List  
PROJECT CATEGORY: B

PROJECT NUMBER	Name	Description	ELIGIBLE COST	READY FOR FINANCING	SCORE
6237,01,0	CHASCO, TOWN OF	I/I CORR, COLL & INT (SD #2)	1,500,000	04/01/1996	72
5369,02,0	WESTCHESTER CO (YONKERS SD)	STP MOD - SLUDGE DEWATERING	6,000,000	11/15/1995	64
5465,01,0	ROTTERDAM (T) SD#2	STP EXP & IMP	2,130,000	04/01/1996	64
5357,02,0	CORTLANDT (T)	INT, COL. - WATERBURY MANOR	1,400,000	11/15/1995	61
6397,02,0	FULTON, CITY OF	# REMED (FUEL TANK REMOVAL)	100,000	# 04/01/1996	51
5161,01,0	SUFFOLK COUNTY (DRINKING WATER	# NPS (LAND ACQUISITION-DRINKING	80,716,375	# 11/15/1995	50
5162,03,0	BABYLON, TOWN OF	# LF-LCH	53,100,000	# 11/15/1995	50
6397,03,0	FULTON, CITY OF	# SALT-STOR	200,000	# 04/01/1996	48
5457,01,0	RENSSELAER, CITY OF	CSO	500,000	04/01/1996	41
6495,03,0	PENFIELD, TOWN OF	COLL (EMPIRE BLVD.)	1,000,000	11/15/1995	38
6509,02,0	IRONDEQUOIT, TOWN OF	SEW REPL (CAMBRIA ROAD)	260,000	11/15/1995	37
6509,04,0	IRONDEQUOIT, TOWN OF	# REMED (FUEL TANK REMOVAL)	45,000	# 11/15/1995	37
5102,04,0	GREAT NECK, VILLAGE OF	STP Improvements	190,000	11/15/1995	33
6699,03,0	ERIE CO. - SD #4	PS MOD, FM & ORF	320,000	04/01/1996	31
5362,01,0	WESTCHESTER CO (NEW ROCHELLE)	STP MOD - DEWATERING AND INC	6,500,000	04/01/1996	26
7352,01,0	WESTCHESTER CO (PORT CHESTER)	STP MOD - INCINERATOR	6,100,000	04/01/1996	26
6509,05,0	IRONDEQUOIT, TOWN OF	SEW REHAB (ST. PAUL BLVD.)	660,000	11/15/1995	26
5493,02,0	SCHENECTADY, CITY OF	STP IMP (PHASE 2)	1,030,000	04/01/1996	26
5402,03,0	ALBANY MWF AUTHORITY	ORF & SEW SEP (BCSD - PHASE	704,000	04/01/1996	26
5154,04,0	BROOKHAVEN, TOWN OF	# LF-LCH	10,234,956	# 11/15/1995	25
5559,03,0	WASHINGTON COUNTY	# LF-LCH	1,520,000	# 11/15/1995	25
6509,01,0	IRONDEQUOIT, TOWN OF	# NPS (STORM WATER (STREET	250,000	# 11/15/1995	25
6202,02,0	CHEWANGO, TOWN OF	STP, PS, FM & COLL	310,000	11/15/1995	25
6066,01,0	POTSDAM, VILLAGE OF	STP MOD & COLL IMP	3,550,000	04/01/1996	24
6397,04,0	FULTON, CITY OF	STP MOD	225,000	04/01/1996	23
7320,02,0	POUGHKEEPSIE, CITY OF	STP MOD - ODOOR CONTROL	3,730,000	11/15/1995	16
7353,01,0	WESTCHESTER CO (OSSINING)	STP MOD - INCINERATOR	1,500,000	04/01/1996	14
5381,02,0	WESTCHESTER CO (YONKERS SD)	STP MOD - EQUIPMENT UPGRADING	4,000,000	11/15/1995	14
5381,04,0	WESTCHESTER CO (YONKERS SD)	STP MOD - ODOOR CONTROL COVERS	9,500,000	11/15/1995	14
5368,11,0	ROCKLAND COUNTY SD 1	STP MOD	5,140,000	01/15/1996	14
5361,05,0	YORKTOWN, TOWN OF (MOHEGAN E. S.)	COLL, INT, PS	2,000,000	11/15/1995	14
5361,06,0	YORKTOWN, TOWN OF (MOHEGAN W. S.)	COLL, INT, PS	1,024,800	11/15/1995	14
5315,02,0	MIDDLETOWN, CITY OF	COLL REPLACEMENT	3,200,000	11/15/1995	14
6702,09,0	AMHERST, TOWN OF	INT (HOPKINS RD)	1,845,000	11/15/1995	13
5102,03,1	GREAT NECK, VILLAGE OF	STP MOD - MISC. IMPROVEMENTS	190,000	11/15/1995	13
5414,03,0	GREENPORT, TOWN OF	I/I CORR	375,000	11/15/1995	13
5331,07,0	ORANGE COUNTY	STP MOD (OCHI)	300,000	11/15/1995	12
6509,03,0	IRONDEQUOIT, TOWN OF	COLL (HIGHWAY GARAGE)	67,000	11/15/1995	12
5361,07,0	YORKTOWN, TOWN OF (CLOVER RD S)	COLL INT	265,000	11/15/1995	12
6502,04,0	PITTSFORD, TOWN OF	COLL & PS (CANDLEWOOD DR./SO.)	240,000	04/01/1996	12
7319,02,0	WOODSTOCK, TOWN OF	# SALT-STOR	230,000	# 04/01/1996	10
6256,02,0	NORWICH, TOWN OF	INT	1,000,000	04/01/1996	10
SUBTOTAL: Category B			\$524,226,715		

\* Funding Line

NOTES: # Indicates Non Point Source (NPS) projects.  
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10/3/1995

Annual Project Priority List  
PROJECT CATEGORY: C

PROJECT NUMBER	Name	Description	ELIGIBLE COST	READY FOR FINANCING	SCORE
5210,01,5	N.Y.C.D.E.P. (OAKWOOD BEACH)	INTERCEPTING SEWERS	32,146,650	10/01/1995	2294
5231,01,6	N.Y.C.D.E.P. (CONEY ISLAND)	STP UPGRADING	11,403,000	10/01/1995	2232
5230,02,3	N.Y.C.D.E.P. (SEWERS)	SEWERS (ELIM. DISCHARGES)	3,000,000	10/01/1995	2232
5231,01,7	N.Y.C.D.E.P. (CONEY ISLAND)	STP UPGRADING	44,713,200	06/01/1996	2232
5230,02,4	N.Y.C.D.E.P. (SEWERS)	SEWERS (ELIM. DISCHARGES)	3,000,000	06/01/1996	2232
5209,01,4	N.Y.C.D.E.P. (NEWTOWN CREEK)	STP UP (ELECTRICAL	1,143,393	10/01/1995	2196
5209,01,5	N.Y.C.D.E.P. (NEWTOWN CREEK)	STP UP (ELECTRICAL	589,440	06/01/1996	2196
5211,06,6	N.Y.C.D.E.P. (SLUDGE)	SLUDGE DEW.-8 SITES-50%SUB.	49,027,354	10/01/1995	2192
5211,06,7	N.Y.C.D.E.P. (SLUDGE)	SLUDGE DEW.-8 SITES-50%SUB.	24,029,450	06/01/1996	2192
5227,01,5	N.Y.C.D.E.P. (OWLS HEAD)	STP UPGRADING	2,238,613	10/01/1995	2184
5227,02,2	N.Y.C.D.E.P. (OWLS HEAD)	STP UPGRADING	5,044,046	10/01/1995	2184
5227,01,6	N.Y.C.D.E.P. (OWLS HEAD)	STP UPGRADING	4,339,624	06/01/1996	2184
5227,02,3	N.Y.C.D.E.P. (OWLS HEAD)	STP UPGRADING	6,570,591	06/01/1996	2184
5211,07,2	N.Y.C.D.E.P. (SLUDGE)	SLUDGE CAKE PROCESSING	1,354,848	10/01/1995	2127
5211,07,3	N.Y.C.D.E.P. (SLUDGE)	SLUDGE CAKE PROCESSING	8,924,358	06/01/1996	2127
5234,03,2	N.Y.C.D.E.P. (NORTH RIVER)	STP IMP (WP-112)	829,883	10/01/1995	2107
5234,03,3	N.Y.C.D.E.P. (NORTH RIVER)	STP IMP (WP-112)	3,358,917	06/01/1996	2107
5234,01,4	N.Y.C.D.E.P. (NORTH RIVER)	STP MOD (ODOR CONTROL)	722,315	10/01/1995	2103
5234,01,5	N.Y.C.D.E.P. (NORTH RIVER)	STP MOD (ODOR CONTROL)	346,361	06/01/1996	2103
5227,07,1	N.Y.C.D.E.P. (OWLS HEAD)	STP IMP (WP-112)	35,120	06/01/1996	2082
5225,01,4	N.Y.C.D.E.P. (PUMP STATIONS)	PUMP STATION UPGRADING	4,488,136	10/01/1995	2057
5225,02,3	N.Y.C.D.E.P. (PUMP STATIONS)	PUMP STATION UPGRADING	3,827,221	10/01/1995	2057
5225,01,5	N.Y.C.D.E.P. (PUMP STATIONS)	PUMP STATION UPGRADING	1,272,409	06/01/1996	2057
5225,02,4	N.Y.C.D.E.P. (PUMP STATIONS)	PUMP STATION UPGRADING	3,472,267	06/01/1996	2057
7401,01,0	NYS OFFICE OF GENERAL SERVICES	# REMED (FUEL TANK REMOVAL)	26,040,000	# 10/15/1995	2041
5227,04,0	N.Y.C.D.E.P. (OWLS HEAD)	STP UP (PHASE 8)	1,313,445	10/01/1995	184
5227,04,1	N.Y.C.D.E.P. (OWLS HEAD)	STP UP (PHASE 8)	1,421,455	06/01/1996	184
5202,07,0	N.Y.C.D.E.P. (HUNTS POINT)	STP IMP (WP-112)	31,153	10/01/1995	154
5202,07,1	N.Y.C.D.E.P. (HUNTS POINT)	STP IMP (WP-112)	1,205,788	06/01/1996	154
5226,15,0	N.Y.C.D.E.P. (REGULATORS)	REGULATOR IMP (WP-112)	316,697	10/01/1995	152
5226,16,0	N.Y.C.D.E.P. (REGULATORS)	REGULATOR IMP (WP-112)	15,777	10/01/1995	152
5226,15,1	N.Y.C.D.E.P. (REGULATORS)	REGULATOR IMP (WP-112)	2,921,835	06/01/1996	152
5226,16,1	N.Y.C.D.E.P. (REGULATORS)	REGULATOR IMP (WP-112)	2,214,990	06/01/1996	152
5203,06,0	N.Y.C.D.E.P. (BOWERY BAY)	STP IMP (WP-112)	77,415	10/01/1995	144
5233,05,0	N.Y.C.D.E.P. (RED HOOK)	STP IMP (WP-112)	46,182	10/01/1995	144
5235,05,0	N.Y.C.D.E.P. (SPRING CREEK)	CSO FACILITY IMP (WP-112)	78,330	06/01/1996	144
5204,06,0	N.Y.C.D.E.P. (TALLMAN ISLAND)	STP IMP (WP-112)	15,650	10/01/1995	144
5201,01,0	N.Y.C.D.E.P. (WARDS ISLAND)	STP INTERIM EXP (ENGINEERING	18,798,205	10/01/1995	144
5203,06,1	N.Y.C.D.E.P. (BOWERY BAY)	STP IMP (WP-112)	10,588,842	06/01/1996	144
5233,05,1	N.Y.C.D.E.P. (RED HOOK)	STP IMP (WP-112)	1,201,982	06/01/1996	144
5204,06,1	N.Y.C.D.E.P. (TALLMAN ISLAND)	STP IMP (WP-112)	488,395	06/01/1996	144
5210,05,0	N.Y.C.D.E.P. (OAKWOOD BEACH)	STP IMP (WP-112)	40,028	10/01/1995	133
5210,05,1	N.Y.C.D.E.P. (OAKWOOD BEACH)	STP IMP (WP-112)	1,191,336	06/01/1996	133
5206,06,0	N.Y.C.D.E.P. (26TH WARD)	STP IMP (WP-112)	2,836,130	06/01/1996	119
5205,06,0	N.Y.C.D.E.P. (JAMAICA)	STP IMP (WP-112)	10,094	10/01/1995	119
5212,05,0	N.Y.C.D.E.P. (ROCKAWAY)	STP IMP (WP-112)	93,800	10/01/1995	119
5205,06,1	N.Y.C.D.E.P. (JAMAICA)	STP IMP (WP-112)	2,310,166	06/01/1996	119
5212,05,1	N.Y.C.D.E.P. (ROCKAWAY)	STP IMP (WP-112)	2,441,315	06/01/1996	119
5234,05,0	N.Y.C.D.E.P. (NORTH RIVER)	STP IMP (WP-112)	46,211	10/01/1995	107
5201,06,0	N.Y.C.D.E.P. (WARDS ISLAND)	STP IMP (WP-112)	330,515	10/01/1995	107
5234,05,1	N.Y.C.D.E.P. (NORTH RIVER)	STP IMP (WP-112)	1,202,712	06/01/1996	107
5201,06,1	N.Y.C.D.E.P. (WARDS ISLAND)	STP IMP (WP-112)	8,602,316	06/01/1996	107
5215,01,0	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 2,3,7,11,12	6,405,296	10/01/1995	97
5215,02,0	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 14	18,653,780	10/01/1995	97
5215,03,0	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 5,6,9,10 & 13 + DDC	300,563	10/01/1995	97
5215,04,0	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 8	1,155,000	10/01/1995	97
5215,05,0	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 15	2,782,500	06/01/1996	97
5215,01,1	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. PROJECTS:2,3,7,11,12	1,430,765	06/01/1996	97
5215,02,1	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 14	8,381,757	06/01/1996	97
5215,03,1	N.Y.C.D.E.P. (NEWTOWN CREEK)	INT. UP. 5,6,9,10 & 13 + DDC	62,723,154	06/01/1996	97
5389,01,0	N.Y.C.D.E.P. (MAHOPAC)	STP UP (CROTON WATERSHED)	8,255,303	10/01/1995	93
5429,01,0	N.Y.C.D.E.P. (MARGARETVILLE)	STP UP (WATERSHED)	4,721,850	10/01/1995	93
5389,01,1	N.Y.C.D.E.P. (MAHOPAC)	STP UP (CROTON WATERSHED)	8,465,246	06/01/1996	93
5429,01,1	N.Y.C.D.E.P. (MARGARETVILLE)	STP UP (WATERSHED)	17,139,150	06/01/1996	93 *
5209,07,1	N.Y.C.D.E.P. (NEWTOWN CREEK)	STP IMP (WP-112)	401,321	10/01/1995	82
5209,07,2	N.Y.C.D.E.P. (NEWTOWN CREEK)	STP IMP (WP-112)	98,403	06/01/1996	82
5205,05,0	N.Y.C.D.E.P. (JAMAICA)	STP IMP (WP-112)	661,068	10/01/1995	69
5212,04,0	N.Y.C.D.E.P. (ROCKAWAY)	STP IMP (WP-112)	125,915	10/01/1995	69
5212,04,1	N.Y.C.D.E.P. (ROCKAWAY)	STP IMP (WP-112)	12,190	06/01/1996	69
5202,06,0	N.Y.C.D.E.P. (HUNTS POINT)	STP IMP (WP-112)	119,785	10/01/1995	67
5202,06,1	N.Y.C.D.E.P. (HUNTS POINT)	STP IMP (WP-112)	7,710,047	06/01/1996	67

NOTES: # Indicates Non Point Source (NPS) projects.

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\* Funding Line



**NEW ISSUE — BOOK-ENTRY-ONLY**

*In the opinion of Bond Counsel, under existing statutes and court decisions, and assuming compliance with the procedures and covenants herein described, interest on the Series 1996 A and B Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest will not be treated as a preference item in calculating alternative minimum tax for individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. See also "TAX MATTERS" herein for a discussion of certain federal tax consequences. In the opinion of Bond Counsel, under the Act, interest on the Series 1996 A and B Bonds is exempt from personal income taxes of the State of New York and its political subdivisions, including The City of New York.*



**\$326,720,000**  
**New York State**  
**Environmental Facilities Corporation**  
**State Water Pollution Control**  
**Revolving Fund Revenue Bonds**  
**(Pooled Loan Issue)**

**\$233,915,000 Series 1996 A**  
Dated: February 15, 1996 Due: June 15 and  
December 15, as shown on the inside cover

**\$92,805,000 Series 1996 B**  
Dated: February 15, 1996 Due: February 15,  
as shown on the inside cover

The Series 1996 A and B Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 1996 A and B Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 1996 A and B Bonds purchased. So long as DTC is the registered owner of the Series 1996 A and B Bonds, payments of the principal of, premium, if any, and interest on the Series 1996 A and B Bonds will be made directly to DTC. Disbursements of such payments to DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and Indirect Participants. See "DESCRIPTION OF THE SERIES 1996 A AND B BONDS—Book-Entry-Only System." Interest on the Series 1996 A Bonds will be payable on June 15 and December 15 of each year, commencing on June 15, 1996. Interest on the Series 1996 B Bonds will be payable on February 15 and August 15 of each year, commencing August 15, 1996. The Series 1996 A and B Bonds will be subject to redemption prior to maturity as described herein.

The Series 1996 A and B Bonds are being issued to provide funds with which to make Loans to certain Borrowers, which consist of Counties, Cities, Towns, Villages and public benefit corporations in the State of New York, for use in connection with the financing or refinancing of water pollution control projects. The Series 1996 A Bonds and the Series 1996 B Bonds are special obligations payable solely from the respective funds pledged therefor pursuant to the Financing Indenture and the Master Trust Agreement including (i) the right, title and interest of the Corporation in and to general obligation bonds of the Borrowers which are Counties, Cities, Towns and Villages and general obligation bonds or special obligation bonds, as the case may be, of the Borrowers which are public benefit corporations (such general obligation bonds and special obligation bonds, collectively, the "Borrower Bonds") issued to evidence each Borrower's obligation to repay the Loan made to it by the Corporation from the proceeds of such Bonds of a particular Series, (ii) amounts on deposit in a reserve account relating to each such Loan derived from certain federal capitalization grants and State of New York matching funds and (iii) the respective funds and accounts established pursuant to the Financing Indenture available under the terms thereof for the payment of the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, including moneys in the General Reserve Fund. Each such reserve account described in (ii) above is to be in a stated amount equal to at least one-third of the outstanding principal amount of the related Loan. Each Borrower Bond issued by a County, City, Town or Village is a general obligation of the Borrower issuing it, the payment of which is secured by such Borrower's faith and credit for the payment of the principal of and interest on each such Borrower Bond and, unless paid from other sources, each such Borrower Bond is payable from ad valorem taxes which may be levied by the respective Borrower upon all the taxable real property within each such Borrower's jurisdiction without limitation as to rate or amount. The Borrower Bonds of public benefit corporations are general or special obligations payable solely from the respective sources described herein, and the public benefit corporations have no taxing power. For additional information about the security for the Series 1996 A and B Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS" herein.

The Series 1996 A and B Bonds are not general obligations of the Corporation and shall not constitute an indebtedness of or a charge against the general credit of the Corporation. The Series 1996 A and B Bonds are not a debt of the State of New York or any Borrower, and neither the State of New York nor any Borrower shall be liable thereon.

The Series 1996 A and B Bonds are offered subject to prior sale, when, as and if issued and received by the Underwriters, subject to the approval of the legality of the Series 1996 A and B Bonds by Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Corporation, and subject to certain other conditions. Certain legal matters will be passed upon for the Corporation by its General Counsel, Michael D. Morgan, Esq., and for each Borrower by its bond counsel and its local counsel. Certain legal matters will be passed upon for the Underwriters by Nixon, Hargrave, Devans & Doyle LLP, New York, New York. It is expected that the Series 1996 A and B Bonds will be available for delivery to DTC in New York, New York, on or about February 28, 1996.

**Bear, Stearns & Co. Inc.**

**Goldman, Sachs & Co.**

**Morgan Stanley & Co.**  
Incorporated

**Pryor, McClendon, Counts & Co., Inc.**

**William E. Simon & Sons Municipal Securities, Inc.**

**First Albany Corporation**

**Lehman Brothers**

**PaineWebber Incorporated**

**Reinoso & Company**  
Incorporated

**Smith Barney Inc.**

February 9, 1996

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**\$326,720,000**  
**New York State**  
**Environmental Facilities Corporation**  
**State Water Pollution Control**  
**Revolving Fund Revenue Bonds**  
**(Pooled Loan Issue)**

**\$233,915,000 Series 1996 A Bonds @ 100%**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
6/15/96	\$5,050,000	2.95%	12/15/03	\$2,545,000	4.20%	6/15/11	\$9,120,000	5.05%
12/15/96	4,545,000	2.95	6/15/04	7,770,000	4.30	12/15/11	3,085,000	5.05
6/15/97	6,410,000	3.30	12/15/04	2,605,000	4.30	6/15/12	9,170,000	5.10
12/15/97	7,850,000	3.35	6/15/05	7,975,000	4.40	12/15/12	3,170,000	5.10
6/15/98	6,545,000	3.55	12/15/05	2,655,000	4.40	6/15/13	6,055,000	5.15
12/15/98	7,975,000	3.55	6/15/06	8,175,000	4.50	12/15/13	3,275,000	5.15
6/15/99	6,840,000	3.75	12/15/06	2,720,000	4.50	6/15/14	6,240,000	5.20
12/15/99	7,830,000	3.75	6/15/07	8,380,000	4.65	12/15/14	3,360,000	5.20
6/15/00	7,015,000	3.90	12/15/07	2,785,000	4.65	6/15/15	6,320,000	5.20
12/15/00	7,670,000	3.90	6/15/08	8,605,000	4.75	12/15/15	3,315,000	5.20
6/15/01	7,215,000	4.00	12/15/08	2,850,000	4.75	6/15/16	640,000	5.20
12/15/01	2,455,000	4.00	6/15/09	8,595,000	4.85	12/15/16	4,240,000	5.20
6/15/02	7,385,000	4.10	12/15/09	2,940,000	4.85	6/15/17	280,000	5.20
12/15/02	2,495,000	4.10	6/15/10	8,850,000	4.95	12/15/17	360,000	5.20
6/15/03	7,545,000	4.20	12/15/10	3,010,000	4.95			

**\$92,805,000 Series 1996 B Bonds @ 100%**

<u>Maturity (February 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity (February 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1997	\$14,075,000	3.00%	2008	\$ 985,000	4.75%
1998	16,555,000	3.55	2009	710,000	4.85
1999	16,060,000	3.75	2010	690,000	4.95
2000	15,190,000	3.90	2011	675,000	5.05
2001	3,760,000	4.00	2012	280,000	5.10
2002	3,805,000	4.10	2013	275,000	5.15
2003	3,840,000	4.20	2014	190,000	5.20
2004	3,875,000	4.30	2015	90,000	5.20
2005	3,985,000	4.40	2016	95,000	5.20
2006	4,025,000	4.50	2017	95,000	5.20
2007	3,550,000	4.65			

(Accrued interest on all Series 1996 A and B Bonds to be added)

## OFFICIAL STATEMENT

Relating to

**\$326,720,000**  
**New York State**  
**Environmental Facilities Corporation**  
**State Water Pollution Control**  
**Revolving Fund Revenue Bonds**  
**(Pooled Loan Issue)**

**\$233,915,000 Series 1996 A**

**\$92,805,000 Series 1996 B**

### INTRODUCTORY STATEMENT

This Official Statement (which includes the cover page and the Exhibits) is furnished to provide information concerning the \$233,915,000 aggregate principal amount of State Water Pollution Control Revolving Fund Revenue Bonds, Series 1996 A (Pooled Loan Issue) (the "Series 1996 A Bonds") and the \$92,805,000 aggregate principal amount of State Water Pollution Control Revolving Fund Revenue Bonds, Series 1996 B (Pooled Loan Issue) (the "Series 1996 B Bonds") (the Series 1996 A Bonds and the Series 1996 B Bonds are collectively referred to herein as the "Series 1996 A and B Bonds"), being issued by the New York State Environmental Facilities Corporation (the "Corporation"). The Series 1996 A and B Bonds are being issued pursuant to 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 "Act") and a Financing Indenture of Trust, dated as of May 15, 1991, as amended (the "Master Financing Indenture"), between the Corporation and Manufacturers and Traders Trust Company, as trustee (the "Trustee"), and a Twelfth Supplemental Series Indenture of Trust (the "Twelfth Supplemental Series Indenture"), dated as of February 1, 1996, between the Corporation and the Trustee. The Master Financing Indenture and the Twelfth Supplemental Series Indenture are herein collectively called the "Financing Indenture." Additional bonds ("Additional Bonds") may be issued under the Master Financing Indenture as described herein. The Series 1996 A and B Bonds together with such Additional Bonds and other bonds previously issued under the Financing Indenture are referred to herein as the "Bonds."

#### Purpose of Issue

The Series 1996 A and B Bonds are being issued to provide loans (the "Loans") to the political subdivisions and public benefit corporations of the State of New York set forth under "THE BORROWERS" herein (each individually, a "Borrower" and together, the "Borrowers"). The Loans will finance or refinance certain water pollution control facilities (together, the "Projects") for the benefit of the Borrowers. Such Loans will be made pursuant to separate agreements (collectively, the "Agreements") between the Corporation and the respective Borrowers. In order to evidence each Borrower's obligation to repay the portion of the proceeds of the Series 1996 A Bonds or Series 1996 B Bonds, as the case may be, loaned to it pursuant to its Agreement, each Borrower will deliver to the Corporation on the date of issuance of the Series 1996 A and B Bonds its bond or bonds (such bond or bonds issued by a Borrower in connection with a Loan are herein collectively referred to as a "Borrower Bond").

#### State Revolving Fund

The federal Water Quality Act of 1987 (the "Water Quality Act"), which amended the Clean Water Act of 1972, provides for the establishment of state loan programs, the funds of which are used to provide financial assistance to various governmental entities in connection with the construction of publicly owned systems for the storage, treatment, recycling and reclamation of municipal sewage and certain other water pollution control projects including facilities undertaken in accordance with the State's non-point source management program such as certain

water quality protection aspects of municipal landfill closure plans. Under each state loan program, a state revolving loan fund is created to accept federal capitalization grants and required state matching funds equal to twenty percent (20%) of the federal capitalization grants. In 1989, the State of New York (the "State") designated the Corporation as the administrator of New York's revolving fund, which is known as the New York State Water Pollution Control Revolving Fund (the "State Revolving Fund"). Loans under the State Revolving Fund program may be provided either from federal capitalization grants and State matching funds or from the proceeds of bonds or notes issued by the Corporation for such purposes (any such bonds or notes are herein called "SRF Bonds").

To date, the Corporation has issued approximately \$2.62 billion in SRF Bonds under the State Revolving Fund program to fund loans to certain governmental entities (the "SRF Borrowers"). The Corporation has received through December 1995 a total of approximately \$1.13 billion in federal capitalization grant funds and approximately \$226 million in State matching funds for deposit into the State Revolving Fund. The Corporation anticipates issuing approximately \$685 million in additional SRF Bonds, including the Series 1996 A and B Bonds, through 1996 to fund loans to governmental entities, either individually or in pools. For additional information relating to the State Revolving Fund, see herein, "STATE REVOLVING FUND PROGRAM."

### **Corpus Allocation**

If a loan to a governmental entity is provided from the proceeds of SRF Bonds, the Corporation will allocate a portion of federal capitalization grants, State matching funds and other available funds to provide a reserve to secure the repayment by such governmental entity of such loan. In general, the amount so allocated (herein called a "Corpus Allocation") to provide a reserve for a particular loan will be equal to at least one-third of the principal amount of such loan outstanding at any time excluding any portion of the loan used to fund a debt service reserve fund. Certain earnings on the Corpus Allocation for a loan will be used to reduce the amounts payable by the governmental entity in repayment of such loan. For additional information relating to the Corpus Allocation for a loan, see herein "STATE REVOLVING FUND PROGRAM - Corpus Allocation."

Corpus Allocations shall be at least one-third of the outstanding principal amount of each loan. Under the Act, the Corpus Allocation for any loan meeting specified criteria shall be in an amount equal to 50% of the principal balance outstanding on such loan. In order to qualify for a fifty percent (50%) Corpus Allocation for a particular loan, the borrower must have, during a period ending March 31, 1996, (i) submitted an application for such loan, which application has been accepted by the Corporation, (ii) closed on such loan, and (iii) commenced construction of the related project. Based upon information supplied by the Borrowers, the Corporation expects that (i) approximately 65.73% of the principal amount of the Loans funded from the proceeds of the Series 1996 A Bonds will qualify for such fifty-percent Corpus Allocation, and (ii) approximately 33.59% of the principal amount of the Loans funded from the proceeds of the Series 1996 B Bonds will qualify for such fifty-percent Corpus Allocation. For the estimated Corpus Allocation for each loan, see herein "THE BORROWERS."

### **Security for Series 1996 A and B Bonds**

The Series 1996 A and B Bonds are special obligations of the Corporation payable solely from payments by the Borrowers of the principal of, premium, if any, and interest on the Borrower Bonds and the amounts held in those respective funds and accounts which are pledged to the Series 1996 A Bonds and the Series 1996 B Bonds, as the case may be, under the Master Financing Indenture, the Twelfth Supplemental Series Indenture, and the Master Trust Agreement dated as of May 1, 1990, as amended (the "Master Trust Agreement"), between the Corporation and Manufacturers and Traders Trust Company, as trustee (the "SRF Trustee") and as custodian (the "Custodian"). Such amounts pledged pursuant to the Twelfth Supplemental Series Indenture include payments by each Borrower of the principal of and interest on the related Borrower Bond and amounts on deposit in the respective accounts in the Debt Service Reserve Fund related to each Loan, including the Corpus Allocations for the Loans. Such amounts pledged pursuant to the Master Financing Indenture include amounts, if any, on deposit in the General Reserve Fund described below.

The Series 1996 A and B Bonds are not a debt of the State or any of the governmental entities constituting the Borrowers, and neither the State nor any of the Borrowers shall be liable thereon. The Series 1996 A and B Bonds are not general obligations of the Corporation, and shall not constitute an indebtedness of or a charge against

the general credit of the Corporation. The Series 1996 A Bonds and the Series 1996 B Bonds will not be on a parity with each other or any other Bonds issued pursuant to the Financing Indenture except with respect to the security provided by the General Reserve Fund. The Bonds issued pursuant to the Financing Indenture, including the Series 1996 A and B Bonds, will not share in the security provided by any other bonds of the Corporation except as provided herein with respect to certain amounts on deposit under the Master Trust Agreement. For additional information related to the security for the Series 1996 A and B Bonds, issuance of Additional Bonds and the use of amounts equal to the reductions of the Corpus Allocations for the Loans, see herein "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS."

#### **Debt Service Reserve Funds**

The Twelfth Supplemental Series Indenture which authorizes the Series 1996 A and B Bonds establishes a separate Debt Service Reserve Fund for each such Series and provides for the creation of a separate account for each Loan in the applicable Debt Service Reserve Fund into which shall be deposited the Corpus Allocation for such Loan. The Corpus Allocation for a particular Loan is available to cure any defaults by the Borrower in repayment of such Loan. The Corpus Allocation for a particular Loan is not available to cure a default with respect to any other Loan. As the principal of a Loan is repaid, the Corpus Allocation for such Loan is reduced to the amount necessary to maintain the same ratio to the outstanding principal amount of such Loan as the original Corpus Allocation bore to the original principal amount of such Loan. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS" for a discussion of the application of the amounts on deposit in each of the accounts in each Debt Service Reserve Fund and the method by which it is funded.

#### **General Reserve Fund**

The Financing Indenture requires that the amounts represented by the reduction in Corpus Allocation are to be deposited in the General Reserve Fund and are available to make up then existing defaults with respect to loans to other borrowers made with the proceeds of Bonds issued under the Master Financing Indenture. Loans made to borrowers under the Master Financing Indenture from the proceeds of the Bonds are herein referred to as "MFI Loans" and such borrowers are herein "MFI Borrowers." To the extent not needed for such purpose, amounts on deposit in the General Reserve Fund are to be transferred to the Master Trust Agreement Trustee to be available to make up defaults with respect to any other loans made with the proceeds of SRF Bonds other than the Bonds. If no such default exists, such amounts are transferred to the Unallocated Corpus Subaccount established under the Master Trust Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS" for a discussion of the application of the amounts on deposit in the General Reserve Fund and the Master Trust Agreement.

#### **Borrower Bonds**

Each Borrower Bond will provide for repayment of the principal amount of the Loan it evidences, together with interest on the unpaid principal amount of such Loan. The Borrower Bonds relating to the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, will be scheduled to provide, in the aggregate, amounts sufficient to pay, when due, the principal of, premium, if any, and interest due on the Bonds of such Series. See "THE BORROWERS" for the principal amount of each Loan and the Series of the Bonds to which such Loan relates.

Each Borrower Bond issued by a County, City, Town or Village (a "Local Government") acquired with the proceeds of the Series 1996 A Bonds or the Series 1996 B Bonds, as applicable, will be a general obligation of the related Borrower and will contain a pledge of the faith and credit of the Borrower for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, each Borrower that is a Local Government has the power and statutory authorization to levy ad valorem taxes on all taxable real property located within the geographical boundaries of the Borrower without limitation as to rate or amount. Under the New York State Constitution, each Local Government is required to pledge its faith and credit for the payment of the principal of and interest on its Borrower Bond and New York State is specifically precluded from restricting the power of the Borrower to levy taxes on real property therefor. For additional information on certain applicable laws and

matters affecting SRF Borrowers that are Local Governments, see "LOCAL GOVERNMENTS" in Part I of Exhibit A hereto.

Each of the Borrowers that are public benefit corporations under the laws of the State of New York, which are the New York City Municipal Water Finance Authority (the "New York City Water Authority"), the Rockland County Solid Waste Management Authority ("RCSWMA") and the Corporation (collectively, the "Public Benefit Corporations"), is authorized to issue bonds for the purposes and secured in the manner provided by their respective statutes. The Borrower Bonds issued by the Public Benefit Corporations, other than the Borrower Bonds issued by RCSWMA, will be special obligations of their respective issuers payable solely from the revenues and other funds pledged to their payment as described herein. The Borrower Bonds issued by the New York City Water Authority will be payable solely from and secured by a pledge of amounts on deposit in a subordinated indebtedness fund established under the New York City Water Authority's General Resolution and certain other moneys, as described herein. The Borrower Bonds issued by the Corporation will be payable solely from and secured by revenues received by the Corporation from the State of New York in accordance with a service agreement between the Corporation and the State of New York, acting through the New York State Office of General Services ("OGS") (said service agreement being referred to herein as the "OGS Service Agreement"), pursuant to which the Corporation has agreed to finance certain projects to be undertaken by OGS (the Corporation solely in its role as a Borrower in connection with such projects being referred to herein as "EFC-OGS"). The Borrower Bonds issued by RCSWMA will be payable from and secured by revenues of its solid waste disposal system and will be further secured by a pledge of the faith and credit of RCSWMA, as described herein. None of the Public Benefit Corporations, including RCSWMA, has any taxing powers. For additional information concerning the New York City Water Authority, RCSWMA and EFC-OGS, see "PUBLIC BENEFIT CORPORATIONS" in Part I of Exhibit A hereto.

#### Other Information

The Corporation has issued \$1.93 billion aggregate principal amount of SRF Bonds pursuant to financing indentures other than the Master Financing Indenture and loaned the proceeds thereof to various municipalities and to the New York City Water Authority to either finance or refinance wastewater treatment facilities for such borrowers. Each such municipality borrowing SRF Bond proceeds has issued and delivered its bonds in the amount of its loan to evidence its obligation to repay such loan. The New York City Water Authority has issued and delivered its revenue bonds to evidence its obligation to repay the loans received by it. In the aggregate, the amounts payable as to principal and interest under bonds issued by such borrowers are scheduled to provide amounts sufficient to pay, when due, the principal of, premium, if any, and interest due on the related SRF Bonds.

There follows in this Official Statement brief descriptions of the Series 1996 A Bonds, the Series 1996 B Bonds, the Financing Indenture, the Agreements, the Borrower Bonds, the State Revolving Fund, the Master Trust Agreement, the Corporation, certain of the Borrowers and their business and affairs, and certain other matters. All references herein to any document are qualified by the terms of such document in its entirety.

Exhibit A to this Official Statement is in three parts. Part I is a description of certain general information concerning SRF Borrowers that are Local Governments and certain information that is specific to the Public Benefit Corporations. Part II contains the Borrower Bond repayment schedules. Part III contains a description of each MFI Borrower for which, based on specific criteria for inclusion of financial and other information concerning such MFI Borrower, disclosure of such information is deemed appropriate for purposes of this Official Statement. The criteria for inclusion of financial and other information for specific MFI Borrowers are based upon the aggregate outstanding principal amount of the MFI Loan or Loans in all series of Bonds being equal to or greater than twenty percent (20%) of the aggregate outstanding principal amount of all outstanding MFI Loans as of the date of issuance of the Series 1996 A and B Bonds. Based upon such criteria, Part III incorporates by reference information relating only to Nassau County, which, as of the date of this Official Statement, has MFI Loans outstanding aggregating \$176.7 million (which amount does not include the Loan to be made from proceeds of the Series 1996 A Bonds). Said information relating to Nassau County is incorporated by reference to certain portions of the Official Statement, dated February 1, 1996, relating to \$27,590,000 aggregate principal amount of Nassau County's Bond Anticipation Notes, Series 1996A, which has been delivered to the Municipal Securities Rulemaking Board for filing in accordance with its rules. Said information is not guaranteed as to accuracy or completeness by, and is not to be

construed as a representation of, the Corporation or the Underwriters, and neither the Corporation nor any Underwriter makes any representation as to whether there have been any changes, material or otherwise, in the affairs or the financial condition of Nassau County since the date of such official statement.

Attached hereto as Exhibit D is a list of the prior SRF Borrowers, the amounts they have borrowed from the Corporation, a list of the outstanding SRF Bonds, a summary of the MFI Loans and the total of Corpus Allocations for all MFI Loans by Borrower and by Series.

Unless otherwise indicated herein, capitalized terms not otherwise defined herein shall have the meanings given to such terms in Exhibit B.

## THE CORPORATION

### General

The Corporation was created by the Act in 1970 and is a body corporate and politic and a public benefit corporation of the State. The Corporation's main offices are located at 50 Wolf Road, Albany, New York 12205 and its telephone number is (518) 457-4100.

The Corporation is empowered to assist municipalities, State agencies and private industry through the financing, construction, operation and maintenance of sewage treatment works, air pollution control facilities, water management facilities, solid waste disposal facilities and financing costs associated with certain State park facilities and to administer the State Revolving Fund. The Corporation's primary activities, other than the administration of the State Revolving Fund and the provision of financial assistance for eligible projects from moneys in the State Revolving Fund, have been (i) the financing, through the issuance of special obligation revenue bonds, under its Industrial Finance Program, of various water management, solid waste disposal, sewage disposal and pollution control projects undertaken by or on behalf of private persons or entities; (ii) the financing of certain State park facilities and State contributions to the State Revolving Fund; and (iii) the rendering of technical advice and assistance to private persons or entities, State agencies and municipalities on matters pertaining to sewage treatment and collection, pollution control, recycling, hazardous waste abatement, solid waste disposal and other related subjects.

### Organization

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 Act as *ex officio* members: the Commissioner of Environmental Conservation of the State of New York, whom the Act also designates as the chairman and chief executive officer of the Corporation, the Commissioner of Health of the State of New York and the Secretary of State of the State of New York. 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 are currently two vacancies on the Corporation Board.

The present members of the Corporation Board, their occupations and the expiration of their terms are as follows:

MICHAEL D. ZAGATA, Commissioner of the New York State Department of Environmental Conservation ("DEC"), Albany; *ex officio*. Mr. Zagata has been Commissioner of DEC since March 20, 1995. He joined DEC on October 24, 1994 as Business Ambassador. Mr. Zagata received B.S. and M.S. degrees from the State University of New York at Oneonta, and a Ph.D. in Wildlife Ecology from Iowa State University. Mr. Zagata has eleven years' experience working in the field of conservation and thirteen years' experience working in the oil and natural gas industries, specifically in environmental and safety affairs. In his various positions, Mr. Zagata was

responsible for environmental and safety programs including policy development and implementation, staffing, budgeting, compliance, proactive programs and auditing. Mr. Zagata has also served as the Director of Federal Relations for the National Audubon Society and Field Director for the Wildlife Society. He has held various teaching positions at the high school and college levels. In March 1994, Mr. Zagata received a special Alexander Calder Conservation Award in recognition of his outstanding contributions as a conservationist and as a liaison between the business and conservation communities. As Commissioner of DEC, Mr. Zagata also serves as an *ex officio* member of the board of the New York City Municipal Water Finance Authority.

BARBARA A. DEBUONO, M.D., M.P.H., Commissioner of Health of the State of New York, Albany; *ex officio*. Dr. DeBuono has been Commissioner of Health since January 31, 1995. Prior to her current position, Dr. DeBuono held the positions of State Epidemiologist and Medical Director of the Office of Disease Control for the Rhode Island Department of Health, where she was named the Director of Health in 1991. Prior to joining the Health Department, Dr. DeBuono completed a fellowship in Infectious Diseases at Brown University Medical School's Affiliated Hospitals Program in Providence. She holds a degree in English and Biology from the University of Rochester, New York, where she subsequently received her M.D., followed by an M.P.H. from Harvard University.

Dr. DeBuono is a diplomate of the American Board of Internal Medicine, and is on the medical staffs of the Infectious Diseases Division of Rhode Island Hospital and Roger Williams General Hospital. She is a member of the American Medical Association, the American Public Health Association, the Infectious Diseases Society of America and the Rhode Island Medical Society, among others. She was recently named by the Secretary of Health and Human Services, Donna Shalala, to serve on the Advisory Committee on Immunization Practices.

ALEXANDER F. TREADWELL, Secretary of State of the State of New York, Albany; *ex officio*. Mr. Treadwell has been Secretary of State since January 9, 1995. Mr. Treadwell received his Bachelor's degree in Journalism from the University of North Carolina at Chapel Hill. He has worked as a reporter for Sports Illustrated, a writer for Classic Magazine and a freelance journalist for New York Magazine, among other publications. He is also the author of The World of Marathons, published in 1987 by Stewart, Tabori & Chang. Mr. Treadwell has also served in the New York Army National Guard.

MARTIN S. BAKER, Esq., New York City. Mr. Baker is an attorney specializing in environmental and land use law. He is a partner in the law firm of Stroock & Stroock & Lavan, where he directs the firm's environmental law practice. He also is a member of various committees of professional associations. Mr. Baker's term expired on December 31, 1994.

VICTORIA S. KENNEDY, Manlius. Ms. Kennedy currently works as a consultant to business and government. She was a founder and consultant to the Council of Infrastructure Financing Authorities from 1988 to 1990. From 1984 to 1989, Ms. Kennedy worked for the U.S. Environmental Protection Agency, serving as Chief of the Regulatory and Program Analysis Team and the Strategic Planning Team in the Water Policy Office for most of the period. She previously held positions at the Department of Defense, the Naval War College, the Woodrow Wilson Center for International Scholars, the White House, the Rand Corporation and the U.S. State Department. Ms. Kennedy's term expires on December 31, 1997.

Certain *ex officio* members of the Corporation Board have designated certain individuals to act on their behalf as Directors of the Corporation. David Sterman, Deputy Commissioner, Department of Environmental Conservation of the State of New York, William Stasiuk, Ph.D., Director, Center for Environmental Health of the Department of Health of the State of New York and David Pilliod, Director, Office for Local Government Services, Department of State of the State of New York, have been appointed to act on behalf of the Commissioner of DEC, the Commissioner of Health and the Secretary of State, respectively.

The Corporation's senior management consists of the following executives:

TERRY AGRISS, President of the Corporation. Ms. Agriss was appointed President of the Corporation in January 1990. From 1983 to 1989, she served as Director of the New York City Energy and Telecommunications

Office. From 1977 to 1983, Ms. Agriss was Regional Director of DEC Region 2. Prior to holding such positions, she worked in New York City's Washington Office and for the New York City Environmental Protection Administration.

MICHAEL D. MORGAN, Esq., General Counsel of the Corporation. Mr. Morgan was appointed General Counsel of the Corporation in November 1995. From 1988 to 1995, Mr. Morgan served as an Assistant Attorney General of the New York State Department of Law and, between 1992 and 1995, as Deputy Bureau Chief of the Department's Public Finance Bureau. From 1978 to 1988, Mr. Morgan served as Deputy Counsel of the New York State Energy Research and Development Authority.

JAMES T. GEBHARDT, Chief Financial Officer of the Corporation. Mr. Gebhardt was appointed Chief Financial Officer of the Corporation in November 1990. From 1988 to 1990, Mr. Gebhardt served as Assistant Vice President and Tax Exempt Portfolio Manager of Continental Asset Management Co., the investment management subsidiary of The Continental Corporation. Mr. Gebhardt previously served as Vice President of Financial Guaranty Insurance Company, Senior Municipal Credit Analyst for Bankers Trust Company and Junior Analyst in the Municipal Department of Oppenheimer & Company, Inc. Mr. Gebhardt is a Chartered Financial Analyst.

J. ANDREA ESTUS, Director of Finance and Administration of the Corporation. Ms. Estus was appointed Director of Finance and Administration for the Corporation in February 1990. Before assuming this post, she served for four years as Director of Finance for the Corporation. Prior to joining the Corporation in 1985, Ms. Estus served as the Director of Administrative Services for the New York State Adirondack Park Agency. She previously held positions with the W. Alton Jones Cell Science Center, the American Management Association, and Irving Trust Company.

ROBERT E. DAVIS, P.E., Acting Director of Engineering and Program Development. Mr. Davis was appointed Acting Director of Engineering and Program Development in November 1994. Mr. Davis has been employed by DEC since 1973 as an Environmental Engineer and was assigned to the Corporation in March 1991. Prior to joining DEC, Mr. Davis was employed by the United States Environmental Protection Agency from 1970 through 1972.

#### NEW YORK STATE DEPARTMENT OF ENVIRONMENTAL CONSERVATION

DEC was established under the Environmental Conservation Law of the State in 1970 as a State agency 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 State Revolving Fund program. DEC and the Corporation have entered into a Memorandum of Understanding (the "Memorandum of Understanding"), which delineates their respective obligations concerning the operation of such program. Under the Memorandum of Understanding, DEC, as the recipient of the federal capitalization grants on behalf of the State, executes the hereinafter defined Capitalization Grant Agreements with the United States Environmental Protection Agency (the "Federal EPA") and requests the appropriate State matching funds from the State for deposit in the State Revolving Fund. In addition, DEC was also given responsibility for preparing an annual intended use plan ("IUP"), which would identify water pollution control projects eligible for assistance from the State Revolving Fund. DEC has delegated to the Corporation the responsibility of preparing the annual IUP (which is then submitted to DEC for approval).

## STATE REVOLVING FUND PROGRAM

### Establishment of State Revolving Fund

The Water Quality Act provides for the establishment of state loan 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 loans and other types of financial assistance (other than direct grants) 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, 83⅓% is to be provided by federal capitalization grants and 16⅔% is to be provided by state matching funds.

Pursuant to the Act, the State has created the State Revolving Fund. The Act requires that the moneys in the State Revolving Fund be applied by the Corporation at the direction of the Commissioner of DEC (the "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 State Revolving Fund. The Corporation is authorized to make loans to governmental entities for construction or refinancing of eligible projects. Loans are made by the Corporation either from the proceeds of SRF Bonds or as direct loans from amounts on deposit in the State Revolving Fund.

### Method of Funding of State Revolving Fund

The State Revolving Fund is capitalized through (i) federal capitalization grants awarded by the Federal EPA to the State and appropriated by the State to fund the State Revolving Fund, and (ii) State matching funds appropriated by the State for such purpose. In order to receive federal capitalization grants, the State must appropriate its matching funds in a ratio of \$1 of State matching funds for every \$5 of federal capitalization grants.

To date, \$1.13 billion in federal capitalization grants have been awarded by the Federal EPA to the State. DEC and the Federal EPA have entered into EPA Assistance Agreements covering the aforementioned federal capitalization grants (collectively, the "Capitalization Grant Agreements"). Grant moneys under the Capitalization Grant Agreements are paid over to the State pursuant to an electronic funds transfer system.

The Corpus Allocation for a loan may initially consist of amounts available (but not yet drawn as cash) under a Capitalization Grant Agreement and related State matching funds, amounts available as cash, or a combination thereof. In the event of a default in payment of principal or of interest on a loan, amounts under the Capitalization Grant Agreements together with the related State matching funds can be immediately drawn upon to the extent necessary to prevent an imminent default on the SRF Bonds which funded such loan, notwithstanding the established schedules for draws under the Capitalization Grant Agreements.

Any amounts available to be drawn under the Capitalization Grant Agreements and from State matching funds as Corpus Allocation for any loan made from the proceeds of SRF Bonds must be appropriated by the State for such purpose. The availability of such amounts, as and when needed, is dependent upon a State appropriation for such funds being in effect at such time. Appropriations are made by action of the State Legislature and the Governor, as part of the State's annual budget adoption process. Before an appropriated amount can be drawn upon, the State Division of the Budget must prepare and issue a Certificate of Approval of Availability (the "Budget Certificate"), copies of which are required to be filed with the State Comptroller, the Chairman of the Senate Finance Committee and the Chairman of the Assembly Ways and Means Committee, setting forth the exact appropriated amount currently available, the State agency or instrumentality entitled to receive such amount and the purpose for which such amount is to be applied. The State agency or instrumentality is thereupon entitled to submit vouchers to the State Comptroller, and draw moneys against the Budget Certificate up to the total appropriated amount currently available, as set forth therein. Appropriations cease to be effective, under applicable law, as of the close of the State fiscal year in which they are made, unless the

underlying amounts are reappropriated by the State Legislature or are characterized by the State Comptroller as "encumbered" (i.e., contractually committed by the State) prior to the close of such fiscal year. Encumbered amounts included in a State capital budget, including State Revolving Fund appropriations to the extent encumbered, may be carried forward to September 15th of the next succeeding State fiscal year.

Budget Certificates have been issued to DEC covering all remaining federal capitalization grants and related State matching funds which remain undrawn to cover corpus allocations. Such Budget Certificates authorize DEC to submit vouchers to the State Comptroller for the undrawn amounts, which can be drawn upon prior to September 15, 1996. 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 Corpus Allocations, unallocated earnings and direct loan repayments), are expected to be sufficient as of the date of issuance of the Series 1996 A and B Bonds to fully fund the unfunded portions of the Corpus Allocations for all MFI Loans previously made from the State Revolving Fund and the Corpus Allocations for the Loans.

Pursuant to an agreement between the Corporation and DEC, requisitions of amounts payable under the Capitalization Grant Agreements and State matching funds are initiated with the preparation by DEC of a voucher, which is approved by the Corporation and which is then submitted by DEC to the State Comptroller, for deposit of such amounts in the State Revolving Fund. DEC has agreed to execute and forward such vouchers to the State Comptroller for payment. A Budget Certificate must be in effect before payment of amounts set forth in the voucher. To the extent a voucher calls for payments to be derived from the Capitalization Grant Agreements, DEC will initiate a payment request. Under the current EPA-ACH (Automated Clearing House) procedures, once a payment request is made, an electronic transfer of funds, in the amount requested, is made to a designated financial institution. Upon receipt of the related voucher from DEC, the State Comptroller will transfer, to the extent cash is available, the amount set forth in the voucher to the payee as set forth therein. While the State Comptroller is not a party to such agreement, the State Comptroller has followed similar procedures in respect of prior draws upon federal capitalization grants, and, based upon such actions, the Corporation expects the State Comptroller to follow the procedures set forth in such agreement.

DEC and the Federal EPA have also entered into a State Revolving Fund Operating Agreement which sets forth rules, procedures and activities to be followed by the Federal EPA and the State in administering federal capitalization grants and the State Revolving Fund.

### **Corpus Allocation**

The Corpus Allocation for each loan made to a governmental entity from proceeds of SRF Bonds will consist of: (1) federal capitalization grants, State matching funds and other available funds (which may include de-allocated Corpus Allocations, unallocated earnings and direct loan repayments) which have been received in cash and are held in trust as security for the related SRF Bonds; or (2) federal capitalization grants (which are available under the Capitalization Grant Agreements) and State matching funds which have not yet been received in cash but which have been appropriated by the State to the State Revolving Fund and allocated by the Corporation to the related loan. Upon receipt of such a grant from the Federal EPA, such federal capitalization grant moneys are encumbered. Such appropriated federal capitalization grants and State matching funds may be drawn upon up to the full amount thereof to the extent needed to prevent an imminent default on such SRF Bonds. Certain earnings on amounts so allocated to the governmental entity will be used to reduce the financing costs of such governmental entity.

To provide the Corpus Allocation for each loan funded from SRF Bonds, the Corporation will allocate amounts available to be drawn under the Capitalization Grant Agreements, and from State matching funds and other available funds, to such loan in such a manner that the sum of (i) amounts on deposit in a Loan Subaccount created under the Master Trust Agreement and related to such loan, (ii) amounts on deposit in the separate account in the debt service reserve fund (the "SRF Loan Reserve Fund") for the related SRF Bonds (or the account therein related to such loan) and (iii) amounts available to be drawn under the Capitalization Grant Agreements and obtained from State matching funds which are allocated to such loan, at all times equals the Corpus Allocation, less any unreimbursed amounts used to pay debt service on the related series of SRF Bonds upon the failure of such loan recipient to make any debt service payment with respect to such loan. The Loan Subaccount for each loan to a

governmental entity funded from the proceeds of SRF Bonds, and the related SRF Loan Reserve Fund (or the account therein related to such loan) will be pledged to secure such SRF Bonds.

In general, the amounts allocated to provide a reserve for a particular loan shall be in an amount equal to at least 33⅓% of the principal amount of such loan outstanding at any time (excluding any portion of the loan used to fund a debt service reserve fund) to the extent reasonably practicable and subject to such deviation as may be necessary in connection with the administration and investment of moneys in the State Revolving Fund. Pursuant to the Act, however, the Corpus Allocation for any loan meeting specified criteria is fifty percent of the principal balance outstanding on such loans. In order to qualify for a fifty percent Corpus Allocation for a particular loan, the borrower must have, during the period commencing June 1, 1992 and ending March 31, 1996, (i) submitted an application for such loan, which application has been accepted by the Corporation, (ii) closed on such loan and (iii) commenced construction of the related project. Based upon information supplied by the Borrowers, the Corporation expects that approximately 65.73% of the principal amount of the Loans funded from the proceeds of the Series 1996 A Bonds will qualify for such fifty-percent Corpus Allocation and approximately 33.59% of the principal amount of the Loans funded from the proceeds of the Series 1996 B Bonds will qualify for such fifty-percent Corpus Allocation.

### **Application of State Revolving Fund Moneys**

The Master Trust Agreement requires the Corporation to deliver, as a condition to the issuance of SRF Bonds secured under the Master Trust Agreement, a Corpus Allocation Certificate. Each such Corpus Allocation Certificate is required to identify the amount or amounts of the Corpus Allocation or Allocations for the loan or loans financed with SRF Bonds and the sources thereof, which sources may include (i) funds received and available for deposit on the original issue date of such SRF Bonds and (ii) funds available to be drawn under the Capitalization Grant Agreements or from State matching funds, which have not yet been received. The Corporation is required to certify in such Corpus Allocation Certificate that, to the extent that funds available to be drawn under the Capitalization Grant Agreements and State matching funds are a source of such Corpus Allocation, such funds have been appropriated by the State. Each such Corpus Allocation Certificate shall direct the Custodian to make deposits and transfers to various funds and accounts under the Master Trust Agreement and shall allocate portions of amounts received or to be received in the future under the Capitalization Grant Agreements and from State matching funds, all in a manner and on a schedule, as such manner and schedule may be revised from time to time, ensuring that, during the term of the loan, the sum of the amounts (i) on deposit in the Loan Subaccount related to such loan, (ii) deposited in the related SRF Loan Reserve Fund (less investment earnings on the amounts so deposited) and (iii) allocated to such loan from amounts available to be drawn under the Capitalization Grant Agreements and from State matching funds not yet received shall at all times be at least equal to the related Corpus Allocation, less any unreimbursed amounts used to pay debt service on the related series of SRF Bonds upon the failure of such loan recipient to make any debt service payment with respect to its loan.

The Corporation is required by the Master Trust Agreement to request that DEC and the State Comptroller take all actions necessary to draw on amounts available under the Capitalization Grant Agreements and to obtain State matching funds on a timely basis so as to provide funds in an amount equal to the Corpus Allocation. The Corporation has also agreed pursuant to the Master Trust Agreement to exercise or to cause to be exercised any right within its control to draw upon the amounts available to be drawn under the Capitalization Grant Agreements and to obtain State matching funds to the extent that such amounts constitute a portion of the related Corpus Allocation and are required in order to prevent or cure a payment default on the related series of SRF Bonds. Upon receipt of such amounts, the Custodian is required to deposit all moneys so drawn under the Capitalization Grant Agreements or obtained from State matching funds in the Unallocated Corpus Subaccount of the Equity Account created under the Master Trust Agreement.

Upon deposit into the Unallocated Corpus Subaccount, amounts allocated to such loan shall be deposited in a separate Loan Subaccount created under the Master Trust Agreement pledged to the related series of SRF Bonds. Amounts in each such Loan Subaccount shall be transferred by the SRF Trustee to the related financing indenture trustee for deposit to the related account in the SRF Loan Reserve Fund at the times and in amounts set forth in the Corpus Allocation Certificate.

## **Impact of Federal Budget Impasse**

There currently exists a federal budget impasse, evidenced by the failure of the federal government to adopt a budget and to increase the federal debt limit. The Corporation expects that by February 15, 1996, the DEC will have drawn federal capitalization grants and State matching funds which, together with other available funds, are expected to be sufficient as of the date of issuance of the Series 1996 A and B Bonds to fully fund the unfunded portions of the Corpus Allocations for all MFI Loans previously made from the State Revolving Fund and Corpus Allocations for the Loans. However, no assurance can be given that such budget impasse will not affect the timeliness of the expected February 15 draw or subsequent draws.

In the event that the federal debt limit is not increased, it has been reported that the federal government may default on the direct obligations of the United States of America. Some of the moneys held under the Financing Indenture as security for the payment of the principal of and premium, if any, and interest on SRF Bonds, including the Series 1996 A and B Bonds, are invested directly or through investment agreements collateralized by such obligations. Neither the Corporation nor any Underwriter can give any assurance as to any resolution of the current or any future federal budget impasse or its actual effect on the State Revolving Fund.

Also, in the event that the federal government fails to disburse moneys under its aid programs which benefit state and local governments, the financial condition of certain borrowers to which loans are made from proceeds of SRF Bonds, including certain of the Borrowers in connection with the Series 1996 A and B Bonds, may be adversely affected.

## **BONDS ISSUED UNDER THE MASTER FINANCING INDENTURE**

### **MFI Loans of the Corporation**

The Corporation has issued \$744 million aggregate principal amount of Bonds secured by the Master Financing Indenture, loaned the proceeds thereof to 112 MFI Borrowers pursuant to 145 MFI Loans to either finance or refinance wastewater treatment facilities and certain water quality protection aspects of facilities undertaken in accordance with the State's non-point source management program and has provided approximately \$327.6 million of Corpus Allocation for such MFI Loans. There are currently outstanding approximately \$690.4 million aggregate principal amount of Bonds and the current aggregate amount of Corpus Allocation is approximately \$306.4 million. Each MFI Borrower has issued and delivered its bonds in the amount of its MFI Loan to evidence its obligation to repay such Loan. In the aggregate, the amounts payable as to principal and interest under such bonds are sufficient, as to time and amount, to make the payments due under the related Bonds.

### **MFI Loan Administration**

Applicants for loans from the State Revolving Fund are required to complete an application form which includes general borrower information, financial information, loan terms requested, and, if applicable, demographic and system information. Some of the additional documentation required to complete the application includes: any recent official statements, annual financial reports for the past three years, the most recent capital and operating budgets, the bond resolution, certification as to title to project site, professional services agreements, any intermunicipal or operating agreements, engineering reports, project schedule and environmental review documentation.

The loan application and related documents are reviewed to determine whether a project proposed to be financed meets program, legal and policy guidelines. If such criteria are satisfied, a recommendation with supporting documentation is prepared with respect to the loan application. This recommendation is then reviewed and, if appropriate, approved by the Corporation's loan committee, comprised of certain members of the Corporation's executive staff. Loans approved by the loan committee are further reviewed and approved by the President of the Corporation prior to consideration by the Corporation Board and the Public Authorities Control Board. Approval by the Corporation Board and the Public Authorities Control Board is required prior to loan closing.

In general, loan payments are scheduled to be prepaid by the borrowers (other than borrowers which are public benefit corporations) to the Trustee on or before the fifteenth day prior to the date a payment is due on the related borrower bonds. The Corporation receives daily notification of payments received, and both the Corporation and the Trustee track these payments against expected receipts. If a payment is not made on time, the Corporation contacts the borrower. No borrower has missed a principal or interest payment date on the related borrower bonds in the history of the program and the Corporation has never drawn on the Corpus Allocation to cover a loan default.

### Investment of Certain Funds

The Corporation currently invests a significant portion of its funds in investment contracts with financial institutions with terms equal to the maturity of the related series of Bonds issued pursuant to the Master Financing Indenture. Certain moneys held in the debt service reserve funds and the Loan Subaccounts with respect to the following series of Bonds have been invested pursuant to collateralized investment agreements with the following entities:

	Corpus Allocations as of February 1, 1996
Series 1991 B - Sumitomo Bank Capital Markets, Inc., guaranteed by Sumitomo Bank, Limited	\$14,028,333
Series 1991 C - Svenska Handelsbanken	12,150,433
Series 1991 D - Societe Generale	9,266,667
Series 1992 A - Societe Generale	13,615,000
Series 1992 B - Societe Generale	18,219,444
Series 1992 B - Svenska Handelsbanken	5,177,376
Series 1993 A - Morgan Guaranty Trust Company of New York	11,153,398
Series 1993 A - Societe Generale	3,208,269
Series 1993 B - Republic National Bank of New York	32,751,226
Series 1994 B - Societe Generale	25,475,833
Series 1994 C - Bayerische Landesbank	5,591,863
Series 1994 D - Societe Generale	124,358,345(1)
<u>Series 1995 A - Bayerische Landesbank</u>	<u>29,112,786</u>
Total	\$304,108,973(2)

(1) Amount contracted to be invested; \$109,700,000 is invested as of February 1, 1996, with the balance expected to be deposited by May 1996.

(2) Total does not equal total Corpus Allocation invested due to investments in other Permitted Investments.

The investment agreements above are collateralized by direct obligations of, or obligations guaranteed by, the United States of America. The related agreements require such collateral to be held by a third party. Each agreement requires that the collateral be maintained at various levels not less than 120% of invested funds, marked to market no less frequently than weekly, and allows the Corporation to terminate the investment agreement if any nationally recognized rating agency determines that continuation of such investment agreement will result in a reduction in the rating assigned to the associated bonds by such rating agency. To the extent that the Corporation continues to invest its funds in investment contracts with financial institutions, the Corporation expects to continue to require collateral at levels above the principal amount of the invested funds. There is no assurance that any future investment agreement will contain provisions similar to the provisions described above. The Financing Indenture sets forth other requirements for investment agreements to qualify as Permitted Investments, including a requirement that such agreements be secured by obligations of, or guaranteed by, the State of New York or the United States of America and that the value of the collateral be maintained at the current market value, calculated no less frequently than monthly. For additional information see Exhibit B - "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN BASIC AGREEMENTS - DEFINITION OF CERTAIN TERMS - Permitted Investments."

Such agreements are subject to termination upon certain events. In addition, such agreements may be subject to certain other risks, including the bankruptcy or insolvency of the party with which such funds have been invested under such agreements.

The Corporation may invest moneys other than those held under the above investment agreements in any Permitted Investments, which may include other investment agreements. The Corporation has made certain investments in below market rate United States Treasury Securities - State and Local Government Series to comply with Federal tax laws. As of February 1, 1996, such investments aggregated \$2,280,200.

#### Scheduled Payments Relating to the Master Financing Indenture

**Principal Amount of Bonds and Aggregate Corpus Allocation.** The table below sets forth, as of December 31 of each year, (i) the principal amount of Outstanding Bonds and the aggregate Corpus Allocation balance scheduled to be available; (ii) the principal amount of Series 1996 A and B Bonds and the Corpus Allocation balance scheduled to be available; and (iii) the aggregate principal amount of Outstanding Bonds after the issuance of the Series 1996 A and B Bonds and the aggregate Corpus Allocation balance scheduled to be available after the issuance of the Series 1996 A and B Bonds. This table should be read in conjunction with the provisions of the Master Financing Indenture and the Master Trust Agreement relating to the funding and de-allocation of the Corpus Allocation and the application of the de-allocated Corpus Allocation to make up deficiencies with respect to Bonds. For information relating to the provisions of the Master Financing Indenture providing for the de-allocation of the Corpus Allocation upon payment of the principal amount of an MFI Loan, see "SECURITY FOR THE SERIES 1996 A AND B BONDS — Pledge Pursuant to the Financing Indenture," "—Flow of Funds under the Financing Indenture" and "— Debt Service Reserve Funds for the Series 1996 A Bonds and the Series 1996 B Bonds." Bonds Outstanding and Corpus Allocation Balance for each Series of Bonds and for each MFI Loan by Series is contained in Exhibit D.

#### Outstanding Principal Amount of Bonds and Aggregate Corpus Allocation Balance

Year	Prior Outstanding Bonds	Prior Aggregate Corpus Allocation Balance <sup>(1)</sup>	Series 1996 A and B Bonds	Series 1996 A and B Corpus Allocation Balance	Aggregate Outstanding Bonds	Aggregate Corpus Allocation Balance <sup>(1)(2)</sup>
1995	\$ 690,435,000	\$ 306,389,173			\$690,435,000	\$306,389,173
1996	658,630,000	292,570,044	\$317,125,000	\$137,502,387	975,755,000	430,072,431
1997	625,730,000	278,243,818	288,790,000	126,544,275	914,520,000	404,788,093
1998	591,965,000	263,524,887	257,715,000	114,268,298	849,680,000	377,793,185
1999	557,740,000	248,614,125	226,985,000	102,062,462	784,725,000	350,676,587
2000	523,525,000	233,630,174	197,110,000	90,112,520	720,635,000	323,742,694
2001	488,645,000	218,347,963	183,680,000	83,935,283	672,325,000	302,283,246
2002	453,455,000	202,877,560	169,995,000	77,640,439	623,450,000	280,517,999
2003	417,525,000	187,076,215	156,065,000	71,232,153	573,590,000	258,308,368
2004	380,840,000	170,932,180	141,815,000	64,679,280	522,655,000	235,611,460
2005	343,410,000	154,453,290	127,200,000	57,964,527	470,610,000	212,417,817
2006	305,095,000	137,575,119	112,280,000	51,109,562	417,375,000	188,684,681
2007	265,980,000	120,322,092	97,565,000	44,285,113	363,545,000	164,607,205
2008	226,165,000	102,739,792	85,125,000	38,606,283	311,290,000	141,346,075
2009	185,615,000	84,833,489	72,880,000	33,014,634	258,495,000	117,848,123
2010	144,500,000	66,636,111	60,330,000	27,285,376	204,830,000	93,921,487
2011	102,905,000	48,158,618	47,450,000	21,406,840	150,355,000	69,565,458
2012	66,950,000	31,479,600	34,830,000	15,611,734	101,780,000	47,091,334
2013	36,835,000	17,263,530	25,225,000	11,005,901	62,060,000	28,269,431
2014	13,765,000	6,309,363	15,435,000	6,318,401	29,200,000	12,627,764
2015	1,000,000	491,863	5,710,000	1,674,234	6,710,000	2,166,097
2016			735,000	367,500	735,000	367,500

(1) Prior Aggregate Corpus Allocation Balance and Aggregate Corpus Allocation Balance reflect the total of Corpus Allocations for all MFI Loans. Until Corpus Allocation amounts are de-allocated, the Corpus Allocation for any MFI Loan is only available as security for such individual MFI Borrower Loan.

(2) The amounts set forth under Aggregate Corpus Allocation Balance for each year may not total due to rounding.

*Scheduled Debt Service and Corpus De-Allocation.* The table below sets forth, for each year ending December 31, (i) the debt service on all Outstanding Bonds and scheduled Corpus de-allocation; (ii) the debt service on the Series 1996 A and B Bonds and the scheduled aggregate Corpus de-allocation related to the Series 1996 A and B Bonds; and (iii) the aggregate debt service on all Bonds Outstanding after the issuance of the Series 1996 A and B Bonds and scheduled Corpus de-allocation with respect to all the Outstanding Bonds and the Series 1996 A and B Bonds.

Said scheduled de-allocation in Corpus Allocation is subject to reduction in the event any MFI Borrower fails to repay its related MFI Loan on a timely basis and such failure results in the Corpus Allocation related to such MFI Loan being drawn. In the event that Nassau County or any other MFI Borrower or combination of MFI Borrowers which has a substantial principal amount of outstanding MFI Loans fails to repay its related MFI Loan or Loans and such default results in a draw on the Corpus Allocation, the amounts shown below for de-allocation of the Corpus Allocation would be reduced substantially. As of the date of this Official Statement, Nassau County has outstanding MFI Loans aggregating \$176.7 million of the total aggregate amount of \$690.4 million of MFI Loans outstanding financed by the Bonds under the Master Financing Indenture. It is expected that Nassau County will have, upon issuance of the Series 1996 A and B Bonds, outstanding MFI Loans aggregating \$230,425,000 of the total aggregate principal amount of \$1,017,155,000 of MFI Loans outstanding.

The table below should be read in conjunction with the provisions of the Master Financing Indenture and the Master Trust Agreement relating to the funding and de-allocation of the Corpus Allocation and the application of the de-allocated Corpus Allocation to make up deficiencies with respect to Bonds. For information relating to the provisions of the Master Financing Indenture providing for the de-allocation of the Corpus Allocation upon payment of the principal amount of an MFI Loan, see "SECURITY FOR THE SERIES 1996 A AND B BONDS — Pledge Pursuant to the Financing Indenture," "— Flow of Funds under the Financing Indenture" and "— Debt Service Reserve Funds for the Series 1996 A Bonds and the Series 1996 B Bonds." The scheduled debt service and scheduled Corpus de-allocation for each series of Bonds and the Corpus Allocation for each MFI Loan is contained in Exhibit D.

## MFI Scheduled Debt Service and Corpus De-Allocation

Year	Prior Outstanding Bonds Debt Service	Scheduled Corpus De-Allocation	Series 1996 A and B Bonds Debt Service	Scheduled Corpus De-Allocation	Aggregate Outstanding Bonds Debt Service <sup>(1)</sup>	Aggregate Corpus De- Allocation <sup>(1)</sup>
1996	\$71,640,803	\$13,819,128	\$19,834,324	\$4,139,324	\$ 91,475,127	\$17,958,452
1997	71,228,679	14,326,227	41,536,755	10,958,112	112,765,434	25,284,339
1998	70,452,334	14,718,932	43,286,865	12,275,977	113,739,199	26,994,909
1999	69,172,687	14,910,761	41,819,353	12,205,836	110,992,040	27,116,597
2000	67,364,676	14,983,950	39,808,355	11,949,942	107,173,031	26,933,892
2001	66,169,938	15,282,212	22,411,728	6,177,237	88,581,666	21,459,449
2002	64,542,029	15,470,402	22,119,633	6,294,845	86,661,662	21,765,247
2003	63,292,476	15,801,346	21,793,858	6,408,286	85,086,334	22,209,632
2004	61,978,149	16,144,032	21,517,515	6,552,873	83,495,664	22,696,905
2005	60,571,101	16,478,892	21,257,013	6,714,753	81,828,114	23,193,645
2006	59,215,944	16,878,170	20,907,573	6,854,966	80,123,517	23,733,136
2007	57,684,814	17,253,027	20,028,300	6,824,449	77,713,114	24,077,476
2008	55,977,736	17,582,300	17,118,663	5,678,830	73,096,399	23,261,130
2009	54,238,177	17,906,302	16,334,879	5,591,648	70,573,056	23,497,950
2010	52,249,040	18,197,381	16,035,528	5,729,259	68,284,568	23,926,640
2011	50,118,547	18,477,493	15,733,094	5,878,536	65,851,641	24,356,029
2012	41,881,619	16,679,017	14,829,003	5,795,106	56,710,622	22,474,123
2013	33,875,242	14,216,071	11,248,360	4,605,833	45,123,602	18,821,904
2014	25,044,858	10,954,167	10,934,520	4,687,500	35,979,378	15,641,667
2015	13,364,078	5,817,500	10,360,960	4,644,167	23,725,038	10,461,667
2016	1,031,500	491,863	5,252,810	1,306,734	6,284,310	1,798,597
2017			763,470	367,500	763,470	367,500
	<u>\$1,111,094,427</u>	<u>\$306,389,173</u>	<u>\$452,932,554</u>	<u>\$141,641,710</u>	<u>\$1,566,026,986</u>	<u>\$448,030,886</u>

(1) The amounts set forth under Aggregate Corpus De-Allocation for each year may not total due to rounding.

### THE BORROWERS

Each Borrower will enter into an Agreement with the Corporation in which the Corporation will agree to make a Loan to such Borrower and such Borrower will agree to repay such Loan with interest. In order to evidence its obligation to repay its Loan, each Borrower that is a Local Government will issue to the Corporation its general obligation Borrower Bond pursuant to the New York State Local Finance Law. The Public Benefit Corporations will issue their Borrower Bonds to the Corporation payable in the manner described herein to evidence their obligations to repay their respective Loans. A Borrower Bond will provide for repayment of the principal amount of the Loan it represents, together with interest on such unpaid principal amount. The Borrower Bonds relating to the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, will be scheduled to provide, in the aggregate, amounts sufficient to pay, when due, the principal of, premium, if any, and interest due on the Bonds of such Series. However, the period of time over which a Borrower will repay its Loan is not necessarily the same as the repayment period of other Borrowers.

There follows for each Borrower the amount of its Loan and the estimated initial amount of the Corpus Allocation for such Loan. A general discussion of matters affecting certain Borrowers that are Local Governments including summaries of State law concerning their operations, sources of revenue and debt incurrence procedures, is set forth in Part I of Exhibit A hereto under the heading "LOCAL GOVERNMENTS." A general discussion of matters affecting the Public Benefit Corporations, including the sources of payment and security for their respective Borrower Bonds, is set forth in Part I of Exhibit A hereto under the heading "PUBLIC BENEFIT CORPORATIONS." A schedule showing the principal and interest repayments for each Borrower Bond is set forth in Part II of Exhibit A.

Name	Amount Borrowed		Corpus Allocation
	Series 1996 A	Series 1996 B	
Town of Amherst	\$ 2,980,000	—	\$ 1,490,000
Town of Babylon	43,200,000	—	17,102,880
Village of Canajoharie	800,000	—	400,000
Village of Canton	5,485,000	—	2,742,500
County of Chemung	2,960,700	\$ 4,690,000	3,279,300 <sup>(1)</sup>
Town of Chenango	—	300,000	150,000
Town of Colonie	3,784,300	—	1,892,150
Town of Cortlandt	—	1,385,000	692,500
Village of Ellicottville	1,300,000	—	650,000
EFC-OGS	—	23,365,000	11,678,125
County of Erie	11,564,500	—	5,782,250
City of Fulton	—	6,800,000	2,266,667
City of Gloversville	1,787,800	—	893,900
Village of Great Neck	294,500	—	147,250
Town of Greenport	375,000	—	187,500
Village of Honeoye Falls	350,000	—	175,000
Town of Irondequoit	1,045,000	—	522,500
Town of Marlborough	708,400	—	354,200
Town of Moriah	760,000	—	380,000
County of Nassau	53,685,000	—	26,842,500
Town of Newburgh	575,000	—	287,500
New York City Water Authority	28,895,000	—	11,623,189
Town of Niagara	337,900	—	168,950
County of Orange	2,100,200	1,500,000	1,800,100 <sup>(2)</sup>
City of Oswego	2,600,000	—	1,300,000
Town of Penfield	1,000,000	—	500,000
City of Poughkeepsie	3,322,800	1,450,000	2,386,400 <sup>(3)</sup>
Town of Queensbury	—	4,615,000	1,538,333
County of Rockland	5,890,000	—	2,945,000
RCSWMA	22,936,600	—	10,287,534
City of Rome	1,249,300	—	624,650
Town of Saugerties	1,375,000	—	687,500
Town of Southold	300,000	—	150,000
Town of Stephentown	167,000	—	83,500
Town of Stockholm	173,000	—	86,500
County of Suffolk	25,966,000	48,700,000	26,569,833 <sup>(4)</sup>
County of Tompkins	2,100,000	—	1,050,000
City of Tonawanda	825,000	—	412,500
Village of Vernon	987,000	—	493,500
Town of Walkkill	1,500,000	—	750,000
Village of Wayland	275,000	—	137,500
Town of Yorktown	260,000	—	130,000
<b>TOTAL</b>	<b>\$233,915,000</b>	<b>\$92,805,000</b>	<b>\$141,641,711</b>

<sup>(1)</sup> Represents Corpus Allocations of \$1,184,967 relating to the Series 1996 A Bonds and \$2,094,333 relating to the Series 1996 B Bonds.

<sup>(2)</sup> Represents Corpus Allocations of \$1,050,100 relating to the Series 1996 A Bonds and \$750,000 relating to the Series 1996 B Bonds.

<sup>(3)</sup> Represents Corpus Allocation of \$1,661,400 relating to the Series 1996 A Bonds and \$725,000 relating to the Series 1996 B Bonds.

<sup>(4)</sup> Represents Corpus Allocations of \$10,336,500 relating to the Series 1996 A Bonds and \$16,233,333 relating to the Series 1996 B Bonds.

The Agreements contain various provisions pursuant to which Borrowers may elect or be required to prepay all or a portion of the principal balance of their respective Loans upon the occurrence of certain events. Under terms and conditions set forth in the Financing Indenture, the Corporation is authorized to allow a Borrower to return all or any portion of its Loan and to be released from such Borrower's obligations in respect thereof to the extent the moneys representing such Loan or portion so returned is loaned to another Municipality (as defined in the Act) or Municipalities. The return of Loan proceeds would be in lieu of requiring the applicable Borrower to provide sufficient funds to redeem or pay at maturity the applicable portion of Series 1996 A Bonds or Series 1996 B Bonds, as the case may be. For a further description of the recycling of Loans, see Exhibit B - "CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN BASIC AGREEMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING INDENTURE - Recycling of Loan Proceeds."

## DESCRIPTION OF THE SERIES 1996 A AND B BONDS

### General

*Interest and Principal Payment Dates, Places of Payment and Payees.* The Series 1996 A Bonds will be dated February 15, 1996 and will bear interest therefrom, payable on June 15 and December 15 of each year, commencing June 15, 1996, and will mature on June 15 and December 15 in the years and in the principal amounts set forth on the inside cover page hereof. The Series 1996 B Bonds will be dated February 15, 1996 and will bear interest therefrom, payable on February 15 and August 15 of each year, commencing August 15, 1996, and will mature on February 15 in the years and in the principal amounts set forth on the inside cover page hereof. The principal of, premium, if any, and interest on the Series 1996 A and B Bonds will be payable at the corporate trust office of the Trustee in Buffalo, New York or its paying agency office in New York, New York, or at the office designated for such payment by any successor Trustee. Interest on the Series 1996 A and B Bonds will be payable to the person appearing in the registration books of the Trustee as the registered owner thereof on the Record Date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the Series 1996 A and B Bonds. **For so long as the Series 1996 A and B Bonds are registered in book-entry-only form, principal and interest will be payable solely to Cede & Co., the nominee for The Depository Trust Company ("DTC"), as the sole registered owner of the Series 1996 A and B Bonds, and references herein to the registered owner shall be to Cede & Co.** The Financing Indenture establishes the last Business Day of the month preceding each interest payment date as the Record Date for such interest payment date.

*Registration, Transfer and Exchange.* The Series 1996 A and B Bonds are issuable as fully registered bonds in any denomination constituting an integral multiple of \$5,000 not exceeding the aggregate principal amount of the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be. The Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, may be transferred or exchanged, upon presentation or surrender, as the case may be, at the corporate trust office of the Trustee in Buffalo, New York or at its paying agency office in New York, New York as provided in the Financing Indenture. Any Series 1996 A Bonds or Series 1996 B Bonds, upon surrender thereof at the corporate trust office or at said paying agency office of the Trustee, with a written instrument of transfer satisfactory to the Trustee, duly executed in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Series 1996 A and B Bonds of the same series, maturity and initial rate of any other authorized denominations. For every exchange or transfer of the Series 1996 A Bonds or Series 1996 B Bonds, the Corporation or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other government charge required to be paid with respect to such exchange or transfer.

One fully registered Series 1996 A Bond and one fully registered Series 1996 B Bond for each maturity, in the applicable aggregate principal amount of such maturity, will be registered in the name of Cede & Co. and deposited with DTC, in accordance with the Financing Indenture. So long as the Series 1996 A and B Bonds are

required to be registered in the name of Cede & Co., as nominee for DTC, or a succession securities depository or a nominee therefor, transfers of ownership interests in the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, will be settled through the book-entry-only system of DTC or such successor securities depository, if any. For a description of DTC and its book-entry-only system, see "Book-Entry-Only System" herein.

**Redemption**

The Series 1996 A and B Bonds are subject to optional redemption as provided below.

*Optional Redemption - Series 1996 A Bonds.* On or after June 15, 2006, at the option of the Corporation, the Series 1996 A Bonds maturing after June 15, 2006 shall be subject to redemption in whole at any time or in part on any interest payment date, from any moneys available therefor, in such order of maturities as shall be determined by the Corporation at the Redemption Prices (expressed as percentages of principal amount of the Series 1996 A Bonds or portions thereof to be redeemed) set forth below, together with accrued and unpaid interest to the redemption date:

<u>Period During Which Redeemed</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
June 15, 2006 through June 14, 2007 . . . . .	102%
June 15, 2007 through June 14, 2008 . . . . .	101
June 15, 2008 and thereafter . . . . .	100

*Optional Redemption - Series 1996 B Bonds.* On or after February 15, 2006, at the option of the Corporation, the Series 1996 B Bonds maturing after February 15, 2006 shall be subject to redemption in whole at any time or in part on any interest payment date, from any moneys available therefor, in such order of maturities as shall be determined by the Corporation at the Redemption Prices (expressed as percentages of principal amount of the Series 1996 B Bonds or portions thereof to be redeemed) set forth below, together with accrued and unpaid interest to the redemption date:

<u>Period During Which Redeemed</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 15, 2006 through February 14, 2007	102%
February 15, 2007 through February 14, 2008	101
February 15, 2008 and thereafter . . . . .	100

*Borrower Bonds.* The Borrower Bonds contain redemption provisions, including premium, if any, or provisions with respect to amortization of principal, together with premium, if any, in all essential respects identical to the redemption or amortization provisions of the related Series 1996 A Bonds or the related Series 1996 B Bonds, as the case may be. Except as described in the next sentence, in the event Borrower Bonds are redeemed by a Borrower, the Corporation will deposit the proceeds of such redemption into the Investment Fund created under the Twelfth Supplemental Series Indenture applicable to the Series of Bonds to which such Borrower Bonds relate and will apply the same to the payment, defeasance or redemption of a like principal amount of Series 1996 A Bonds or Series 1996 B Bonds, as the case may be, having the same maturity date. Notwithstanding the foregoing, Loan prepayments may be applied to making Loans to other Municipalities (within the meaning of the Act) in accordance with the Financing Indenture and, if so applied, will not be applied to the payment, defeasance or redemption of Series 1996 A Bonds or Series 1996 B Bonds. For a further description of the recycling of Loans, see Exhibit B -

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"CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN BASIC AGREEMENTS - SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING INDENTURE - Recycling of Loans."

*Selection of Series 1996 A and B Bonds to be Redeemed.* If less than all of the Series 1996 A Bonds of a particular maturity or less than all of the Series 1996 B Bonds of a maturity are redeemed, the Series 1996 A Bonds or Series 1996 B Bonds, as the case may be, of such maturity to be redeemed shall be selected by lot by the Trustee.

*Notice to Bondholders.* Notice of redemption of Series 1996 A Bonds or Series 1996 B Bonds shall be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of redemption, to the registered owners of the Series 1996 A Bonds or Series 1996 B Bonds, or portions thereof, so called, but the failure to so mail such notice with respect to any particular Series 1996 A Bonds or Series 1996 B Bonds shall not affect the validity of such call for redemption of any Series 1996 A Bonds or Series 1996 B Bonds with respect to which no such failure has occurred. All Series 1996 A Bonds or Series 1996 B Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Series 1996 A Bonds or Series 1996 B Bonds in accordance with the Financing Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, such Series 1996 A Bonds or Series 1996 B Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the Series 1996 A Bonds or Series 1996 B Bonds called for redemption at the place or places of payment, such Series 1996 A Bonds or Series 1996 B Bonds shall be paid and redeemed. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 1996 A and B Bonds, any such notices of redemption will be mailed solely to DTC; and distribution of such notices to Participants (hereinafter defined) will be the sole responsibility of DTC, and distribution of such notices to Beneficial Owners (hereinafter defined) will be the sole responsibility of the respective Participants.

**Sources and Uses of Funds**

It is anticipated that the proceeds of the Series 1996 A and B Bonds (exclusive of accrued interest), the Corpus Allocation allocated to the Loans and Borrower contributions will be used as follows:

<u>Sources</u>	
Proceeds of Series 1996 A and B Bonds	\$326,720,000.00
Series 1996 A and B Bonds Aggregate Corpus Allocations (1)	141,641,711.16
Borrower Contributions	<u>208,038.75</u>
Total Sources	\$468,569,749.91

<u>Uses</u>	
Project Costs (2)	\$318,133,757.46
Costs of Issuance/Administrative Fee (3)	8,794,281.29
Debt Service Reserve (1)	<u>141,641,711.16</u>
Total Uses	\$468,569,749.91

- (1) The aggregate Corpus Allocations related to the Loans are expected to be deposited over time into Borrower accounts in the applicable Debt Service Reserve Funds. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS - Debt Service Reserve Funds for the Series 1996 A Bonds and the Series 1996 B Bonds" and "STATE REVOLVING FUND PROGRAM - Method of Funding State Revolving Fund." The Corpus Allocation is at least one third of the outstanding principal amount of the related Loan.
- (2) Includes amounts available to the Borrowers from proceeds of the Series 1996 A and B Bonds to pay the costs of financing or refinancing their respective Projects, including funding a debt service reserve fund requirement for RCSWMA and EFC-OGS.
- (3) The Corporation's costs incurred in connection with the Series 1996 A and B Bonds and amounts payable to the Corporation as an administrative fee including costs of issuance paid from Borrower contributions.

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## Book-Entry-Only System

*The information contained in the following paragraphs of this subsection "Book-Entry-Only System" has been extracted from a schedule prepared by DTC, entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE." The Corporation makes 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.*

DTC will act as securities depository for the Series 1996 A and B Bonds. The Series 1996 A and B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 1996 A Bond certificate will be issued for each maturity of the Series 1996 A Bonds and one fully-registered Series 1996 B Bond certificate will be issued for each maturity of the Series 1996 B Bonds, in each case in the aggregate principal amount of such maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 1996 A and B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, on DTC's records. The ownership interest of each actual purchaser of each Series 1996 A Bond or Series 1996 B 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1996 A and B Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 1996 A Bonds or Series 1996 B Bonds, except in the event that use of the book-entry system for the Series 1996 A and B Bonds is discontinued.

To facilitate subsequent transfers, all Series 1996 A and B Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 1996 A and B Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1996 A and B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 1996 A Bonds or Series 1996 B Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 1996 A Bonds within a maturity or less than all of the Series 1996 B Bonds within a 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1996 A and B Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1996 A Bonds or Series 1996 B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 1996 A and B Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1996 A and B Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 1996 A Bond certificates and Series 1996 B Bond certificates will be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 1996 A Bond certificates or Series 1996 B Bond certificates, as the case may be, will be printed and delivered.

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NEITHER THE CORPORATION, THE TRUSTEE, ANY BORROWER, NOR THE UNDERWRITERS 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 SERIES 1996 A BONDS OR SERIES 1996 B 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 SERIES 1996 A BONDS OR THE SERIES 1996 B BONDS.

## SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS

### General

The Series 1996 A and B Bonds are payable solely from amounts pledged thereto pursuant to the Master Financing Indenture, the Twelfth Supplemental Series Indenture and the Master Trust Agreement. Such amounts pledged pursuant to the Twelfth Supplemental Series Indenture include payments by each Borrower of the principal of and interest on the related Borrower Bond and amounts on deposit in the respective accounts in the Debt Service Reserve Fund related to each Loan. Such amounts pledged pursuant to the Master Financing Indenture include amounts, if any, on deposit in the General Reserve Fund described below. Such amounts pledged pursuant to the Master Trust Agreement include amounts deposited in the Loan Subaccounts related to each Loan established in the Equity Account created by the Master Trust Agreement and, to the extent available, amounts on deposit in the Deficiency Reserve Subaccount related to the Bonds established in said Equity Account. The Master Trust Agreement also pledges to the payment of all SRF Bonds, including the Bonds, the amounts, to the extent available, on deposit in the De-allocated Corpus Subaccount established in said Equity Account established under the Master Trust Agreement.

The Corporation has made a Corpus Allocation for each Loan equal to at least one-third of the original principal amount of such Loan. As principal on a Loan is repaid, the amount of its Corpus Allocation will be reduced to the amount necessary to maintain the same ratio to the principal balance outstanding on such Loan as the original Corpus Allocation bore to the original principal amount of the Loan.

Moneys from the Capitalization Grant Agreements and from State matching funds are required by the Master Trust Agreement to be deposited in the Unallocated Corpus Subaccount of the Equity Account. Of such amounts deposited in the Unallocated Corpus Subaccount, those moneys allocated to a particular Loan will be promptly transferred to the Loan Subaccount for such Loan until the amount so deposited in such Loan Subaccount together with amounts deposited in the account created in the applicable Debt Service Reserve Fund relating to such Loan (less investment earnings) equals the Corpus Allocation for such Loan. Amounts on deposit in each Loan Subaccount are to be transferred by the SRF Trustee to the account created in the applicable Debt Service Reserve Fund for such Loan at the times and in the amounts set forth in the Corpus Allocation Certificate. While on deposit in the Loan Subaccount, and prior to deposit in the separate account for such Loan in such Debt Service Reserve Fund, such amount is pledged to the payment of the Bonds of the Series to which such Debt Service Reserve Fund relates and is available to prevent or cure a default on such Bonds resulting from a default in payment on the related Borrower Bonds. Such amounts in a Loan Subaccount are not available to cure or prevent a default on such Bonds resulting from a payment default on unrelated Borrower Bonds. Amounts on deposit in the separate account in such Debt Service Reserve Fund related to each Loan are similarly available only to prevent or cure a default on such Bonds resulting from a payment default on the Borrower Bonds to which such account relates. As the principal amount of the related Series 1996 A Bonds or Series 1996 B Bonds, as the case may be, is repaid, an amount equal to the reduction in the Corpus Allocation for such Loan will be transferred from the account created in the applicable Debt Service Reserve Fund for such Loan first, to the General Reserve Fund to the extent required to meet the General Reserve Fund Requirement (as hereinafter defined), and second, and to the extent not so required, to the De-allocated Corpus Subaccount established under the Master Trust Agreement as described herein. For information relating to the Capitalization Grant Agreements, see "STATE REVOLVING FUND—Application of State Revolving Fund Moneys."

As additional security for all SRF Bonds secured under the Master Trust Agreement, including the Series 1996 A and B Bonds, the Master Trust Agreement pledges to the payment of such SRF Bonds amounts on deposit in the De-allocated Corpus Subaccount and pledges amounts on deposit in each Deficiency Reserve Subaccount to the payment of the related series of SRF Bonds. For the purpose of applying amounts on deposit in each Deficiency Reserve Subaccount, pursuant to the Master Trust Agreement, all Bonds issued under the Master Financing Indenture shall be treated as one series of SRF Bonds. The De-allocated Corpus Subaccount consists of all amounts

of Corpus Allocation for all loans made by the Corporation from the proceeds of SRF Bonds as such amounts are released from the lien of their respective financing indentures. The Master Trust Agreement provides that upon certification by a financing indenture trustee that a default in payment has occurred with respect to any such SRF Bonds, or that a deficiency exists with respect to any account in the SRF Loan Reserve Fund for any loan made with the proceeds of SRF Bonds, any amounts on deposit in the De-allocated Corpus Subaccount shall be transferred first to cure any such payment default and second into the Deficiency Reserve Subaccount related to such series of SRF Bonds to remedy such deficiency. Unless such moneys are to be transferred pursuant to certifications by such other financing indenture trustees, on the business day after any deposit to the De-allocated Corpus Subaccount, the SRF Trustee shall transfer such amounts to the Unallocated Corpus Subaccount. For additional information relating to the amounts which may be on deposit from time to time in the De-allocated Corpus Subaccount under the Master Trust Agreement, see herein "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS—Flow of Funds Under the Master Trust Agreement."

### **Special Obligations**

The Series 1996 A and B Bonds are not general obligations of the Corporation, and shall not constitute an indebtedness of, or a charge against, the general credit of the Corporation. The Series 1996 A and B Bonds are not a debt of the State or any Borrower and neither the State nor any Borrower shall be liable thereon. The Series 1996 A and B Bonds are special obligations payable solely from the respective funds pledged therefor pursuant to the Financing Indenture and the Master Trust Agreement.

### **Pledge Pursuant to the Financing Indenture**

Pursuant to the Twelfth Supplemental Series Indenture, the Corporation has assigned and pledged to the Trustee as security for the payment of the Series 1996 A and B Bonds, subject only to the provisions of the Financing Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Master Financing Indenture and the Twelfth Supplemental Series Indenture: (i) with respect to the Bonds of a particular Series, the right, title and interest of the Corporation in and to the Borrower Bonds relating to the Loans made from the proceeds of the Bonds of such Series and the payments under such Borrower Bonds, (ii) amounts on deposit in the separate accounts in the Debt Service Reserve Fund established in respect of the Bonds of such Series derived from certain federal capitalization grants and State matching funds, (iii) the respective funds and accounts held by the Trustee under the Financing Indenture related to the Bonds of such Series (other than the Rebate Fund and the Construction Fund) and available under the terms thereof for the payment of such Bonds and (iv) amounts, if any, on deposit in the General Reserve Fund created pursuant to the Financing Indenture. Amounts on deposit in the Rebate Fund and the Construction Funds are not subject to such pledge.

Separate accounts in each Debt Service Reserve Fund will be established and maintained by the Trustee, pursuant to the Twelfth Supplemental Series Indenture, as security for the payment of principal of, premium, if any, and interest on the Bonds of the Series to which such Debt Service Reserve Fund relates. The moneys deposited in such separate accounts in an applicable Debt Service Reserve Fund are pledged as security for such Bonds. Amounts on deposit in the separate accounts related to each Loan in such Debt Service Reserve Fund are available to cure or prevent a default on such Bonds resulting from a default in payment on the Borrower Bonds relating to such Loan. Such amounts are not available to cure or prevent a default on the Bonds of such Series resulting from a default in the payment of unrelated Borrower Bonds. Earnings on the investment of moneys held in the related account in a Debt Service Reserve Fund will be credited against the Borrower's payment obligations under its Borrower Bonds, net of amounts required to reimburse the Corporation for amounts drawn on the Debt Service Reserve Fund and other amounts due to the Corporation.

The Master Financing Indenture creates a General Reserve Fund which is available as security for the Bonds, including the Series 1996 A and B Bonds. The Master Financing Indenture provides that all Bonds secured under the Master Financing Indenture are equally and ratably secured by the General Reserve Fund to the extent that amounts are from time to time on deposit in such fund. The General Reserve Fund will not be funded from

the proceeds of any Bonds at the time of issuance of any Series of Bonds. The funds to be deposited in the General Reserve Fund are derived from, and limited to, amounts transferred to the General Reserve Fund on Bond principal payment dates from the separate accounts in debt service reserve funds representing reductions in Corpus Allocations resulting from such payment of principal of the loans financed with the proceeds of Bonds. Amounts are required to be retained in the General Reserve Fund to the extent that any deficiency exists in any SRF Borrower account in any debt service reserve fund established under the Financing Indenture. The Series 1996 A Bonds and the Series 1996 B Bonds have principal and interest payment dates which are different from certain previously issued Series of Bonds; and future Series of Bonds, if any, may have principal and interest payment dates different from each other and from any then-outstanding Series of Bonds. In the event of a continuing deficiency in SRF Borrower bond payments relating to one or more Series of Bonds, differing principal and interest payment dates for various Series of Bonds may result in less money being available in the General Reserve Fund on a given date as compared to the money that would have been available in the General Reserve Fund from de-allocated Corpus Allocation on such date if all Series of Bonds had the same principal and interest payment dates. See herein "BONDS ISSUED UNDER THE MASTER FINANCING INDENTURE—Scheduled Payments Relating to the Master Financing Indenture" for information concerning scheduled debt service payments, loan repayments and corpus de-allocation under the Master Financing Indenture.

On the date of any payment of principal of any series of Bonds, after making any transfers to the Debt Service Fund relating to such Bonds required by the Financing Indenture, the Trustee shall transfer from each SRF Borrower's account within the applicable Debt Service Reserve Fund to the General Reserve Fund an amount such that the amount remaining in each account of such Debt Service Reserve Fund (together with the amount on deposit in the related Loan Subaccount and the amount available to be drawn under the Capitalization Grant Agreements and from State matching funds and allocated as Corpus Allocation for the loan to the related SRF Borrower) shall be equal to the Corpus Allocation for the loan to the related SRF Borrower on such date.

Amounts, if any, shall be deposited in the General Reserve Fund until the amount on deposit in the General Reserve Fund is equal to the General Reserve Fund Requirement. For a discussion regarding the release from the General Reserve Fund of moneys in excess of the General Reserve Fund Requirement, see herein "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS—Debt Service Reserve Funds for the Series 1996 A Bonds and the Series 1996 B Bonds." The "General Reserve Fund Requirement" is the aggregate of all Debt Service Reserve Fund Deficiencies for all borrower bonds evidencing loans funded from the proceeds of Bonds issued pursuant to the Financing Indenture. The "Debt Service Reserve Fund Deficiency" for any account within an applicable Debt Service Reserve Fund is the difference between (a) the Corpus Allocation for the related Loan and (b) the sum of (i) the amount on deposit in the related Loan Subaccount, (ii) the amount held in the Borrower's related account in the Debt Service Reserve Fund, and (iii) the amount available to be drawn under the Capitalization Grant Agreement and from State matching funds and allocated as Corpus Allocation for such Loan.

### **Security for the Borrower Bonds**

*Local Government Borrowers.* Each Borrower Bond to be delivered by a Local Government will be a general obligation of the related Borrower and will contain a pledge of the faith and credit of the Borrower for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, each Borrower issuing a general obligation bond, has the power and statutory authorization to levy ad valorem taxes on all taxable real property located within the geographical boundaries of the Borrower without limitation as to rate or amount. Under the New York State Constitution, each Borrower, other than the Public Benefit Corporations, is required to pledge its faith and credit for the payment of the principal of and interest on its Borrower Bond and New York State is specifically precluded from restricting the power of each such Borrower to levy taxes on real property therefor. For description of certain matters affecting Borrowers that are Local Governments, see "LOCAL GOVERNMENTS" in Part I of Exhibit A to this Official Statement.

*Public Benefit Corporation Borrowers.* The Borrower Bonds to be delivered by the Public Benefit Corporations, other than the Borrower Bonds to be delivered by RCSWMA, will be special obligations payable solely from and secured solely by the specific revenues and sources of funds pledged therefor. Such Borrower Bonds will not be general obligations of the related Public Benefit Corporations and will not contain a pledge of the faith and credit of such Borrower. The Borrower Bonds to be delivered by RCSWMA will be general obligations of RCSWMA payable from and secured by revenues of its solid waste disposal system and will be further secured by a pledge of the faith and credit of RCSWMA. None of the Public Benefit Corporations, including RCSWMA, has any taxing powers. For a description of certain matters relating to the Public Benefit Corporations and their respective Borrower Bonds, see "PUBLIC BENEFIT CORPORATIONS" in Part I of Exhibit A to this Official Statement.

*State Aid Intercept.* The Act provides for an intercept of State aid to a Borrower which receives State aid to additionally secure the obligations of such Borrower under its Agreement and Borrower Bond (the "State Aid Intercept"). Not all Borrowers receive such State aid. For example, public benefit corporations, as a general matter, do not receive State aid. Under the State Aid Intercept, in the event such Borrower fails to make any payment due the Corporation pursuant to its Agreement or Borrower Bond, the Corporation shall certify to the New York State Comptroller, and notify the Chairman of the New York State Senate Finance Committee, the Chairman of the New York State Assembly Ways and Means Committee, the Director of the Division of Budget of the State of New York and the governing body of the Borrower, that such Borrower has failed to make such payment. Such certificate must specify the exact amount of debt service and surcharge, if applicable, required to satisfy such Borrower's unpaid obligation. Upon receipt of such certificate, the Comptroller shall, to the extent not otherwise prohibited by law and subject to any other provision of law providing for withholding of payments to such Borrower which takes precedence, withhold from such Borrower the next succeeding payments of State aid or local assistance otherwise payable to it to the extent necessary to meet the certified amount of debt service and surcharge, if applicable, due the Corporation, and shall immediately pay over to the Corporation as a debt service payment on behalf of such Borrower the amount so withheld.

Other State financing programs incorporate similar procedures for the withholding of State aid as security for the repayment of financial assistance provided to program participants. Such programs include assistance to communities by the Dormitory Authority of the State of New York for the improvement of certain local courthouse facilities, and payments to support regional transportation authorities, among others. Moreover, the State has the power to create other State aid intercept provisions as well as the power to reduce or eliminate State aid paid to the Borrowers. If a Borrower is or becomes a participant in any such other program, the extent to which State aid would be available to cure a default by such Borrower under its Agreement or Borrower Bond, pursuant to the State Aid Intercept, could be affected by the timing and the existence of defaults under such other program, and the withholding of State aid to the Borrower in whole or in part, pursuant to the withholding procedures of such other program, to cure such defaults. See Exhibit A for the amounts of State aid certain Borrowers have received in the past.

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 Borrowers.

#### **Flow of Funds Under the Financing Indenture**

The Financing Indenture provides, in respect of each series of Bonds, for the creation of an Investment Fund, a Debt Service Fund consisting of an Interest Account and a Principal Account, a Debt Service Reserve Fund consisting of a separate account for each Loan, a Construction Fund, and a Rebate Fund. In addition, the Financing Indenture creates a Cost of Issuance Fund relating to each series of Bonds, into which the Trustee shall deposit that portion of the proceeds of such series of the Bonds intended to pay the costs and expenses associated with the

issuance of such Bonds. The Financing Indenture also creates a General Reserve Fund pledged to the payment of the Bonds.

Each series of Bonds issued pursuant to the Financing Indenture, including the Series 1996 A Bonds and the Series 1996 B Bonds, shall be secured, in part, by separate Funds or Accounts created pursuant to a supplemental indenture. Such Funds and Accounts relating to a series of Bonds created pursuant to the supplemental indenture authorizing such series of the Bonds, other than the Rebate Fund and the Construction Fund, are pledged to the payment of such series of Bonds. The references to Funds and Accounts in the following paragraphs, other than references to the General Reserve Fund, refer to Funds and Accounts created in respect of the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be.

The Trustee shall deposit and hold in the Investment Fund the applicable Borrower Bonds and all payments of principal, premium, if any, and interest on the Borrower Bonds (the "Borrower Bond Payments"). On or before any date on which the principal of or interest on the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, is due, the Trustee shall withdraw from such Investment Fund and transfer to the Interest Account the amounts, if any, required so that the balance in such Interest Account shall equal the amount of interest due on the applicable interest payment date and then to the Principal Account, the amount, if any, required so that the balance in such Principal Account shall be equal to the amount of the principal payment due on such payment date, and then to the Rebate Fund, the amount of any deficiency therein, and then to the General Reserve Fund the amount requested to make up any deficiency therein and to the SRF Trustee for deposit in the Loan Subaccount relating to each Loan to reimburse draws on any account in the Debt Service Reserve Fund due to a Borrower Bond Payment default and for deposit in the De-allocated Corpus Subaccount to reimburse the State Revolving Fund in the amount of any payments made from such Subaccount, from the General Reserve Fund or from the related Deficiency Reserve Subaccount due to a Borrower Bond Payment default.

The Trustee shall also deposit in the applicable Debt Service Fund (i) the amount, if any, of the proceeds of the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, required to be deposited in the Interest Account, (ii) all amounts required by the Financing Indenture to be transferred from the applicable Debt Service Reserve Fund, the General Reserve Fund, the De-allocated Corpus Subaccount or the Deficiency Reserve Subaccount, and (iii) any other amounts required to be paid to the Interest Account or the Principal Account within such Debt Service Fund or otherwise made available for deposit therein.

By 1:00 P.M. on the fourth Business Day prior to any interest payment date or any date scheduled for the payment of principal or redemption price of the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, the Trustee shall promptly notify the Corporation, the SRF Trustee and the related Borrower 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 in the Debt Service Reserve Fund. Such notice shall include a request for immediate transfer to the Trustee of any portions of the Corpus Allocation attributable to a Loan the nonpayment of which Loan results in a deficiency, including amounts on deposit in the related Loan Subaccount and the amounts available to be drawn under the Capitalization Grant Agreements and from State matching funds, that have not yet been deposited in the related account in the Debt Service Reserve Fund, and that will be required to pay the principal or interest on the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, and shall specify the expected availability of amounts in the General Reserve Fund to make debt service payments in excess of the related Corpus Allocation. To the extent that a debt service payment is expected to exceed the full amount of Corpus Allocation, the Trustee shall transfer to the Debt Service Fund related to the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, amounts, if any, on deposit in the General Reserve Fund and to the extent the aggregate of such amounts are not sufficient, such notice shall include a request for amounts from the De-allocated Corpus Subaccount or the Deficiency Reserve Subaccount related to such Bonds, in that order.

## **Debt Service Reserve Funds for the Series 1996 A Bonds and the Series 1996 B Bonds**

The Financing Indenture establishes a separate Debt Service Reserve Fund for the Series 1996 A Bonds and a separate Debt Service Reserve Fund for the Series 1996 B Bonds. The amount of Corpus Allocation on deposit in each Borrower's account in the applicable Debt Service Reserve Fund is only available to be transferred to the related Debt Service Fund to make up a failure by a related Borrower to pay principal and interest on such Borrower's Bond. The amount on deposit in a particular Borrower's account in such Debt Service Reserve Fund is not available to make up deficiencies in such Debt Service Fund resulting from a failure by another Borrower to pay the principal of or interest on its Borrower Bond.

Amounts on deposit in the respective accounts in each Debt Service Reserve Fund, including investment earnings thereon, are to be applied as follows:

1. Not later than 5:00 p.m. on the first Business Day next preceding any date on which any payment of interest on Bonds of the Series to which such Debt Service Reserve Fund relates is due, the Trustee shall deposit in the related account in the Debt Service Fund the portion of interest earned on investments in the Debt Service Reserve Fund and certified by the Corporation to be the aggregate of Earnings on Corpus Allocation (as defined in the respective Agreements) then available to the Borrowers, determined in accordance with the related Agreements and Corpus Allocation Certificates.

2. By 12:00 noon on the date on which any payment of principal of or interest on the to which such Debt Service Reserve Fund relates is due, the Trustee shall transfer from the related account in the Debt Service Reserve Fund including any amounts transferred thereto from the related Loan Subaccount, and to the extent that such amount is insufficient, from the General Reserve Fund for deposit in the Debt Service Fund any amounts due on such payment date but as yet unavailable because of the failure of any Borrower to make full and timely payment under its Borrower Bonds of such amounts.

3. On the date of any payment of principal on the Bonds, including the Series 1996 A Bonds or the Series 1996 B Bonds, after making any transfers required by paragraphs 1 and 2 above, the Trustee shall transfer from each Borrower's account within the Debt Service Reserve Fund to the General Reserve Fund an amount such that the amount remaining in each account of the Debt Service Reserve Fund (together with the amount on deposit in the related Loan Subaccount and the amount available to be drawn under the Capitalization Grant Agreements and from State matching funds and allocated as Corpus Allocation for the Loan to the related Borrower) shall be equal to the Corpus Allocation for the Loan to the related Borrower.

Not later than the Business Day following any date of any payment of principal on the Bonds, including the Series 1996 A Bonds or the Series 1996 B Bonds, after making any transfers required by paragraphs 1, 2 and 3 above, the Trustee shall transfer any amounts held within the General Reserve Fund in excess of the General Reserve Fund Requirement to the Master Trustee for deposit in the De-allocated Corpus Subaccount. No such transfer shall be made unless all amounts due and owing on such Bonds as of such date shall have been paid.

### **Flow of Funds Under the Master Trust Agreement**

The Master Trust Agreement provides for the creation of various funds and accounts, including an Unallocated Corpus Subaccount, Loan Subaccounts, a De-allocated Corpus Subaccount and a Deficiency Reserve Subaccount related to each series of SRF Bonds. The Corporation has agreed to deposit in the Unallocated Corpus Subaccount under the Master Trust Agreement all moneys drawn under the Capitalization Grant Agreements and from State matching funds, and moneys available to be so drawn at a future date and with respect to which the Corporation has the right (and has agreed) to cause such moneys to be so drawn upon their becoming so available.

Loan Subaccounts are established under the Master Trust Agreement for each individual loan made by the Corporation from the proceeds of SRF Bonds, including the Loans. Amounts on deposit in each Loan Subaccount are pledged pursuant to the Master Trust Agreement to secure the payment of the SRF Bonds funding the related loan. See "Information Regarding Loans to Prior SRF Borrowers" in Exhibit D to this Official Statement.

The Corporation may, in its discretion, deposit amounts drawn under the Capitalization Grant Agreements and from State matching funds in the Loan Subaccount related to a Loan in amounts greater than, and at times earlier than, those amounts required by the Corpus Allocation Certificate to be deposited in the separate account in the applicable Debt Service Reserve Fund relating to the Loan. At the direction of the Corporation, the SRF Trustee is required to transfer any portion of such amounts so deposited to the Unallocated Corpus Subaccount provided (i) that the amount remaining on deposit in such Loan Subaccount together with amounts deposited in such separate account in such Debt Service Reserve Fund (other than investment earnings thereon) and amounts allocated to such Loan and available under the Capitalization Grant Agreements and from State matching funds shall not be less than the related Corpus Allocation and (ii) that such amounts available under the Capitalization Grant Agreements and from State matching funds shall be available to be drawn with respect to such Loan at such times and in such amounts as will be sufficient to provide moneys for deposit in such separate account in such Debt Service Reserve Fund in accordance with the schedule of dates set forth in the Corpus Allocation Certificate for such Loan.

As proceeds of the Series 1996 A Bonds or the Series 1996 B Bonds are disbursed to pay costs associated with the Projects financed from the Loans, or as otherwise directed by the Corporation pursuant to the Corpus Allocation Certificate, the SRF Trustee is to transfer to the Trustee, for deposit in the separate account in the applicable Debt Service Reserve Fund for each Loan, amounts from the related Loan Subaccount up to a total amount equal to the Corpus Allocation for such Loan.

Upon the payment of principal of the Series 1996 A Bonds or the Series 1996 B Bonds, as the case may be, the Trustee, after any application pursuant to the Financing Indenture, including any required deposits into the General Reserve Fund, is to transfer to the SRF Trustee, for deposit into the De-allocated Corpus Subaccount under the Master Trust Agreement, that portion of amounts on deposit in the related accounts in the applicable Debt Service Reserve Fund equal to the reductions in Corpus Allocation for the related Loans. On the Business Day after any transfer of amounts to the De-allocated Corpus Subaccount, the SRF Trustee shall transfer such amounts to the Unallocated Corpus Subaccount unless such moneys are needed to be applied first, to make up any past due payments of principal or interest on any series of SRF Bonds, including the Series 1996 A and B Bonds (pro rata with respect to all past due amounts so certified with respect to all SRF Bonds) and second, to the extent of any deficiency in any separate account in any debt service reserve fund, to the Deficiency Reserve Subaccount created for such SRF Bonds in an amount equal to such deficiency (pro rata with respect to deficiencies so certified with respect to all SRF Bonds). If on the Business Day following any deposit in the De-allocated Corpus Subaccount all deficiencies set forth in this paragraph have been paid or there are no such deficiencies, any remaining amounts in the De-allocated Corpus Subaccount shall be transferred to the Unallocated Corpus Subaccount and upon such transfer shall be released from the lien of the Master Trust Agreement. The Series 1996 A Bonds and the Series 1996 B Bonds have principal and interest payment dates which are different from each other and from other series of SRF Bonds secured under the Financing Indenture, and future series of SRF Bonds may have principal and interest payment dates different from any outstanding series of SRF Bonds.

The SRF Trustee shall make transfers from each Deficiency Reserve Subaccount: (1) to the trustee for the related series of SRF Bonds, the amount certified by such trustee to be necessary upon a borrower bond payment default to make a debt service payment on such SRF Bonds, but solely to the extent that such trustee has determined that such amount is not available, in the following order, from the related Borrower accounts of the related SRF Loan Reserve Fund or the related loan subaccounts, or from the Capitalization Grant Agreements or State matching funds; and (2) upon the written direction of the Corporation, to the De-allocated Corpus Subaccount, any amount exceeding the aggregate of deficiencies at that time still continuing on the related series of SRF Bonds.

## **Additional Bonds Authorized by the Financing Indenture**

The Master Financing Indenture authorizes the Corporation to issue Additional Bonds, subject to the terms and conditions contained in the Master Financing Indenture, for any purpose permitted to be financed from the proceeds of SRF Bonds under the Act. Additional Bonds shall be secured by borrower bonds evidencing the loans made from such Additional Bonds and the separate funds and accounts established by the supplemental indenture authorizing such Additional Bonds, including each such borrower's account in the Debt Service Reserve Fund. Each series of Additional Bonds authorized pursuant to the Master Financing Indenture will not be on a parity with the Series 1996 A Bonds, the Series 1996 B Bonds or with any other series of Additional Bonds and will not share in the security provided the Series 1996 A Bonds, the Series 1996 B Bonds or any other series of Additional Bonds except for the security provided all the Bonds by the General Reserve Fund. The Master Financing Indenture does not limit the Corporation from issuing SRF Bonds pursuant to other financing indentures for any of its lawful purposes and any such SRF Bonds shall not share in the security provided the Bonds by the Master Financing Indenture except for any security provided by the Master Trust Agreement.

The Master Financing Indenture sets forth certain conditions and requirements for the issuance of Additional Bonds including receipt of executed borrower bonds evidencing the loans made from the proceeds of such Additional Bonds together with a certification by an authorized officer of the Corporation that the payments of the principal, premium, if any, and interest on such borrower bonds together with the projected Debt Service Reserve Fund earnings will be sufficient to pay the principal of and interest on such Series of Additional Bonds. Such borrowers may include any "municipality" as defined in the Act. The Act as currently in effect defines municipality to include, among others, any county, city, town, village, district corporation, county or town improvement district, sewer authority, as well as any Indian reservation wholly within the State, any public benefit corporation or public authority established under the laws of the State or any state agency which is empowered to construct and operate a municipal water pollution control project (as defined in the Act). The Master Financing Indenture does not specify the nature of the security which must be provided for such borrower bonds. With the exception of borrower bonds of the public benefit corporations and a special obligation borrower bond of the New York State Environmental Facilities Corporation, each borrower bond delivered to evidence the obligation to repay an MFI Loan made with the proceeds of Bonds has been secured by the faith and credit of the related borrower. However, borrower bonds delivered in the future may be secured by a pledge of the faith and credit of the borrower, or secured by a pledge of particular revenues, or by other types of security. A supplemental indenture may, at the election of the Corporation, specify all of the borrowers who are to receive loans of the proceeds of a series of Additional Bonds, or in lieu of specifying all or any of the borrowers of the proceeds of a series of Additional Bonds, require that such specification of the borrowers be a condition to disbursement of the proceeds of Additional Bonds to any borrower not specified in the supplemental indenture authorizing such series of Additional Bonds. If the borrowers are not so specified in such supplemental indenture, an authorized officer of the Corporation is required to certify that the investment of any portion of the proceeds of Additional Bonds not being loaned to a specified borrower will provide sufficient moneys, together with payments by specified borrowers under the related borrower bonds, to pay the principal, interest and premium, if any, on such Additional Bonds. For additional information relating to the issuance of Additional Bonds under the Master Financing Indenture, see "EXHIBIT B - CERTAIN DEFINITIONS AND SUMMARY OF CERTAIN BASIC AGREEMENTS."

## **LITIGATION**

There is not now pending against the Corporation any litigation restraining or enjoining the issuance or delivery of the Series 1996 A and B Bonds or questioning or affecting the validity of the Series 1996 A and B Bonds or the proceedings and authority under which the Series 1996 A and B Bonds are to be issued, or the pledge or application of any moneys or the security provided for the payment of the Series 1996 A and B Bonds (except as described below), or the existence or powers of the Corporation, or restraining or enjoining the execution, delivery or performance of the Series 1996 A and B Bonds, the Master Financing Indenture, the Twelfth Supplemental Series

Indenture, the Master Trust Agreement, any Agreement, or the proceedings under which they were issued or authorized or questioning or affecting the validity of any such agreements.

There are two pending actions challenging loans made by the Corporation from the proceeds of previous SRF Bonds. In Herzog v. Town of Thompson (Supreme Court, Sullivan County), commenced July 13, 1993, certain taxpayers of the Town of Thompson seek, among other things, to invalidate bonds issued by the Town of Thompson evidencing a \$7,733,500 loan made to the Town from proceeds of the State Water Pollution Control Revolving Fund Revenue Bonds, Series 1990 B (Pooled Loan Issue) of the Corporation. In Schulz v. Hyde Park Fire and Water District (Supreme Court, Albany County), commenced October 19, 1994, taxpayer plaintiffs seek, among other things, to nullify bonds issued by the Hyde Park Fire and Water District to evidence a \$765,000 loan from the proceeds of the State Water Pollution Control Revolving Fund Revenue Bonds, Series 1994 B (Pooled Loan Issue). The Series 1994 B Bonds, but not the Series 1990 B Bonds, were issued pursuant to, and are secured by, the Master Financing Indenture which secures the Series 1996 A and B Bonds. All SRF Bonds, including the Series 1990 B Bonds, the Series 1994 B Bonds and the Series 1996 A and B Bonds are secured by the Master Trust Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 1996 A AND B BONDS—Flow of Funds Under the Master Trust Agreement" herein for a description of certain security provisions of the Master Trust Agreement.

Each Borrower represents in its respective Agreement that there is no action or suit pending or, to the knowledge of the Borrower, threatened against the Borrower (i) affecting the creation, organization or existence of the Borrower or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the execution of the related Agreement or the issuance or delivery of the related Borrower Bonds, (iii) in any way contesting or affecting the validity or enforceability of such Borrower Bonds, such Agreement or any agreement or instrument relating to any of the foregoing.

## LEGAL INVESTMENTS

Under the provisions of the Act, the Series 1996 A and B Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions in the State, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or who may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them. Certain of such investors may be subject to separate restrictions which limit or prevent their investment in the Series 1996 A and B Bonds.

## TAX MATTERS

### Certain Requirements of the Code

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Series 1996 A and B Bonds in order that the interest on such Bonds not be included in gross income pursuant to Section 103 of the Code. Noncompliance could cause interest on the Series 1996 A and B Bonds to be included in gross income of the owners thereof for federal income tax purposes retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained. The Arbitrage and Use of Proceeds Certificate to be executed by each Borrower will set forth certain representations, covenants and procedures relating to compliance with such requirements of the Code by the Borrower and to the use of the portion of the proceeds of the Series 1996 A Bonds or the Series 1996 B Bonds

advanced to such Borrower for its Project. The Tax Regulatory Agreement entered into between the Corporation and the Trustee will describe the application to be made of certain funds held under the Financing Indenture and the Master Trust Agreement and will set forth certain representations, covenants and procedures relating to the use of proceeds of the Series 1996 A Bonds or the Series 1996 B Bonds necessary for, or related to, compliance with the requirements of Section 103 and related provisions of the Code, including the arbitrage limitations imposed with respect to the investment of proceeds of the Series 1996 A and B Bonds pursuant to Code Section 148. The Corporation will agree generally that it will take such actions as may be necessary and within its reasonable control to ensure that the interest on the Series 1996 A and B Bonds will not be included in gross income for federal income tax purposes. Each Borrower has agreed in its Agreement that it will not take or fail to take any action within its reasonable control which will result in the inclusion of interest on the Series 1996 A and B Bonds in gross income for federal income tax purposes.

### **Opinion of Bond Counsel**

*Federal Income Tax Exemption.* In the opinion of Hawkins, Delafield & Wood, Bond Counsel, under existing statutes and court decisions, interest on the Series 1996 A and B Bonds is not included in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and such interest will not be treated as a preference item in calculating alternative minimum taxable income for purposes of computing the alternative minimum tax under the Code with respect to individuals and corporations. As summarized below under the heading "Certain Additional Federal Tax Consequences," such interest, however, is to be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax, the environmental tax and the foreign branch profits tax.

*Basis of Federal Income Tax Opinion.* In rendering the foregoing opinions Bond Counsel has relied upon and assumed compliance by the Corporation and the Borrowers with the procedures and covenants set forth respectively in the Tax Regulatory Agreement entered into between the Corporation and the Trustee, and the Arbitrage and Use of Proceeds Certificate executed by each Borrower.

*New York State Personal Income Tax Exemption.* It is also the opinion of Bond Counsel that, under the Act, interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

### **Certain Additional Federal Tax Consequences**

*Special Rules.* The following is a discussion of certain federal income tax matters under existing statutes. It is for general information only and does not purport to deal with all aspects of federal taxation that may be relevant to particular owners of the Series 1996 A Bonds or the Series 1996 B Bonds. Prospective investors, particularly those who may be subject to special tax rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 1996 A Bonds or the Series 1996 B Bonds, as well as any tax consequences arising under the laws of any foreign, state or other taxing jurisdiction.

*Environmental Tax.* The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (alternative minimum taxable income with certain modifications) over \$2,000,000. The environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996. Modified alternative minimum taxable income will include the amount of any income received that is otherwise exempt from taxes.

*Alternative Minimum Tax.* The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Series 1996 A and B Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a portion of the adjusted current earnings of a corporation reported on its financial statement and not otherwise included in

the alternative minimum tax base will be included for purposes of calculating the alternative minimum tax for such years. The adjusted current earnings of a corporation will include the amount of any income received that is otherwise exempt from taxes.

*Social Security and Railroad Retirement Payments.* The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement payments is to be included in taxable income of individuals.

*Branch Profits Tax.* The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

*Borrowed Funds.* The Code provides that interest paid on borrowed funds to purchase or carry tax-exempt obligations during a tax year is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

*Property and Casualty Companies.* The Code contains provisions relating to property and casualty companies whereunder the amount of certain cost deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

*Financial Institutions.* The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct their cost of carrying certain obligations (other than certain "qualified" obligations), effective for obligations acquired after August 7, 1986.

*S Corporations.* The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Passive investments include interest on tax-exempt obligations.

*Earned Income Credit.* For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds \$2,350. Interest on the Series 1996 A and B Bonds will constitute disqualified income under the Code.

*Changes in Federal Tax Law.* From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 1996 A and B Bonds, and thus on the economic value of the Series 1996 A and B Bonds. This could result from reductions in federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 1996 A and B Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 1996 A and B Bonds may be proposed or enacted.

#### CONTINUING DISCLOSURE UNDER RULE 15c2-12

In order to assist the Underwriters in complying with Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Corporation and the Trustee will enter into a written agreement (the "Disclosure Agreement")

for the benefit of the Owners of the Series 1996 A and B Bonds to provide continuing disclosure of certain financial information and operating data described below. The Corporation will undertake for the benefit of the Owners of the Series 1996 A and B Bonds to provide each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and, if and when one is established, a New York State Information Depository (the "SID"), on an annual basis on or before 9 months after the end of each fiscal year, commencing the fiscal year ending March 31, 1996, financial and operating data (the "Annual Information") (i) concerning the State Revolving Fund program of the type included in Exhibit D hereto, (ii) financial and operating data of the type appearing herein under the captions "BONDS ISSUED UNDER THE MASTER FINANCING AGREEMENT—Investment of Certain Funds" and "—Scheduled Payments Relating to the Master Financing Indenture" and (iii) including annual audited financial statements of the Corporation, if then available, prepared in accordance with generally accepted accounting principles ("GAAP"); but, if such annual audited financial statements are not then available, unaudited annual financial statements shall be so provided and such annual audited financial statements shall be so delivered when they become available. In addition, the Corporation will undertake for the benefit of the holders of the Series 1996 A and B Bonds to provide to each such Repository or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, in a timely manner, notice of any failure to provide the Annual Information in the manner and at the times specified above.

The Corporation further will agree to deliver to each Repository or to the MSRB and to the SID, if any, notices, of any of the following events with respect to the Series 1996 A and B Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to the rights of security holders; (8) bond calls; (9) defeasance; (10) release, substitution, or sale or property securing repayment of the securities; and (11) rating changes.

In addition to the Corporation's undertakings under the Disclosure Agreement with respect to the Annual Information and the material events described above, each Borrower will covenant in its Agreement to furnish to the Corporation and any information repositories and persons as the Corporation may specify such financial information and operating data relating to such Borrower (including, but not limited to, audited or unaudited financial statements and notices of material events or other material changes in financial condition) as the Corporation shall determine to be necessary in order to comply with any undertakings made by the Corporation pursuant to Rule 15c2-12 or any other applicable legal requirement. In the Disclosure Agreement, the Corporation covenants that (i) promptly following the end of each of its fiscal years it will notify each Borrower which has an outstanding balance of MFI Loans equal to or exceeding twenty percent (20%) of the aggregate outstanding principal amount of all MFI Loans as of the close of such fiscal year (a "Significant Borrower") that such Significant Borrower (x) must file with each Repository a copy of certain financial information relating to such Borrower described below, (y) must provide, in a timely manner, notice of any failure to provide such financial information to either the MSRB or each Repository, and to each SID, if any, and (z) must provide if not provided as part of such financial information, audited financial statements of the Significant Borrower, when and if available, to each Repository and the SID, if any. The financial information that will be required to be filed by a Significant Borrower includes (i) financial information or operating data with respect to such Borrower, of the type theretofore disclosed in this Official Statement or any official statement relating to other Bonds if the Corporation elects that the benefits of the Disclosure Agreement also shall inure to the benefit of the owners of such Bonds, whether expressly set forth or incorporated by reference herein or therein, and if no such financial and operating information has been disclosed, then financial and operating information of the type typically disclosed in official statements of entities of the same type and character as the Significant Borrower in connection with the issuance and sale of securities of the same type or character as such Borrower's Borrower Bond purchased with proceeds of the Series 1996 A and B Bonds or other bonds purchased with proceeds of any such other benefitted Bonds, and (ii) annual audited financial statements of such Borrower, if then available, prepared in accordance with GAAP, but if such audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be so delivered when they become available. Such filings will be required to commence

no later than 9 months following the end of the Corporation's fiscal year as of the end of which such Borrower is deemed a Significant Borrower and, after the first such filing, will be required no later than 9 months following the end of such Borrower's fiscal year.

As of the date of this Official Statement, Nassau County is, and upon issuance of the Series 1996 A and B Bonds will be, the only Borrower that is deemed a Significant Borrower. Therefore, only information relating to Nassau County is provided in Part III of Exhibit A to this Official Statement. If Nassau County or another Borrower that becomes a Significant Borrower no longer meets the MFI Loan percentage specified above, such Borrower will no longer be deemed a Significant Borrower for purposes of providing the continuing disclosure described above and will not be required under its Agreement to continue to provide such information.

Pursuant to its Agreement with the Corporation, Nassau County will enter into a written agreement (the "Nassau County Disclosure Agreement") with the Trustee for the benefit of the owners of the Series 1996 A and B Bonds and any other benefitted Bonds to provide continuing disclosure of financial information and operating data of the type described above relating to Nassau County. For a summary of certain provisions of the Nassau County Disclosure Agreement, see "Part III - SPECIFIC MFI BORROWER INFORMATION - Nassau County" in Exhibit A to this Official Statement.

The Annual Information to be provided by the Corporation and the annual financial and operating data to be provided by any Significant Borrower may be provided by reference to documents previously either provided to each Repository existing at the time of such reference and the SID, if any, or the SEC. The Annual Information to be provided by the Corporation and the annual financial and operating data to be provided by any Significant Borrower may be provided separately in one or more documents or may be provided at one time or in part from time to time, and may be provided by the delivery or incorporation by reference of an official statement which includes such information.

The provisions of the Disclosure Agreement inure solely to the benefit of the owners from time to time of the Series 1996 A and B Bonds and the owners from time to time of any other Bonds for whom the Corporation elects to extend the benefit of its undertakings under the Disclosure Agreement, except that, so long as the Series 1996 A and B Bonds and such other benefitted Bonds, if any, are restricted to registration as book-entry-only bonds through DTC, beneficial owners of the Series 1996 A and B Bonds and such other benefitted Bonds, as shown on the records of DTC (or any successor securities depository) or its participants, shall be third-party beneficiaries of the Disclosure Agreement.

The obligations of the Corporation to comply with the provisions of the Disclosure Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any owner of Outstanding Series 1996 A Bonds, Series 1996 B Bonds or any other benefitted Bonds, or by the Trustee on behalf of the owners of Outstanding Series 1996 A Bonds, Series 1996 B Bonds or any other benefitted Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the owners of Outstanding Series 1996 A Bonds, Series 1996 B Bonds or such other benefitted Bonds; provided, however that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than a majority in aggregate principal amount of the Series 1996 A Bonds, Series 1996 B Bonds and such other benefitted Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. Neither the Corporation, its directors, officers or employees shall have any liability under the Disclosure Agreement from any act or failure to act under the Disclosure Agreement; the owners' and Trustee's sole remedy with respect to enforcement of the provisions of the Disclosure Agreement shall be a right, by action in mandamus or for specific performance, to compel performance of the Corporation's obligations under the Disclosure Agreement. In consideration of the third-party beneficiary status of beneficial owners of Series 1996 A Bonds, Series 1996 B Bonds or such other benefitted Bonds pursuant to the Disclosure Agreement, beneficial owners shall be deemed to be owners of Series 1996 A Bonds, Series 1996 B Bonds or such other benefitted Bonds, as the case may be, for purposes of enforcement of the Disclosure Agreement.

Any failure by the Corporation or the Trustee to perform in accordance with the Disclosure Agreement shall not constitute a default or any Event of Default under the Financing Indenture, and the rights and remedies provided by the Financing Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

The Disclosure Agreement provides that the Corporation's and the Trustee's obligations thereunder will terminate upon a legal defeasance pursuant to the Financing Indenture, prior redemption or payment in full of all of the Series 1996 A and B Bonds and any benefitted Bonds. The Disclosure Agreement further provides that it, or any provision thereof, shall be null and void in the event that the Corporation (1) delivers to the Trustee an opinion of Counsel, as defined in the Disclosure Agreement, addressed to the Corporation and the Trustee, to the effect that those portions of the Rule which require the provisions of the Disclosure Agreement, or any of such provision, do not or no longer apply to the Series 1996 A and B Bonds and any benefitted Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to each Repository and the SID. The Disclosure Agreement also may be amended or waived under certain circumstances set forth therein.

Copies of the Disclosure Agreement and the Nassau County Disclosure Agreement after execution by the respective parties thereto on the date of the initial delivery of the Series 1996 A and B Bonds will be on file at the office of the Trustee.

#### UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the Corporation the Series 1996 A and B Bonds described on the inside cover page of this Official Statement at an aggregate underwriters' discount from the initial public offering prices or yields set forth on the inside cover page hereof equal to \$1,762,526.00 and to reoffer such Series 1996 A and B Bonds at the public offering prices or yields set forth on the inside cover page hereof. The Series 1996 A and B Bonds may be offered and sold to certain dealers (including dealers depositing the Series 1996 A and B Bonds into investment trusts) at prices lower than such public offering prices and such prices may be changed, from time to time, by the Underwriters. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the Series 1996 A and B Bonds if any Series 1996 A and B Bonds are purchased. The Underwriters have designated Bear, Stearns & Co. Inc. as their representative.

#### FINANCIAL ADVISOR

Lamont Financial Services Corporation has served as Financial Advisor to the Corporation with respect to the sale of the Series 1996 A and B Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Series 1996 A and B Bonds.

#### CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Series 1996 A and B Bonds will be approved by Hawkins, Delafield & Wood, Bond Counsel, New York, New York. The approving opinion is expected to be in substantially the form attached hereto as Exhibit C. Certain legal matters will be passed upon for the Corporation by its General Counsel, Michael D. Morgan, Esq. Certain matters will be passed upon for the Underwriters by Nixon, Hargrave, Devans & Doyle LLP, New York, New York.

Bond counsel for each Borrower will render to the Corporation an opinion to the effect that (subject to certain exceptions for bankruptcy, insolvency and laws affecting creditors' rights or remedies) such Borrower's Borrower Bonds are valid and legally binding obligations of such Borrower and that (subject to the aforesaid exceptions) such Borrower's Agreement is a valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms. The particular bond counsel for each Borrower are as follows: Hawkins, Delafield & Wood - Town of Amherst, Town of Chenango, Village of Ellicottville, County of Erie, EFC-OGS, County of Orange, RCSWMA, Town of Southold, City of Tonawanda; Hodgson, Russ, Andrews, Woods & Goodyear - Town of Colonie, Town of Niagara, Town of Queensbury, Town of Stephentown, Village of Vernon; Nixon, Hargrave, Devans & Doyle LLP - County of Nassau, New York City Water Authority; Robinson, St. John & Curtin - Town of Penfield, Village of Wayland; Rapport, Meyers, Whitbeck, Shaw & Rodenhauser - Town of Greenport; Roemer, Wallens & Mineaux - Village of Canajoharie; Whitman Breed Abbott & Morgan - Town of Babylon, County of Rockland; Willkie Farr & Gallagher - Village of Canton, County of Chemung, Town of Cortland, City of Fulton, City of Gloversville, Village of Great Neck, Village of Honeoye Falls, Town of Irondequoit, Town of Marlborough, Town of Moriah, Town of Newburgh, City of Oswego, City of Poughkeepsie, City of Rome, Town of Saugerties, County of Suffolk, Town of Stockholm, County of Tompkins, Town of Walkkill, Town of Yorktown. Hawkins, Delafield & Wood is also Bond Counsel in connection with the issuance of the Series 1996 A and B Bonds; Nixon, Hargrave, Devans & Doyle LLP is also counsel to the Underwriters in connection with the issuance of the Series 1996 A and B Bonds; and Hodgson, Russ, Andrews, Woods & Goodyear is also counsel to the Trustee and the SRF Trustee in connection with the issuance of the Series 1996 A and B Bonds.

#### FURTHER INFORMATION

The references in this Official Statement (including the Exhibits hereto) to and summaries of federal, State and local laws, including but not limited to the Code, the Constitution and laws of the State, the Act, the State Act, the Water Quality Act, and documents, agreements and court decisions, including but not limited to the Financing Indenture, the Master Trust Agreement, the Agreements, the Disclosure Agreement, the Nassau County Disclosure Agreement and the Borrower Bonds, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies, or forms thereof, of the Financing Indenture, the Master Trust Agreement, the Agreements, the Disclosure Agreement, the Nassau County Disclosure Agreement and the Borrower Bonds are available for inspection during normal business hours at the office of the Corporation.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Series 1996 A Bonds or the Series 1996 B Bonds.

NEW YORK STATE ENVIRONMENTAL  
FACILITIES CORPORATION

By: /s/ Terry Agriss  
President

## BORROWER INFORMATION

### PART I - SRF BORROWER GENERAL INFORMATION

#### LOCAL GOVERNMENTS

The information set forth below includes summaries of State law concerning the operation of certain of the SRF Borrowers 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.

#### Services Provided and Revenue Sources

COUNTIES, in general, provide services in the following areas: social services, public and mental health services, education and recreation. Specific services which may be provided include a court system, jails, police protection, traffic control, civil defense, building inspection and animal control. Public facilities which may be provided include 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 and police protection. Fire protection generally is provided through paid or volunteer firemen 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 is provided through paid or volunteer firemen, 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 a Borrower, 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 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, towns 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. Pursuant to the State Constitution, the State Legislature cannot restrict the power of counties, towns and villages to levy taxes on real estate for the payment of interest on or principal of 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.

### **State and Federal Aid**

Certain of the Borrowers receive financial assistance from the State ("State Aid"). 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 Borrowers.

Certain Borrowers 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 a Borrower's ability to continue certain programs at their current levels.

### **Debt Incurrence Procedures**

*Constitutional Requirements.* In general, the State Constitution limits the power of the Borrowers other than public benefit corporations to issue obligations and otherwise to contract indebtedness. Such constitutional limitations, in summary form and as generally applicable to such Borrowers and related Borrower Bonds, include the following:

*Purpose and Pledge.* Subject to certain enumerated exceptions, such Borrowers 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. Each such Borrower may contract indebtedness only for a proper purpose of such Borrower and must pledge its faith and credit for the payment of principal and interest.

*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 such Borrower has the power to contract indebtedness for any proper purpose of such Borrower 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 Borrower. Certain enumerated exclusions and deductions exist such as debt issued for water and certain sewer facilities 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 the Borrowers to incur indebtedness by the enactment of the Local Finance Law subject to the Constitutional provisions set forth above. A Borrower may issue bonds 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 Borrower has elected to issue obligations with substantially level or declining annual debt service. If a Borrower 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 Borrowers 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 Borrowers to spend money, however, generally derives from other state and local law. 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 some exceptions, do not exceed five years beyond the original date of borrowing. The Local Finance Law also contains provisions providing the Borrowers with the power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes.

### **Sewer Districts and Systems**

*Counties.* The legislative body of a county may establish or extend one or more county sewer, wastewater disposal or drainage 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. 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 Office of the 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 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. Before such charges or rents are established, a public hearing must be held. The county treasurer collects and receives all rentals or charges, and unpaid rentals or charges 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 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.* 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.

*Towns.* The procedures relating to the establishment or improvement of town sewer 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 or water quality treatment district (termed an "improvement district" under the Town Law of the State of New York) is funded by local assessments upon the land which the town board determines to be benefitted by the improvement district, and the town board apportions and assesses upon and collects the assessments from the land so benefitted in proportion to the amount of benefit. However, the real property of certain districts may 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 expenditures 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 benefitted real property. Debt issued for a town sewer district is a general obligation of the town. In general, assessments against the benefitted 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.* 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 his 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 benefitted by the system, or, under certain circumstances, entirely by the owners of the property benefitted. 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.

#### **Retirement Benefits**

Most employees of the Borrowers eligible for pensions under the Retirement and Social Security Law of the State are members of either the New York State and Local Employees' Retirement System (ERS) or the New York State and Local Police and Fire Retirement System (PFRS). Eligible teachers in city and county public school systems may be members of the State Teachers' Retirement System (TRS). The ERS was established in 1920. In 1967, all police officers and fire fighters were transferred into the separate PFRS. Both retirement systems are administered by the Comptroller of the State. The TRS is separately administered by a ten member board. The benefit packages available to employees who are members of ERS and PFRS depend on the date of their enrollment in the system and other factors.

For fiscal years of the State pension system (the "System") up to and including the fiscal year ended March 31, 1987, required contributions under these retirement systems were determined and billed by ERS and PFRS to the respective county, city or town on May 31, payable June 30, almost fifteen months after a prior plan year ended March 31. Under Chapter 62 of the Laws of 1989, commencing with the System's fiscal year ending March 31,

1990, the Borrowers are billed on a current basis, on November 15 of each year, under an invoice payable the following December 15. The period covered by such payment is the current fiscal year of the System, which ends on March 31 of the next calendar year. Contributions for the System's fiscal years which ended on March 31, 1988 and March 31, 1989 may be amortized over a 17 year period. The first amortization installment was payable on December 15, 1989. Subsequent amortization installments will be due on December 15 of each year during the amortization period. As an alternative to the 17 year installment plan, a Borrower can prepay, on December 15 of any year, any amount up to the amount then due representing the Borrower's contributions for the 1988 and 1989 fiscal years of the System.

The State Legislature enacted certain additional legislative changes in 1990 which significantly reduced the ERS contributions paid by many local governments in recent years. Pursuant to Chapter 210 of the Laws of 1990, the actuarial funding method used to calculate ERS contributions changed from the aggregate cost method to the modified projected unit credit method. The new funding method was utilized for normal contributions for the fiscal year ending March 31, 1991 (payable on December 15, 1990). In addition, there was a retroactive change in the method of valuing assets which resulted in contribution credits for the fiscal years ending March 31, 1989, and March 31, 1990.

On November 16, 1993, the Court of Appeals, the State's highest court, affirmed the decision of the Appellate Division (Third Department) of the State's Supreme Court, in three actions (McDermott, et al. v. Regan, et al.; Puma, et al. v. Regan, et al.; and Guzdek, et al. v. Regan, et al.) ruling that the pension funding method change for the common retirement fund made pursuant to Chapter 210 of the Laws of 1990 violated Article V, Section 7 of the State Constitution, which states that there is a contractual relationship between the retirement systems and employees who are its beneficiaries, the benefits of which "shall not be diminished or impaired." On December 6, 1993, the State Comptroller announced his plan to implement the Court's decision which will require the State and its local governments to pay the amounts that should have been contributed to the Retirement Systems over the previous three years. Under the Comptroller's plan, the State returned to the aggregate cost method in the State's 1994-95 fiscal year, using a four-year phase-in in ERS, with State aggregate cost contributions to ERS capped at a percentage of payroll that increases each year during the phase-in.

#### Special Provisions Affecting Remedies Upon Default

Remedies for enforcement of payment are not expressly included in a Borrower's contract with holders of its bonds and notes. However, under current law, provision is made for contract creditors of a Borrower (including holders of Borrower Bonds) 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. Any permanent repeal by statute or constitutional amendment of the remedial right of the holder of a Borrower Bond to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

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 Borrower. 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

The powers and functions of each public benefit corporation that is an SRF Borrower are primarily governed by the statute creating such entity and, accordingly, vary widely. The resolutions or bond indentures securing the borrower bonds issued by SRF Borrowers that are public benefit corporations also vary widely as to matters, including without limitation, the pledge securing such bonds, rate covenants and conditions under which additional bonds may be issued.

The information set forth below is a summary of certain provision of the statutes and security documents pursuant to which the Public Benefit Corporations will issue their respective Borrower Bonds relating to the Series 1996 A Bonds or the Series 1996 B Bonds and certain related information in connection therewith. The summaries of the provisions set forth below do not purport to be complete, and reference should be made to the laws and the documents referred to below for a full and complete statement of their respective provisions.

*New York City Municipal Water Finance Authority.* The New York City Water Authority's Borrower Bonds (the "NYCMWFA Second Resolution Bonds, 1996 Series 2") are authorized by the New York City Municipal Water Finance Authority Act, and are authorized to be issued under the New York City Water Authority's Water and Sewer System Second General Revenue Bond Resolution, adopted on March 30, 1994, as amended and supplemented (the "NYCMWFA Second Resolution") and Supplemental Resolution No. 4, adopted on February 9, 1996 (the "NYCMWFA Fourth Resolution" and, together with the New York City Water Authority Second Resolution, the "NYCMWFA Second Resolutions"). After issuance of the NYCMWFA Second Resolution Bonds, 1996 Series 2, the New York City Water Authority will have approximately \$936 million aggregate principal amount of parity bonds outstanding under the NYCMWFA Second Resolution (the "NYCMWFA Second Resolution Bonds") and \$370 million aggregate principal amount of commercial paper that constitutes parity obligations under the NYCMWFA Second Resolution.

The primary purpose of the New York City Water Authority is to finance capital improvements to the water and sewer system serving The City of New York (the "New York City System"). In furtherance of such purpose, the New York City Water Authority has entered into a Financing Agreement (the "NYCMWFA Financing Agreement") with The City of New York (the "City") and the New York City Water Board (the "Water Board") under which the New York City Water Authority undertakes to finance such capital improvements through the issuance of its bonds. Pursuant to a lease agreement (the "NYC Water System Lease") between the City, as lessor, and the Water Board, as lessee, the Water Board has acquired a leasehold interest in the New York City System from the City for a term equal to the longer of 40 years from July 1, 1985 or until provision has been made for the repayment of all outstanding bonds of the New York City Water Authority. Under the New York City Water Authority Act, the NYC Water System Lease and the NYCMWFA Financing Agreement, the Water Board is obligated to pay the operating expenses of the New York City System, and the City is obligated to operate and maintain the New York City System.

All NYCMWFA Second Resolution Bonds, including the NYCMWFA Second Resolution Bonds, 1996 Series 2, are special obligations of the New York City Water Authority, payable solely from and secured solely by a pledge of amounts on deposit in the Subordinated Indebtedness Fund established by the New York City Water Authority's Water and Sewer General Bond Resolution, adopted on November 14, 1985, as amended and supplemented (the "NYCMWFA General Resolution"), Other Moneys (as defined in the NYCMWFA Second Resolution, as further described below) and all moneys and securities in any of the funds and accounts established under the NYCMWFA Second Resolutions, other than the Arbitrage Rebate Fund established thereunder, subject only to the provisions of the NYCMWFA Second Resolution and the NYCMWFA Financing Agreement relating to the use and application thereof. The term "Other Moneys," within the meaning of the NYCMWFA Second Resolution, includes moneys which do not constitute System Revenues (hereinafter defined) and which are derived from payments to the New York City Water Authority (i) by a counterparty pursuant to an interest rate exchange agreement relating to bonds issued under the NYCMWFA General Resolution (the "NYCMWFA First Resolution Bonds"), (ii) by the Corporation pursuant to any agreement by and among the New York City Water Authority and

the Corporation heretofore or hereafter entered into in connection with the issuance of NYCMWFA First Resolution Bonds or NYCMWFA Second Resolution Bonds, (iii) as federal or state subsidy payments in connection with any of the New York City Water Authority's bonds and (iv) of any other moneys and securities pledged by the New York City Water Authority under the NYCMWFA Second Resolution to the payment of the NYCMWFA Second Resolution Bonds. The NYCMWFA Second Resolution Bonds have and will have, while any NYCMWFA First Resolution Bonds are outstanding, no pledge of or lien on System Revenues and are and will be secured by a pledge of and lien on amounts on deposit in the Subordinated Indebtedness Fund established under the NYCMWFA General Resolution that is subordinate to the pledge and lien of the NYCMWFA General Resolution securing the NYCMWFA First Resolution Bonds. At the date of this Official Statement, there are approximately \$5.1 billion of NYCMWFA First Resolution Bonds outstanding and approximately \$906.8 million of NYCMWFA Second Resolution Bonds outstanding, which does not include the NYCMWFA Second Resolution Bonds, 1996 Series 2.

*The NYCMWFA Second Resolution Bonds, 1996 Series 2 are not a debt of the State of New York, The City of New York or the Water Board and neither the State of New York, The City of New York nor the Water Board is liable on the NYCMWFA Second Resolution Bonds, 1996 Series 2.*

The NYCMWFA Act empowers the Water Board to establish and collect rates, fees and charges for the use of service provided by the New York City System in order to receive System Revenues sufficient to place the New York City System on a self-sustaining basis. All System Revenues are deposited by the Water Board in the "Local Water Fund" held by the Water Board. The New York City Water Authority holds a statutory first lien on System Revenues for the payment of all amounts due to the New York City Water Authority under the NYCMWFA Financing Agreement. In the event that the Water Board fails to make any required payment to the New York City Water Authority, the New York City Water Authority, the trustee under the NYCMWFA General Resolution and the NYCMWFA Second Resolution may petition for the appointment, by a court having jurisdiction, of a receiver to administer the affairs of the Water Board, and with court approval, establish the rates and charges to provide System Revenues sufficient to make required payments therefrom. The statutory lien, however, does not give any holder or owner of any bond issued by the New York City Water Authority, or any receiver of the System, power to compel the sale of any part of the New York City System.

Under the NYCMWFA General Resolution and the NYCMWFA Second Resolution, the term "Revenues" (used herein as "System Revenues") includes, among other things, all the rents, fees, charges, payments and other income and receipts derived by the Water Board from users of the New York City System, with such exceptions as provided in said resolutions.

Under the NYCMWFA General Resolution, all System Revenues received by the New York City Water Authority from the Water Board are required to be deposited promptly into the revenue fund established under the NYCMWFA General Resolution. As soon as practicable in each month after the deposit of System Revenues, the trustee under the NYCMWFA General Resolution is required, from the amounts on deposit in such revenue fund, to make the deposits into the funds and accounts, including the Subordinated Indebtedness Fund, established under the NYCMWFA General Resolution. After the debt service requirements on the NYCMWFA First Resolution Bonds have been met, on the first day of each calendar month, the trustee is required to transfer to the trustee under the NYCMWFA Second Resolution all available amounts on deposit in said Subordinated Indebtedness Fund (which amounts are calculated to reflect the projected deposit with said trustee of Other Moneys and certain investment earnings on the Corpus Allocation established for the Loan to the New York City Water Authority), to pay debt service on the NYCMWFA Second Resolution Bonds and to make other required deposits into the funds and accounts established under the NYCMWFA Second Resolution. In the event that no NYCMWFA First Resolution Bonds are outstanding, System Revenues are required to be deposited from the Local Water Fund to the revenue fund established under the NYCMWFA Second Resolution and then applied to pay debt service on the NYCMWFA Second Resolution Bonds and to make such other required deposits into said funds and accounts.

The Water Board has covenanted in the NYCMWFA Financing Agreement to establish, fix, revise and collect rates, fees and charges for use of, or the services furnished by, the New York City System, adequate, together with all other available funds, to provide for (i) the timely payment of debt service on all NYCMWFA First Resolution Bonds and the principal of and interest on any other indebtedness of the New York City Water Authority (including debt service on the NYCMWFA Second Resolution Bonds) payable from System Revenues, (ii) on the proper operation and maintenance of the New York City System, (iii) all other payments required for the New York

City System not otherwise provided for, and (iv) all other payments required pursuant to the NYCMWFA Financing Agreement and the NYC Water System Lease. Without limiting the generality of the foregoing, the Water Board has covenanted in the NYCMWFA Financing Agreement to establish and collect rates, fees and charges sufficient in each fiscal year so that System Revenues collected in such fiscal year will be at least equal to the sum of (i) 115% of estimated aggregate debt service and projected debt service on all outstanding NYCMWFA First Resolution Bonds payable in such fiscal year and (ii) 100% of the operating expenses and Required Deposits (as defined in the NYCMWFA Financing Agreement) (including debt service on the NYCMWFA Second Resolution Bonds required to be paid from System Revenues) payable in such fiscal year. The rates, fees and charges imposed by the Water Board are not subject to regulatory approval except for those rates charged to a limited class of upstate users representing less than 1% of System Revenues and as provided under certain federal grants.

Upon satisfaction of certain conditions, additional NYCMWFA Second Resolution Bonds secured on a parity with the NYCMWFA Second Resolution Bonds, 1996 Series 2 may be issued under the NYCMWFA Second Resolution to pay for capital improvements to the New York City Water System and to refund NYCMWFA First Resolution Bonds, commercial paper notes issued by the New York City Water Authority and general obligation bonds of the City issued for water and sewer purposes. Additional NYCMWFA First Resolution Bonds, upon satisfaction of certain conditions, may be issued under the NYCMWFA General Resolution, and such NYCMWFA First Resolution Bonds would have a lien on amounts on deposit in the Subordinated Indebtedness Fund prior to the lien thereon securing the NYCMWFA Second Resolution Bonds, including the NYCMWFA Second Resolution Bonds, 1996 Series 2.

The City's Capital Budget and Program, which was adopted by the City Council in June 1995, included a plan for the Water Board to acquire title to the New York City Water System for a price of approximately \$2.3 billion. If this plan is implemented, the New York City Water Authority would issue approximately \$2.65 billion of its revenue bonds over the next four years, approximately \$1.9 billion of which would be expected to be issued in the fiscal year ending June 30, 1996 in two or more transactions, to finance the Water Board's acquisition of title to the New York City Water System and to fund necessary reserves and costs of issuance in connection with such issues. As a consequence of such acquisition, the NYC Water System Lease would terminate and no further payments of rent would be made thereunder by the Water Board to the City; however, the City would continue to operate and maintain the New York City Water System pursuant to a proposed acquisition and operating agreement, and the NYCMWFA Financing Agreement would remain in effect. The legality of the proposed transfer of title is being challenged by the City Comptroller and others, and is the subject of litigation. If implemented, the acquisition of title by the Water Board could result in debt service coverage on the NYCMWFA First Resolution Bonds and the NYCMWFA Second Resolution Bonds being lower in some years than that currently projected during the next five years.

Copies of the NYCMWFA General Resolution, the NYCMWFA Second Resolution, the NYCMWFA Financing Agreement and the New York City Water Authority's audited financial statements for the last three fiscal years, all as made available to the Corporation by the New York City Water Authority, may be obtained from the Corporation upon request during the original offering of the Series 1996 A and B Bonds.

**Rockland County Solid Waste Management Authority.** RCSWMA's Borrower Bonds are authorized by the Rockland County Solid Waste Management Authority Act, being Title 13-M of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as enacted by Chapter 434 of the Laws of 1993 of the State of New York and are authorized to be issued under and pursuant to a Solid Waste Management System Bond Resolution, as supplemented by a First Supplemental Resolution, each adopted on November 30, 1995 and expected to be amended on February 6, 1996 (as so amended and supplemented, the "RCSWMA Bond Resolution"). After the issuance of RCSWMA's Borrower Bonds, RCSWMA may issue additional parity bonds under the RCSWMA Bond Resolution for purposes of financing or refinancing the costs of the acquisition, renovation and construction of the facilities and equipment comprising the solid waste management system operated by or on behalf of RCSWMA (the "RCSWMA System"), as further described herein.

RCSWMA was established in 1994 for the purpose of developing and operating a solid waste management system through various recycling facilities for Rockland County. The RCSWMA System will consist of a sludge co-composting facility, to be financed in major part with the Loan made from proceeds of the Series 1996 A Bonds, a materials recovery facility currently expected to be financed with bonds of RCSWMA on a parity with the

Borrower Bonds and two smaller existing recycling facilities, one for household hazardous waste and another for county-wide leaf composting.

RCSWMA's Borrower Bonds are general obligation bonds of RCSWMA to which the faith and credit of the RCSWMA is pledged, including (i) the rates, rents, fees, charges and other realized income derived or to be derived by or for the account of RCSWMA from or for the ownership, operation, use or services or commodities provided by the RCSWMA System (which does not include certain revenues and income otherwise excepted from such pledge under the RCSWMA Bond Resolution), and (ii) the funds and accounts, including the debt service reserve fund, established under the RCSWMA Bond Resolution (but excluding the arbitrage rebate fund established thereunder). *RCSWMA's Borrower Bonds do not constitute a debt or indebtedness of the State of New York, the County of Rockland, or any other municipality or public corporation of the State of New York. RCSWMA has no taxing power.*

RCSWMA's principal sources of revenue are the rates, rentals, fees and other charges for the use of the RCSWMA System, including the availability of such services. The RCSWMA currently imposes a solid waste disposal charge on all property in Rockland County. Such charges constitute a lien on the real property upon which, or in connection with which, services are provided or made available. In addition, any revenues received from the operation of the RCSWMA System are also pledged to secure the Borrower Bonds. Such revenues from operations are not currently expected to be substantial.

The enabling act for the RCSWMA includes statutory flow control authority, but the RCSWMA has structured its security for bondholders under the RCSWMA Bond Resolution in reliance upon its solid waste disposal charges imposed upon real property within Rockland County. RCSWMA does not currently expect to charge tipping fees for in-county recyclables, has or expects to have written contracts with each of the municipal generators of sludge for delivery of such sludge to its co-composting facility and with all or most municipal generators of source-separated recyclables for delivery of such recyclables to its materials recovery facility, and has no current expectation of invoking such flow control authority.

RCSWMA is required under the RCSWMA Bond Resolution to make, impose, charge and collect service rates, rentals, fees and other charges established for the use of the RCSWMA System, including the availability thereof, in each fiscal year at least equal to the sum of (i) 100% of the amount estimated to be required to pay operating expenses and to meet the requirements for the debt service reserve fund, the renewal and replacement fund and the operating reserve fund established under the RCSWMA Bond Resolution, plus (ii) 110% of aggregate debt service on the bonds issued under the RCSWMA Bond Resolution for such fiscal year.

Pursuant to the RCSWMA Bond Resolution, a debt service reserve fund is established and pledged as security for RCSWMA's bonds. The amount required to be on deposit in the debt service reserve fund is (i) the lesser of (a) an amount equal to the maximum amount of debt service for any year on RCSWMA's bonds or (b) 125% of the average annual debt service, in each case, required to be paid in the current or any future fiscal year on RCSWMA's bonds or (c) 10% of the principal amount of all RCSWMA bonds outstanding, and (ii) any additional amounts as may be provided by supplemental resolution.

Upon satisfaction of certain conditions, RCSWMA may issue additional parity bonds under the RCSWMA Bond Resolution, may incur additional parity indebtedness in connection with Credit Facilities (within the meaning of the RCSWMA Bond Resolution) relating to RCSWMA bonds or may incur subordinated indebtedness in accordance with the terms of the RCSWMA Bond Resolution.

Copies of the RCSWMA Bond Resolution, as made available to the Corporation by RCSWMA, may be obtained from the Corporation upon request during the original offering of the Series 1996 A and B Bonds.

**EFC-OGS.** The EFC-OGS Borrower Bonds are authorized by the Act and by Section 325 of Chapter 83 of the Laws of 1995, as amended and supplemented from time to time (the "EFC-OGS Act"), which authorizes and directs EFC-OGS to provide financing for certain alterations and improvements to petroleum storage tanks owned by various agencies of the State. The EFC-OGS Borrower Bonds are authorized to be issued under and pursuant to the Petroleum Storage Tank Remediation Project Special Obligation Bond Resolution and the First Supplemental

Petroleum Storage Tank Remediation Project Special Obligation Bond Resolution, each adopted by EFC-OGS on November 10, 1995 (together, the "EFC-OGS Bond Resolution").

The EFC-OGS Borrower Bonds are special obligations payable solely from and secured solely as to payment of the principal thereof, and premium, if any, and interest thereon, by a pledge of (i) the OGS Service Agreement Payments (hereinafter defined); (ii) except as otherwise provided therein, moneys, securities and funds held in the funds and accounts established under the EFC-OGS Bond Resolution and (iii) certain other rights of EFC-OGS under the OGS Service Agreement as described in the EFC-OGS Bond Resolution. *The EFC-OGS Borrower Bonds are not general obligations of the New York State Environmental Facilities Corporation and shall not constitute an indebtedness of or a charge against the general credit of the New York State Environmental Facilities Corporation. The EFC-OGS Borrower Bonds are not a debt of the State of New York and the State of New York shall not be liable thereon.*

Pursuant to the EFC-OGS Act, the State, acting through OGS, has entered into the OGS Service Agreement, dated as of September 1, 1995, with EFC-OGS. Pursuant to the OGS Service Agreement, OGS will make semi-annual payments to EFC-OGS (the "OGS Service Agreement Payments") that are at least equal in amount to debt service payments due or about to become due on the EFC-OGS Borrower Bonds. The State's obligation to make the OGS Service Agreement Payments is 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 OGS Service Agreement or the payments made thereunder, subject to the following sentence. *The obligation of the State to make the OGS Service Agreement Payments, which 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.* The State Legislature shall not be legally or morally obligated to make appropriations to satisfy the State's obligation to make payments under the OGS Service Agreement and there can be no assurance that the State Legislature will make any such appropriations. The State's economic condition and any budgetary imbalance in the current or in any future fiscal year could affect the ability and willingness of the State Legislature to appropriate and the availability of money to make the payments provided for under the OGS Service Agreement.

Upon satisfaction of certain conditions, EFC-OGS may issue additional parity bonds under the EFC-OGS Bond Resolution, for the purpose of financing the cost of the EFC-OGS Project. EFC-OGS may also incur obligations or indebtedness to a provider of a Credit Facility, Liquidity Facility, Reserve Fund Credit Facility or Reserve Fund Insurance Policy (as such terms are defined in the EFC-OGS Bond Resolution) which would be secured on a parity with the EFC-OGS Borrower Bonds and any such additional parity bonds.

Copies of the EFC-OGS Bond Resolution and the OGS Service Agreement may be obtained from the Corporation upon request during the original offering of the Series 1996 A and B Bonds.

BORROWER BONDS DEBT SERVICE SCHEDULE - SERIES 1996 A BONDS

Period Ending	Town of Amherst	Town of Babylon	Village of Canajoharie	Village of Canton	County of Chemung	Town of Colonie	Village of Ellicottville
06/15/96	\$43,006.67	\$2,981,882.50	\$41,898.34	\$81,637.50	\$40,797.71	\$166,908.97	\$19,360.84
12/15/96	64,510.00	898,013.75	17,405.00	392,456.25	61,196.55	83,740.95	89,041.25
06/15/97	234,510.00	3,013,013.75	52,405.00	118,473.75	276,896.55	243,040.95	28,156.25
12/15/97	61,705.00	863,116.25	16,827.50	343,473.75	57,637.50	81,112.50	83,156.25
06/15/98	236,705.00	3,023,116.25	51,827.50	114,705.00	277,637.50	236,112.50	27,235.00
12/15/98	58,598.75	824,776.25	16,206.25	344,705.00	53,732.50	78,361.25	82,235.00
06/15/99	238,598.75	3,024,776.25	51,206.25	110,622.50	288,732.50	238,361.25	26,258.75
12/15/99	55,223.75	783,526.25	15,550.00	345,622.50	49,326.25	75,361.25	81,258.75
06/15/2000	240,223.75	3,033,526.25	50,550.00	106,216.25	294,326.25	235,361.25	25,227.50
12/15/2000	51,616.25	739,651.25	14,867.50	341,216.25	44,548.75	72,241.25	80,227.50
06/15/2001	236,616.25	3,039,651.25	49,867.50	101,633.75	309,548.75	237,241.25	24,155.00
12/15/2001	47,916.25	693,651.25	14,167.50	341,633.75	39,248.75	68,941.25	79,155.00
06/15/2002	237,916.25	3,048,651.25	54,167.50	96,833.75	294,248.75	238,941.25	23,055.00
12/15/2002	44,021.25	645,373.75	13,347.50	341,833.75	34,021.25	65,456.25	83,055.00
06/15/2003	234,021.25	3,055,373.75	53,347.50	91,811.25	279,021.25	235,456.25	21,825.00
12/15/2003	40,031.25	594,763.75	12,507.50	341,811.25	28,876.25	61,886.25	81,825.00
06/15/2004	235,031.25	3,064,763.75	52,507.50	86,561.25	303,876.25	236,886.25	20,565.00
12/15/2004	35,838.75	541,658.75	11,647.50	341,561.25	22,963.75	58,123.75	80,565.00
06/15/2005	235,838.75	3,081,658.75	51,647.50	81,078.75	287,963.75	233,123.75	19,275.00
12/15/2005	31,438.75	485,778.75	10,767.50	341,078.75	17,133.75	54,273.75	84,275.00
06/15/2006	236,438.75	3,095,778.75	50,767.50	75,358.75	272,133.75	239,273.75	17,845.00
12/15/2006	26,826.25	427,053.75	9,867.50	345,358.75	11,396.25	50,111.25	82,845.00
06/15/2007	236,826.25	3,112,053.75	49,867.50	69,283.75	256,396.25	240,111.25	16,382.50
12/15/2007	21,943.75	364,627.50	8,937.50	344,283.75	5,700.00	45,693.75	81,382.50
06/15/2008	236,943.75	3,129,627.50	48,937.50	62,890.00	245,700.00	240,693.75	14,871.25
12/15/2008	16,837.50	298,958.75	7,987.50	342,890.00	0.00	41,062.50	79,871.25
06/15/2009	236,837.50	3,148,958.75	52,987.50	56,240.00	0.00	241,062.50	13,327.50
12/15/2009	11,502.50	229,846.25	6,896.25	346,240.00	0.00	36,212.50	83,327.50
06/15/2010	236,502.50	3,174,846.25	51,896.25	49,207.50	0.00	241,212.50	11,630.00
12/15/2010	5,933.75	156,957.50	5,782.50	349,207.50	0.00	31,138.75	81,630.00
06/15/2011	240,933.75	3,196,957.50	50,782.50	41,782.50	0.00	241,138.75	9,897.50
12/15/2011	0.00	80,197.50	4,646.25	346,782.50	0.00	25,836.25	84,897.50
06/15/2012	0.00	3,225,197.50	49,646.25	34,081.25	0.00	240,836.25	8,003.75
12/15/2012	0.00	0.00	3,498.75	349,081.25	0.00	20,353.75	83,003.75
06/15/2013	0.00	0.00	48,498.75	26,048.75	0.00	245,353.75	6,091.25
12/15/2013	0.00	0.00	2,340.00	351,048.75	0.00	14,560.00	81,091.25
06/15/2014	0.00	0.00	47,340.00	17,680.00	0.00	244,560.00	4,160.00
12/15/2014	0.00	0.00	1,170.00	352,680.00	0.00	8,580.00	84,160.00
06/15/2015	0.00	0.00	46,170.00	8,970.00	0.00	248,580.00	2,080.00
12/15/2015	0.00	0.00	0.00	353,970.00	0.00	2,340.00	82,080.00
06/15/2016	0.00	0.00	0.00	0.00	0.00	92,340.00	0.00
12/15/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00
06/15/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12/15/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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PART III – BORROWER BONDS DEBT SERVICE SCHEDULE – SERIES 1996 A BONDS

Period Ending	County of Erie	City of Gloversville	Village of Great Neck	Town of Greenport	Village of Honeoye Falls	Town of Irondequoit	Town of Marlborough
06/15/96	\$174,604.43	\$27,087.10	\$4,440.34	\$5,568.34	\$5,340.00	\$60,405.01	\$10,708.24
12/15/96	321,906.63	40,630.65	6,660.50	23,352.50	8,010.00	22,443.76	16,062.35
06/15/97	261,021.63	40,630.65	21,160.50	8,131.25	23,010.00	67,443.76	49,462.35
12/15/97	760,521.63	113,430.65	6,421.25	23,131.25	7,762.50	21,701.25	15,511.25
06/15/98	252,655.00	39,411.25	16,421.25	7,880.00	22,762.50	66,701.25	45,511.25
12/15/98	767,655.00	119,411.25	6,243.75	22,880.00	7,496.25	20,902.50	14,978.75
06/15/99	243,513.75	37,991.25	21,243.75	7,613.75	22,496.25	65,902.50	44,978.75
12/15/99	763,513.75	117,991.25	5,962.50	22,613.75	7,215.00	20,058.75	14,416.25
06/15/2000	233,763.75	36,491.25	20,962.50	7,332.50	22,215.00	75,058.75	44,416.25
12/15/2000	758,763.75	116,491.25	5,670.00	22,332.50	6,922.50	18,986.25	13,831.25
06/15/2001	223,526.25	34,931.25	20,670.00	7,040.00	21,922.50	73,986.25	48,831.25
12/15/2001	763,526.25	119,931.25	5,370.00	27,040.00	6,622.50	17,886.25	13,131.25
06/15/2002	212,726.25	33,231.25	20,370.00	6,640.00	21,622.50	72,886.25	48,131.25
12/15/2002	762,726.25	118,231.25	5,062.50	26,640.00	6,315.00	16,758.75	12,413.75
06/15/2003	201,451.25	31,488.75	20,062.50	6,230.00	21,315.00	71,758.75	47,413.75
12/15/2003	761,451.25	116,488.75	4,747.50	26,230.00	6,000.00	15,603.75	11,678.75
06/15/2004	189,691.25	29,703.75	19,747.50	5,810.00	21,000.00	70,603.75	46,678.75
12/15/2004	759,691.25	119,703.75	4,425.00	25,810.00	5,677.50	14,421.25	10,926.25
06/15/2005	177,436.25	27,768.75	19,425.00	5,380.00	20,677.50	69,421.25	45,926.25
12/15/2005	757,436.25	117,768.75	4,095.00	25,380.00	5,347.50	13,211.25	10,156.25
06/15/2006	164,676.25	25,788.75	19,095.00	4,940.00	20,347.50	68,211.25	45,156.25
12/15/2006	759,676.25	115,788.75	3,757.50	24,940.00	5,010.00	11,973.75	9,368.75
06/15/2007	151,288.75	23,763.75	18,757.50	4,490.00	25,010.00	71,973.75	49,368.75
12/15/2007	756,288.75	118,763.75	3,408.75	24,490.00	4,545.00	10,578.75	8,438.75
06/15/2008	137,222.50	21,555.00	18,408.75	4,025.00	24,545.00	60,578.75	48,438.75
12/15/2008	757,222.50	116,555.00	3,052.50	24,025.00	4,070.00	9,391.25	7,488.75
06/15/2009	122,497.50	19,298.75	18,052.50	3,550.00	24,070.00	59,391.25	47,488.75
12/15/2009	757,497.50	119,298.75	2,688.75	23,550.00	3,585.00	8,178.75	6,518.75
06/15/2010	107,098.75	16,873.75	17,688.75	3,065.00	23,585.00	58,178.75	46,518.75
12/15/2010	762,098.75	116,873.75	2,317.50	23,065.00	3,090.00	6,941.25	5,528.75
06/15/2011	90,887.50	14,398.75	17,317.50	2,570.00	23,090.00	56,941.25	45,528.75
12/15/2011	760,887.50	119,398.75	1,938.75	22,570.00	2,585.00	5,678.75	4,518.75
06/15/2012	73,970.00	11,747.50	16,938.75	2,065.00	22,585.00	60,678.75	44,518.75
12/15/2012	758,970.00	121,747.50	1,556.25	22,065.00	2,075.00	4,276.25	3,498.75
06/15/2013	56,502.50	8,942.50	16,556.25	1,555.00	22,075.00	59,276.25	48,498.75
12/15/2013	766,502.50	118,942.50	1,170.00	21,555.00	1,560.00	2,860.00	2,340.00
06/15/2014	38,220.00	6,110.00	16,170.00	1,040.00	21,560.00	57,860.00	47,340.00
12/15/2014	763,220.00	121,110.00	780.00	21,040.00	1,040.00	1,430.00	1,170.00
06/15/2015	19,370.00	3,120.00	15,780.00	520.00	21,040.00	56,430.00	46,170.00
12/15/2015	764,370.00	123,120.00	390.00	20,520.00	520.00	0.00	0.00
06/15/2016	0.00	0.00	15,390.00	0.00	20,520.00	0.00	0.00
12/15/2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00
06/15/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12/15/2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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**PROPOSAL AND QUALIFICATIONS  
TO SERVE AS INTERNATIONAL FINANCE  
COUNSEL FOR LEVERAGED OR POOLED URBAN  
INFRASTRUCTURE FINANCING PROGRAMS**

**HAWKINS, DELAFIELD & WOOD  
67 WALL STREET  
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(212) 820-9300**

**Cityplace  
185 Asylum Avenue  
Hartford, Connecticut 06103  
(203) 275-6260**

**One Gateway Center  
Newark, New Jersey 07102  
(201) 642-8584**

**First Interstate World Center  
633 West Fifth Street  
Suite 3550  
Los Angeles, CA 90071  
(213) 236-9050**

**1015 Fifteenth Street, N.W.  
Washington, D.C. 20005  
(202) 682-1480**

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**SECTION I**  
**FIRM PROFILE**

**General**

*Organization.* Hawkins, Delafield & Wood was organized in 1892 as a general practice law firm specializing in municipal, business and finance law. Its attorneys have achieved a reputation of excellence in advising clients on the legal aspects of financial transactions, both on a nationwide and international basis.

**Largest Municipal Transactions Law Firm in the Nation**

Hawkins, Delafield & Wood is the only law firm in the United States whose practice is devoted entirely to municipal government and projects and transactions involving or sponsored by municipal government. Each of our specialty areas described below supports and complements our municipal transactions practice. The firm has more attorneys engaged in the full time practice of public finance and municipal transactions law than any other firm in the United States. This concentration of expertise constitutes an unparalleled resource for our clients.

**Municipal Law and Public Finance**

*Overview.* The primary focus of the firm's practice is in the field of municipal law and public finance, particularly the issuance of securities by states, public agencies and authorities, municipalities and other governmental issuers and the negotiation of related construction, intermunicipal and service agreements. Hawkins, Delafield & Wood has been a nationally recognized bond counsel firm for over one hundred years. Publicly-sponsored projects and programs in which the firm regularly participates include those for power, transportation, education, student loan, hospital, housing, convention center, water and sewer, solid waste disposal and resource recovery, industrial development and airport purposes. Hawkins, Delafield & Wood is also often engaged as a legal consultant to states, counties and municipalities in connection with such matters as consolidation of indebtedness, annexation, drafting of contracts for municipal services, privatization, and structuring of joint municipal facilities involving joint or several indebtedness.

*Clean Water.* Hawkins, Delafield & Wood plays a leading legal role in the development of financing and loan programs for sewage treatment facilities. Working with State governments the firm drafted legislation, regulations and loan, bond, financing and disclosure documentation to help implement leveraged and pooled loan programs. We have played key roles in structuring pioneering leveraged and pooled loan financings in the States of Connecticut, New York, Maine, Minnesota, Wisconsin and Louisiana. Our involvement on a regular basis with all of these state environmental infrastructure programs continues. The scope of our practice in clean water programs is discussed at greater length in Section II.

*Housing.* The firm's representation of clients in mortgage finance transactions throughout the United States constitutes a major practice area, and includes the structuring and documentation of mortgage pass-throughs, the purchase and sale of whole-loans and participation interests in such loans, and the purchase and sale of servicing agreements. These transactions have involved purchases from thrift institutions, mortgage bankers and commercial banks, and sales to federal government sponsored

entities thrift institutions, mortgage bankers, insurance companies and public pension funds. The mortgage loans underlying these transactions have covered the spectrum of mortgage products available in the secondary markets: current coupon and deep discount fixed rate mortgages, different varieties of adjustable rate mortgages, graduated payment mortgages, bi-weekly mortgages, FHA/VA mortgages, second mortgages and commercial mortgages. The firm has assisted clients in developing numerous other asset sales programs such as student loans, farm loans, hospital receivables, equipment lease paper, commercial loans and participations.

*Transportation.* Hawkins, Delafield & Wood's involvement in the development and financing of transportation facilities dates back to the 1930's, when as bond counsel we were instrumental in the creation of the Triborough Bridge and Tunnel Authority and the New York State Bridge Authority and their pioneering use of financing mechanisms that have subsequently served as the prototype for most modern toll-based transportation financing programs in the country. Today, we continue to be involved in a wide variety of transportation system facilities financings, and the creation of innovative security structures, for state and local transportation agencies throughout the United States. Since 1987 Hawkins, Delafield & Wood has participated as finance counsel in 62 toll road and transportation financings totalling over \$7 billion. In our more than 50 years of experience in this field, the firm has been centrally involved in the development, structuring and financing of nearly two thousand miles of toll roads through public authorities and transportation departments. The firm has a leading national airport practice as well, participating as bond or underwriter's counsel in airport financings for the Metropolitan Nashville Airport Authority, the Tulsa Municipal Airport, The Honolulu International Airport, the Tucson Airport Authority, the Memphis-Shelby County Airport Authority, the Newport/Williamsburg International Airport Commission, the Port Authority of New York and New Jersey, Bradley International Airport, the Greater Orlando International Airport and Dallas-Fort Worth Regional Airport.

*Public Power.* Hawkins, Delafield & Wood has a well established reputation for experience and expertise in power and energy financings. We have participated in numerous public power and energy-related financings in the formation of public utility districts and in their takeovers of investor-owned utility properties. We participated in financing many of the Columbia River (Washington) dams on behalf of most of the Washington utility districts. Public power clients of members of the firm have included several Washington public utility districts, cities in Nebraska, Missouri, Florida, Oregon, Tennessee, Massachusetts, Washington and Iowa, the Nebraska and Omaha Public Power Districts, Massachusetts Municipal Wholesale Electric Company, Washington Public Power Supply System, South Carolina Public Service Authority and numerous others.

*Health Care.* We have acted as bond or underwriter's counsel on health care financings that have involved hospitals, medical care facilities, nursing homes, life care facilities and other health care projects. HD&W often provides clients with legislative drafting and review services, as well as advice on a continuing basis with respect to outstanding financings, including advice in connection with state and federal law, cost containment legislation, dispositions of assets, corporate reorganizations, document amendments, and bond redemptions. The firm represents several hospitals as financing counsel in structuring their financing and capital improvement programs, and has particular expertise in the field of charitable tax exemption.

*Economic Development.* Hawkins, Delafield & Wood has served as bond and issuer counsel in the issuance of industrial development bonds and pollution control bonds for many years. We have approved issues for county and town industrial development agencies in most of the states. Our representation of such issuers includes participation in taxable and tax-exempt financings for economic development projects, and the development and implementation of all necessary issuance, security, credit enhancement and fixed and variable rate structure documentation.

*National Public Finance Ranking.* The breadth of our public finance counsel practice is evidenced by information compiled by the Public Securities Association and Securities Data Company. These rankings show Hawkins, Delafield & Wood to be consistently among the top tier public finance counsel firms in the country taking into account the following bond counsel and underwriter's counsel work:

	<i>Dollar Volume (Billions)</i>
1994	\$14 + billion
1993	\$29+ billion
1992	\$19+ billion
1991	\$13+ billion
1990	\$11+ billion

### **Environmental Facilities Privatization**

Hawkins, Delafield & Wood believes it is among the leading law firms in the country in environmental facilities privatization legal services, based on our work over 20 years in providing consulting, negotiating, financing and environmental counsel services to municipal government and financial institution clients. We have participated in a central role in 57 completed transactions, waste management projects which are in operation or are under construction, involving approximately \$3.4 billion in financing and approximately 37,000 TPD in aggregate disposal capacity. Taking into account transactions and waste management projects currently in the development stage (planning, procurement, negotiation, permitting or financing) or which have been deferred or merged into other projects, the firm's experience extends to 118 projects in 17 states, 2 Canadian provinces, Puerto Rico, the Virgin Islands, Saudi Arabia, Argentina and Slovenia involving approximately 114,000 TPD in aggregate disposal capacity.

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## **Project Finance**

Several of the firm's partners devote a substantial portion of their practice to project finance. The firm's project finance practice encompasses principally energy-related project development and finance, including resource recovery, public power, electric utility and alternate energy projects. The firm is recognized as a leading firm and has a substantial nationwide practice in these areas, and is regularly retained as contract counsel, underwriter's counsel, bond counsel, bank counsel, litigation counsel and environmental counsel for such projects. The firm's expertise extends to numerous facets of the law involved in energy, environmental management and resource recovery, including contract, bond, securities, tax, environmental and litigation matters.

## **Commercial and Banking Law**

*Lending Transactions.* The firm represents foreign and domestic banks, trust companies, savings and loan associations and other institutional lenders, as well as commercial and high net-worth individual borrowers. It has developed expertise in commercial lending, domestic and international loan documentation, capital market activities, asset sales, and secured transactions including protection of creditor and debtor rights under the Uniform Commercial Code and the Bankruptcy Reform Act of 1978. The firm has broad experience in representing lenders in leveraged buyout transactions, leasing, debt restructuring and workout agreements. Members of the firm have served as special New York counsel and lead counsel in international financings, including those involving multicurrency agreements, Eurodollar transactions, and syndicated and agented agreements. The firm has acted as borrower's counsel in tax-exempt and taxable financings involving the domestic and foreign capital markets.

*Regulatory Representation.* In the regulatory area, members of the firm have given regulatory advice to lenders regarding the Federal Reserve Board regulations, New York State Banking Law, Comptroller of the Currency regulations and the FDIC and FSLIC regulatory framework. The firm has represented banking clients in the regulatory aspects of acquisition of new bank branches, creation of new banking products and services in structuring bank holding companies and their bank and non-bank affiliates to take best advantage of the existing and developing legal, legislative and regulatory opportunities for the financial services industry.

*Corporate Trust Representation.* Hawkins, Delafield & Wood represents numerous financial institutions acting as corporate trustee. The firm represents such clients in major corporate debt financings, both secured and unsecured, which require an indenture trustee under the provisions of the Trust Indenture Act of 1939, as well as in a full range of tax-exempt financings, where we can draw on the depth of our municipal finance experience. HD&W has also successfully represented clients in litigations relating to corporate trust matters, including major bankruptcy filings such as those by Mutual Benefit Life Insurance Company, Columbia Gas and Continental Airlines.

## Corporate and Securities Law

Hawkins, Delafield & Wood represents various corporations, including insurance companies and investment companies, in connection with filings made with the Securities and Exchange Commission and various state securities commissions. In this respect, the firm has represented and prepared registrations on behalf of corporations in connection with public stock offerings, dividend reinvestment plans, and stock offerings to employees, including offerings under incentive stock option and employee stock purchase plans. The firm also advises clients regarding the preparation of their annual reports to the stockholders, proxy statements and other disclosure documents, in addition to rendering advice on an ongoing basis concerning compliance, by the corporation and its officers and directors, with securities laws on both the state and federal levels. Hawkins, Delafield & Wood also does general corporate work for its clients, including forming corporations and subsidiaries and preparing by-laws, board resolutions, and shareholder agreements with respect to the structuring and implementation of employee benefit plans, such as stock option and employee stock purchase plans. The firm represents corporations in connection with acquisitions of other corporations or their assets, as well as representing lenders providing financing in such transactions.

## Credit Enhancement Practice

Hawkins, Delafield & Wood has special expertise in advising clients on the uses, legal aspects and financing documentation of a variety of credit enhancement products. The use of third-party credit support in securities products has evolved into a major practice area of the firm. Members of the firm have represented banks, insurance companies, corporations and finance companies in developing credit support products, including standby and direct-pay letters of credit, liquidity lines of credit, guaranties, security purchase agreements, financial guaranty insurance, political risk and export credit insurance, bond insurance, lines of credit, and over-collateralization, reserve fund and spread account structures. We also have assisted corporate and investment banking clients in structuring transactions to take advantage of current techniques offered by credit enhancers such as financial guaranty insurance and bank guaranties, and have developed techniques combining a variety of products to address both structural, timing, pricing and rating agency concerns. Hawkins, Delafield & Wood regularly advises its clients as to the legal status of credit enhancement products under federal and state securities laws, and as to applicable GFOA and MSRB disclosure standards.

## Representative Clients

Hawkins, Delafield & Wood's representative clients regularly include:

### *States*

State of California	State of New Jersey
State of Connecticut	State of New York
State of Hawaii	State of Tennessee
State of Maine	State of West Virginia

### *Counties*

Bergen, NJ	Orange, CA
Henrico, VA	Rockland, NY
Los Angeles, CA	San Diego, CA
Monmouth, NJ	Santa Cruz, CA
Montgomery, MD	Somerset, NJ
Onondaga, NY	Westchester, NY

### *Cities*

Anaheim, CA	Milwaukee, WI
Buffalo, NY	New York, NY
Honolulu, HA	Sacramento, CA
Los Angeles, CA	San Diego, CA
Memphis, TN	San Juan, PR

### *Public Authorities*

Alabama Higher Education Loan Corporation  
Connecticut Development Authority  
Connecticut Resources Recovery Authority  
Halifax Metropolitan Authority  
Louisiana Public Facilities Authority  
Maine Municipal Bond Bank  
Montreal Regional Waste Authority  
New Hampshire Higher Education and Health Facilities Authority  
New York City Industrial Development Agency  
New York State Thruway Authority  
Oklahoma Turnpike Authority  
Power Authority of the State of New York  
South Central Connecticut Regional Water Authority  
Virgin Islands Water and Power Authority  
West Virginia Board of Regents  
Wyoming Student Loan Corporation

### *Federal Government*

US Postal Service  
Virgin Islands

### *Housing Agencies*

Connecticut Housing Finance Authority  
Maine State Housing Authority  
New Jersey Housing & Mortgage Finance Agency  
Rhode Island Housing and Mortgage Finance Corporation  
State of New York Mortgage Agency  
Virginia Housing Development Authority

### *Investment Banking Firms*

Bear Stearns & Co. Inc.  
Dean Witter Reynolds Inc.  
Donaldson, Lufkin & Jenrette Securities Corporation  
Goldman Sachs & Co.  
Lehman Brothers  
Merrill Lynch Capital Markets  
Morgan Stanley & Co. Incorporated  
PaineWebber Incorporated  
Smith Barney, Harris Upham and Co. Incorporated  
The First Boston Corporation

### *Commercial Banks*

Bankers Trust Company  
Barclays Bank International Limited  
Canadian Imperial Banking Corp.  
Citibank, N.A.  
Fuji Bank  
Marine Midland Bank, N.A.  
Morgan Guaranty Trust Company of New York  
National Westminster Bank PLC  
Standard Chartered Bank PLC  
Union Bank of Switzerland  
Westpac Banking Corporation

### *Insurance Companies*

American Municipal Bond Assurance Corporation (AMBAC)  
Bond Investors Guarantee Insurance (BIG)

### *Universities*

Columbia University  
Rutgers University

## SECTION II

### EXPERTS IN CREATION AND OPERATION OF REVOLVING, POOLED AND LEVERAGED LOAN PROGRAMS

#### *General Background.*

In 1987, major revisions to Federal support for construction of water pollution treatment projects were initiated including a phasing out of federal grant program for water treatment projects and a replacing of the grant program with a revolving loan fund program. Under this new program, federal capitalization grant money was made available to states only for deposit into a permanent revolving loan fund. Loans, but not grants, made by states from the revolving loan fund to municipalities to finance the construction of publicly owned water pollution treatment projects. Hawkins, Delafield & Wood took a leading role in assisting states in implementing these programs. Working directly with state officials and with the investment banking community we assisted states in developing a statutory and program framework to qualify for receipt of federal funds and to implement programs at the state and local level. Such programs include leveraging and pooling programs which enhance the state's ability to mobilize private sector financing of qualifying projects on an accelerated basis. We have additionally advised states, investment bankers and financial advisors on various financing alternatives for providing the requisite state matching funds. Hawkins, Delafield & Wood has acted as counsel (bond counsel, legislative drafting counsel, tax counsel or underwriters' counsel) for state revolving loan fund programs in New York, Connecticut, Louisiana, Maine, Minnesota and Wisconsin.

#### *State Statutory Drafting.*

Hawkins, Delafield & Wood has been retained by or has otherwise acted as bond counsel or a consultant to a number of states to help develop a revolving loan fund program and to draft or assist in drafting legislation to implement the program. The following is a representative sampling of the states we have provided assistance to in this practice area.

We worked with the New York State Department of Environmental Conservation as special counsel since early in 1987. In this capacity we had primary responsibility for drafting the State's revolving loan fund statute and providing guidance as to the structuring of the fund, financing options for raising the State's matching funds, revenue bonding options for a leveraging and pooling program to accelerate construction of eligible projects, tax matters relating to such financings, and other related matters. We also provided guidance to the State in developing a mechanical framework for implementing the State's program, including the preparation of financing documents for the issuance of revenue bonds and documentation relating to the repayment of loans from fund proceeds.

We acted as special counsel and bond counsel to the State of Connecticut to provide assistance in the implementation of the State's revolving loan fund program. As part of this engagement we reviewed the State's existing revolving loan fund legislation, identified weaknesses and areas of noncompliance and drafted amendments to the statute to correct such deficiencies. These amendments

have been enacted into law. We were further engaged to draft agreements between the State and various municipalities providing for financing by the State of eligible projects through a combination of loans made from the State revolving fund and direct grants of State (not revolving loan fund) moneys.

As bond counsel to the Maine Municipal Bond Bank, we drafted legislation creating the state revolving fund within the Bond Bank. The Bond Bank revolving loan fund legislation, adopted in 1988, provides the statutory authority to make loans from the revolving loan fund to finance eligible municipally-owned wastewater treatment projects.

In 1987 we were requested by the Committee on Environment and Public Works of the United States Senate to draft legislation to create a federal drinking water revolving and leveraging loan program. We were advised by the Committee at that time that this legislation was favorably received.

*State Program Guidance.*

In New York State, in addition to drafting state revolving fund legislation, we worked with the State to structure a program of leveraging through the issuance of revenue bonds that will accelerate the ability of the State to finance eligible projects while at the same time providing financing at below-market rates. Issues involved range from developing financing strategies to providing municipalities with incentives to participate in a State-sponsored loan program rather than defer construction or attempt to secure financing independently. In addition, we created documentation at the state and local level that implements project financings and provides security for loan repayment. In our capacity as counsel to the State we dealt directly with State officials at the Department of Environmental Conservation, the Division of Budget and the Governor's Office.

In Maine, the Firm assisted in the design of the revolving loan fund program to effectuate State objectives of (1) providing loans at 2% below market interest rates, (2) providing credit enhancement for debt issued to finance loans, (3) fitting into an existing State program, (4) maximizing arbitrage potential and (5) providing a great degree of flexibility.

In Connecticut, we actively and directly structured the revolving loan fund at the State level. Working with State officials we developed a structure which provides maximum opportunity for municipalities to maintain and rebuild their wastewater treatment facilities on an accelerated basis while providing below market loans (two percent per annum) to such municipalities. In addition, we drafted model grant/loan agreements which are now used as the official loan documents of the State.

The firm was retained in 1991 as counsel to the underwriters for the State of Louisiana revolving loan fund program. In such capacity, we assisted the underwriters in developing for the program a plan of finance, including the required trust and disclosing documents.

The firm was retained as special tax and program counsel to the State of Wisconsin to assist in the development of a leveraged revolving loan program.

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### ***Municipal Program Guidance.***

The Federal law requires significant state and local involvement for the development and implementation of a successful clean water revolving loan program. Developing a program that is attractive to municipalities is the hallmark of any successful revolving loan program. Moreover, state revolving loan programs are generally successful because they are attractive to municipalities. The development of a successful clean water fund revolving loan program is no exception. Such development requires a sensitivity to, and familiarity with, the wastewater treatment needs of municipal participants. Hawkins, Delafield & Wood, through its experience in developing revolving loan programs generally and clean water revolving loan fund programs specifically, has developed such a sensitivity and familiarity.

In New York State, as the program reached actuality, we travelled throughout the State discussing with numerous municipalities the structure requirements and merits of its program. We worked closely with officials from New York City and other municipalities in the State regarding their particular needs and objectives from this state program.

In Connecticut, we worked closely with State Officials in explaining the program to municipalities of the State and listening to feedback from such municipalities as to how the program could better assist them in meeting their ongoing wastewater treatment needs. We worked closely with a number of municipalities, including the cities of Bridgeport, Manchester, Suffield, East Lyme, New Haven, Danbury, Hebron, East Haven, Greenwich and North Haven, Connecticut in shaping the program to meet their unique and specific wastewater treatment needs. As a result, the state does not lack for participants in its program.

In Maine, prior to each financing we meet with each potential municipal borrower to explain the revolving loan fund program and procedures, answer questions regarding its benefits, address potential tax issue and assist in structuring a loan that meets each borrower's construction and debt repayment requirements. We have prepared model loan and financing documents that each borrower is required to execute, including a model borrower bond, loan agreement and arbitrage certificate. We work closely with each borrower and their counsel to finalize every loan.

Our experience at the state level in developing and implementing clean water fund revolving loan programs has provided us with a wealth of knowledge in accurately determining specific municipal wastewater treatment needs which is an important element in the process of ensuring the development of a successful state program.

### **Bond Financings.**

Hawkins, Delafield & Wood to date served as financial and tax counsel for providing leveraged loan program in New York, Maine and Connecticut, Wisconsin, Oklahoma, Minnesota and Oklahoma. Following is a brief summary of the Firm's involvement in financings for these programs.

***New York State.*** The Firm, under retainer to the State of New York drafted the State's SRF legislation, established the Environmental Facilities Corporation as custodian of the SRF and issuer of program debt, prepared State regulations for the SRF program, crafted model loan documents, and

developed the security structure for the financings. Following development of the prototype program, the Firm developed a Master Trust Agreement which governs SRF program funds and implements the State's policies. Among numerous points of interest of the State's program are (1) the SRF program bonds were rated higher (with no state credit enhancement) than the rating of the borrower whose loan secures repayment of the bonds, resulting in an overall reduced cost of funds for the State and the borrower, (2) the program at the State level is self-sustaining through the charging of origination and servicing fees by EFC to borrowers.

Following is a table of the New York State SRF program bond issues for which the Firm served as finance counsel.

<u>Issuer</u>	<u>Date</u>	<u>Principal Amount of Bonds</u>
New York State Environmental Facilities Corporation	May 1990	\$166,500,000
	Sept. 1990	41,435,000
	Dec. 1990	68,105,000
	Jan. 1991	313,400,000
	May 1991	50,690,000
	Sept. 1991	48,025,000
	Oct. 1991	32,990,000
	Dec. 1991	337,910,000
	May 1992	46,680,000
	Oct. 1992	53,170,000
	June 1993	32,725,000
	Sept. 1993	75,150,000
	Mar. 1994	714,090,000
	June 1994	56,660,000
	June 1994	11,200,000
	Dec. 1994	261,260,000
	Dec. 1994	118,380,000
	June 1995	75,475,000
Nov. 1995	114,585,000	
Feb. 1996	233,915,000	
Feb. 1996	92,805,000	
June 1996	102,515,000	
Mar. 1997	57,955,000	

**Maine.** The Maine Municipal Bond Bank is the entity designated by the State legislature as being responsible for financing the State's SRF program. In 1988 the Firm, drafted legislation incorporating the SRF program in the Bond Bank. In March of 1990 the Firm delivered its Bond Counsel opinion for the Bond Bank's first leveraged SRF revenue bond issue of \$12,315,000. Prior to the financing, the Firm worked closely with the Bond Bank to develop a leveraging structure tailored to meet the State's needs. This included the preparation of a Master Bond Resolution, the first new master bond

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resolution adopted by the Bond Bank since the 1970's, and model loan agreements. The establishment of a "moral obligation" by the State enabled the bonds to receive a rating from Standard & Poor's Corporation of AA, exceeding the rating that otherwise could have been obtained.

Following is a table of Maine SRF program bond issues for which the Firm delivered bond opinions:

<u>Issuer</u>	<u>Date</u>	<u>Principal Amount of Bonds</u>
Maine Municipal Bond Bank	March 1990	\$12,315,000
	March 1991	19,810,000
	Nov. 1992	20,300,000
	Oct. 1993	27,815,000
	March 1996	6,795,000

*Connecticut.* The Firm represented the State, initially as legislative counsel and later as special and bond counsel, to incorporate leveraged revenue bond authorization into the SRF program.

Following is a table of the State of Connecticut SRF program bond issues for which the Firm delivered bond opinions.

<u>Issuer</u>	<u>Date</u>	<u>Principal Amount of Bonds</u>
State of Connecticut	Jan. 1991	\$100,000,000
	Jan. 1992	105,000,000

*Minnesota.* The Firm currently represents the underwriters in connection with the State of Minnesota SRF program's financings. In such capacity, in addition to traditional underwriter counsel responsibilities relating to preparation of the official statement, proper disclosure and due diligence, the Firm has provided counsel to the program with respect to the Bond Resolution and matters relating to the tax treatment of the bonds.

Following is a table of the State of Minnesota SRF program bond issues for which the Firm delivered underwriter counsel opinions:

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<u>Issuer</u>	<u>Date</u>	<u>Principal Amount of Bonds</u>
Minnesota Public Facilities Authority	July 1990	\$71,029,776
	June 1991	31,400,000
	Sept. 1991	32,655,000
	Apr. 1992	55,549,118

*Wisconsin.* The Firm served as special tax and program counsel to the State of Wisconsin in connection with the development of a highly leveraged state revolving loan fund program. The State made substantial equity commitments to the program, raising numerous complex issues related to the financing of the equity. We worked with the State to devise a structure that maximized its ability to finance both its equity and its projects with tax-exempt debt and provide flexibility with respect to investment options and provide possible arbitrage opportunities, all within the confines of the federal tax requirements for tax-exempt obligations.

Following is a table of State of Wisconsin SRF program bond issues for which the Firm delivered special tax counsel opinions:

<u>Issuer</u>	<u>Date</u>	<u>Principal Amount of Bonds</u>
State of Wisconsin	March 1991	\$225,000,000
	Sept. 1993	166,295,000

*Oklahoma.* The firm has served and is currently serving as underwriter's counsel and tax counsel in transactions of the Oklahoma Water Resources Board. In 1995, the Oklahoma Water Resources Board issued bonds to provide funds to loan to unspecified municipalities in a blind pool program with over 125 loans outstanding. Currently, we are serving as underwriter's counsel and tax counsel in the Oklahoma Water Resources Board issuance of \$50,000,000 of bonds and remarketing of \$3,070,000 of bonds.

Following is a table of the Oklahoma Water Resources Board bond issues for which the Firm delivered underwriter counsel opinions and special tax counsel opinions:

<u>Issuer</u>	<u>Date</u>	<u>Principal Amount of Bonds</u>
Oklahoma Water Resources Board	Oct. 1995	\$50,000,000

Copies of cover pages of official statements for revolving loan fund programs in each of the States that we have been involved with are included in Appendix A.

### SECTION III

#### ADDITIONAL INFORMATION

Hawkins, Delafield & Wood is firmly committed to the development of public awareness through education and public policy discourse, and has sponsored and participated in conferences and seminars on legal and other topics. We are a member of the Association of State and Interstate Water Pollution Control Administrators, the Council of Infrastructure Financing Authorities and the United States Conference of Mayor's National Resource Recovery Association (NRRRA). We are one of fifteen sponsors of the NRRRA's Mayor's Leadership Institute (MLI) on Resource Recovery. Since 1983, the MLI has provided mayors from cities around the country with three intensive two day seminars each year on solid waste disposal and resource recovery matters. The Firm helped develop the curriculum for the seminars and members of the Firm speak regularly at the seminars and at a variety of other industry forums on legal and financial topics involved in resource recovery implementation. We regularly have several panelists at the annual workshop of the Bond Attorney's Workshop of the National Association of Bond Lawyers.

In addition, the Firm frequently sponsors seminars for its clients to advise them on recent developments in the public finance area. We also participate regularly in workshops, seminars and strategy sessions organized by our investment banking and public agency clients and by trade organizations representing a variety of public finance related groups. Participation in these activities is a regular component of the public finance practice for any partner or senior attorney at Hawkins, Delafield & Wood.