



New York State
ENVIRONMENTAL FACILITIES CORPORATION

David Serman, *President*

June 9, 2006

Kevin Denton, Esq.
1 Memorial Avenue
Pawling, NY 12564

Philip G. Gentile, Esq.
Gentile & Turpen, P. C.
1 Capner Street
Flemington, NJ 08822

RE: New York State Drinking Water Program
\$773,828 Long-Term Direct Financing to the Town of Beekman (the
"Recipient")
CWSRF Project No. C3-7339-01-00
Transcripts of Documents

Gentlemen:

Enclosed is a photocopy of the complete set of documentation for the referenced Financing for each of you in your respective capacities as local counsel and bond counsel to the Recipient. Also enclosed is a certification that the copies enclosed are true, complete and accurate.

Please note that a principal payment in the amount of \$25,795.00 is due on or before April 25, 2007.

An executed original transcript is also being sent to you, Kevin Denton, Esq., for the records of the Recipient.

Very truly yours,


John S. Della Rocca
Associate Counsel I

cc (w/o enc.): James Levine
Hon. John D. Adams, Supervisor



New York State
ENVIRONMENTAL FACILITIES CORPORATION

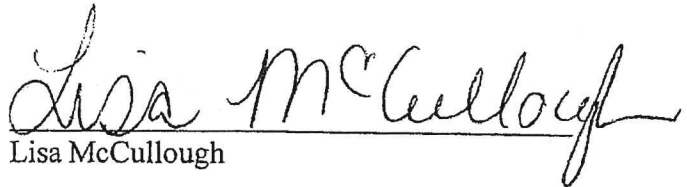
David Sterman, President

CERTIFICATION

I, the undersigned, of the Environmental Facilities Corporation, hereby certify that the photocopies attached hereto of the closing transcript for the \$773,828 New York State Clean Water Program Long-Term Direct Financing to the Town of Beekman (CWSRF Project No. C3-7339-01-00), including the following:

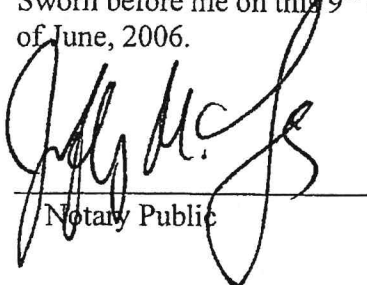
1. Specimen copies of the **E.F.C. Clean Water Statutory Installment Bond - 2006**;
2. Project Finance Agreement, dated as of June 8, 2006;
3. Closing Certificate;
4. Opinion of Bond Counsel;
5. Opinion of Local Counsel;

are true, complete and accurate copies of the original documents.


Lisa McCullough

June 9, 2006
Date

Sworn before me on this 9th day
of June, 2006.


Notary Public

JEFFREY M. LANIGAN
Notary Public, State of New York
Qualified in Albany County
No. 02LA4942485
Commission Expires 9/26/06

REGISTERED
No. R-1

REGISTERED
\$773,828.00

UNITED STATES OF AMERICA
STATE OF NEW YORK
COUNTY OF DUTCHESS
TOWN OF BEEKMAN
E.F.C. Clean Water Statutory Installment Bond - 2006

FINAL
MATURITY DATE

INTEREST RATE

DATE OF
ORIGINAL ISSUE

April 25, 2036

Initially 0% the Subsidy Interest Rate,
but subject to change upon the terms and
conditions set forth in the Project Finance
Agreement referred to below

June 8, 2006

REGISTERED OWNER: NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

PRINCIPAL SUM: SEVEN HUNDRED SEVENTY-THREE THOUSAND EIGHT HUNDRED
TWENTY-EIGHT DOLLARS AND NO CENTS (\$773,828.00)

The Town of Beekman (the "Recipient"), in the County of Dutchess, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the REGISTERED OWNER named above, or registered assigns, on or before the FINAL MATURITY DATE (stated above) the PRINCIPAL SUM in annual installments provided below per annum, annually on the April 25 in each year from the date of this bond until it matures.

Date	Principal	Annual Debt Service FY
04/25/2007	- 25,795.00	- 25,795.00
04/25/2008	- 25,795.00	- 25,795.00
04/25/2009	- 25,795.00	- 25,795.00
04/25/2010	- 25,795.00	- 25,795.00
04/25/2011	- 25,795.00	- 25,795.00
04/25/2012	- 25,795.00	- 25,795.00
04/25/2013	- 25,795.00	- 25,795.00
04/25/2014	- 25,795.00	- 25,795.00
04/25/2015	- 25,794.00	- 25,794.00
04/25/2016	- 25,794.00	- 25,794.00
04/25/2017	- 25,794.00	- 25,794.00
04/25/2018	- 25,794.00	- 25,794.00
04/25/2019	- 25,794.00	- 25,794.00
04/25/2020	- 25,794.00	- 25,794.00
04/25/2021	- 25,794.00	- 25,794.00
04/25/2022	- 25,794.00	- 25,794.00
04/25/2023	- 25,794.00	- 25,794.00
04/25/2024	- 25,794.00	- 25,794.00
04/25/2025	- 25,794.00	- 25,794.00
04/25/2026	- 25,794.00	- 25,794.00
04/25/2027	- 25,794.00	- 25,794.00
04/25/2028	- 25,794.00	- 25,794.00
04/25/2029	- 25,794.00	- 25,794.00

04/25/2030	-	25,794.00	-	25,794.00
04/25/2031	-	25,794.00	-	25,794.00
04/25/2032	-	25,794.00	-	25,794.00
04/25/2033	-	25,794.00	-	25,794.00
04/25/2034	-	25,794.00	-	25,794.00
04/25/2035	-	25,794.00	-	25,794.00
04/25/2036	-	25,794.00	-	25,794.00

The installments of principal on this bond will be paid to the REGISTERED OWNER of this bond in lawful money of the United States of America upon presentation of this bond for notation of any such payment thereon for so long as the New York State Environmental Facilities Corporation (the "Corporation") shall be the REGISTERED OWNER of this bond. the Corporation, or its successors or assigns, may, by written instruction to the Recipient, instruct the Recipient to pay any principal of this bond to any bank acting as custodian of the REGISTERED OWNER of this bond. In the event of any default in the payment of the unpaid principal of any installment of this bond on the earlier of the installment date or the date of mandatory redemption, the Recipient promises to pay interest on said unpaid principal to the REGISTERED OWNER at the Net Interest Rate of twelve per centum (12%) per annum on and after said installment date or date of mandatory redemption until said unpaid principal sum is paid in full. Terms used and not otherwise defined herein shall have the respective meanings set forth in the Project Finance Agreement (as later defined).

This bond is a statutory installment bond issued pursuant to section 62.10 of the Local Finance Law and pursuant to a bond resolution, duly adopted by the Town of Beekman on May 1, 2000, September 27, 2004 and May 2, 2005, authorizing the issuance of not to exceed \$1,200,000 bonds of the Recipient to provide funds required by the Recipient to finance the cost of improvements of the Wastewater Treatment Facilities of the Dover Ridge Sewer district in the Town of Beekman (the "Resolution"), and a Certificate of Determination executed by the Supervisor of the Recipient dated as of June 8, 2006. This bond may not be converted into a coupon bond.

This bond is transferable or exchangeable, solely in accordance with the terms of the Project Finance Agreement dated as of [closing date] between the Recipient and the Corporation, only upon the books of the Recipient kept for that purpose, by the REGISTERED OWNER hereof in person, or by his attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer or exchange satisfactory to the Recipient and duly executed by the REGISTERED OWNER or his attorney duly authorized in writing, and thereupon a new bond, in the same aggregate principal amount and of the same maturity, shall be issued to the transferee or the REGISTERED OWNER in exchange therefor upon the payment of the charges, if any, therein prescribed.

This bond shall be subject to redemption prior to maturity, in whole or in part at any time, at the option of the Recipient, from any monies available therefor, in inverse order of installment maturities, at the redemption prices of 100% of the principal amount of such bond, installment or portions thereof to be redeemed.

Any such redemption, either in whole or in part, shall be made upon at least thirty (30) days and no more than sixty (60) days prior written notice to the REGISTERED OWNER hereof.

Unless otherwise agreed to in writing by the Corporation, this bond shall be subject to mandatory redemption prior to maturity within five Business Days next succeeding the date on which the Recipient receives any other grant, loan or other funds ("Other Proceeds") which are, or were intended to be, used to finance costs of the Project which have been, or were intended to be, financed with the proceeds of this bond; provided, however, that such bond shall be subject to such mandatory redemption solely to the extent of, and in an amount equal to, any such Other Proceeds received by the Recipient on or after the date of issuance of this bond.

This bond shall be redeemed by the Recipient, in whole or in part, prior to maturity pursuant to and in accordance with Section 3.3 of the Project Finance Agreement entered into between the Corporation and the Recipient dated [closdate] (the "Project Finance Agreement") upon the date specified in a notice from the Corporation delivered to the Recipient not less than sixty (60) days prior to such redemption date in the event, as determined by the Corporation and as specified in such notice, that the financed Project related to the Bond is abandoned by the Recipient.

This bond shall be redeemed upon the terms and conditions set forth in Article VII of the Project Finance Agreement.

In the event the Recipient shall appoint a fiscal agent, the monies necessary for any redemption of this bond shall be paid to or deposited with any such fiscal agent prior to the redemption date. All installments of this bond called for redemption shall cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such bond, installment or portion thereof are on deposit with such fiscal agent.

If such monies are not available on the redemption date, this bond or portion thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption, except in the event of mandatory redemption, then the Overdue Interest Rate shall become effective five (5) days after the receipt of the Other Proceeds and continue until such Other Proceeds are paid to the Corporation.

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

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

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

TOWN OF DEERMAN



John D. Adams
By: John D. Adams
Supervisor

SPECIMEN

ATTEST:

Virginia M. Wood
Virginia Wood
Clerk

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the Undersigned hereby sells, assigns and transfers unto _____ (Please insert Social Security or other identifying number of Assignee(s): _____) the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

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

*PRINCIPAL PAYMENTS

Amount	Date Received	Received by
\$ _____	_____, 20____	_____ (signature of person receiving payment)
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____
\$ _____	_____, 20____	_____

SPECIAL

INTEREST PAYMENTS

Amount	Interest to	Received by
_____	_____	_____ (signature of person receiving payment)
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____

SPECIMEN

STATE CLEAN WATER REVOLVING FUND

TOWN OF BEEKMAN

and

NEW YORK STATE
ENVIRONMENTAL FACILITIES CORPORATION

PROJECT FINANCE AGREEMENT
(LONG-TERM DIRECT FINANCING PROGRAM)

STATE REVOLVING FUND PROJECT NO.: C3-7339-01-00

Dated as of June 8, 2006

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EXHIBITS

Exhibit A Project Description
Exhibit B Description of Previously Issued Indebtedness
Used to Finance the Project
Exhibit C Estimated Project Costs
Exhibit D Estimated Construction Schedule
Exhibit E Schedule of Additional Provisions
Exhibit F Payment Schedule
Exhibit G Form of Recipient Bond or Note
Exhibit H Form of Opinion of Nationally Recognized Bond Counsel
Exhibit I Form of Opinion of Local Counsel
Exhibit J Form of Closing Certificate
Exhibit K Requisition Procedures and Form of Requisition

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

WITNESSETH:

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

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

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

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

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

WHEREAS, on the basis of such application and the representations and warranties set forth herein, the Corporation proposes to make funding available through the purchase of the Recipient Bonds pursuant to Article III hereof (as hereinafter defined, the "**Direct Financing**") to the Recipient to finance, or to reimburse the Recipient for costs incurred in connection with, the planning, design, acquisition, construction and installation of the project described in **Exhibit A** hereto (the "**Project**") and/or to refund outstanding bonds or notes of the Recipient, if any, issued to finance the Project (such outstanding bonds or notes, if any, being described in **Exhibit B** hereto and referred to hereinafter as the "**Existing Indebtedness**"), and the Recipient desires to receive the sale proceeds upon the terms and conditions required by the New York State Environmental Facilities Corporation Act, being Chapter 744 of the Laws of 1970, as amended, constituting Title 12 of Article 5 of the Public Authorities Law and Chapter 43-A of the Consolidated Laws of the State of New York, as amended (the "**Act**"), and the State Act and as set forth hereinafter in this Project Finance Agreement; and

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

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

ARTICLE I

DEFINITIONS

Section 1.1 Definitions.

Unless another meaning is specified in **Exhibit E** hereto, the following capitalized terms used in this Project Finance Agreement (including the Exhibits hereto) have the following meanings:

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

"Application" means the application for financial assistance for the Project from the Revolving Fund submitted by the Recipient to the Corporation, as the same may be amended from time to time.

"Authorized Investments" shall mean: (a) obligations of the State or the United States of America; (b) obligations, the principal and interest of which are guaranteed by the State or the United States of America; (c) deposits with banks or trust companies, provided that such bank or trust company deposit shall be continuously and fully secured by direct obligations of the State or the United States of America or by obligations of any municipality, school district or district corporation of the State of a market value equal at all times to an amount no less than the amount of the deposit; (d) investment agreements (including repurchase agreements) continuously secured by obligations with any insurance or reinsurance company or corporate affiliate thereof rated by a nationally recognized rating agency in one of its two highest categories, any bank, trust company or broker or dealer, as defined by the securities exchange act of 1934, which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by a federal reserve bank and is a member of the securities investors protection corporation, if, such investment agreements are continuously secured by obligations of the State or the United States of America, or obligations the principal and interest of which are guaranteed by the State or the United States of America; or (e) obligations the interest on which is excludable from gross income under section one hundred three of the internal revenue code, provided that such obligations are rated by a nationally recognized rating agency in one of its two highest rating categories. To the extent that amounts held for the Recipient are held and invested separate and apart from any other moneys held by the Corporation or the Depository Bank Authorized Investments shall also include "Eligible Securities" as defined in Section 10 of the General Municipal Law. In connection with proceeds of the Recipient Bonds described in Section 3.9 herein, authorized investments shall include any investments permitted by the applicable provisions of the General Municipal Law or the Local Finance Law governing the investment of municipal funds.

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

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

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

"Commissioner" means the Commissioner of DEC.

"Construction Account" means a Construction Account for the purchase proceeds, to be established by the Corporation under the Master Trust Agreement and held by the Depository Bank for the benefit of the Recipient, into which account all proceeds are to be initially deposited according to the direction of the Corporation, to be disbursed in accordance with the provisions of Section 3.4(b).

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

"Corporation Bonds" means the series of bonds of the Corporation issued to fund a Leveraged Financing together with any bonds of the Corporation issued to refinance such bonds.

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

"Depository Bank" means Manufacturers and Traders Trust Company, which has been appointed to act as Depository Bank by the Recipient pursuant to Section 3.7 hereof.

"Direct Financing" means the financing made from the Revolving Fund in a principal amount not to exceed the Principal Amount.

"Eligible Project" means a water pollution control project including (i) any devices and systems used in the storage, treatment, recycling, and reclamation of municipal sewage or industrial wastes of a liquid nature, or any devices and systems necessary to recycle or reuse water at the most economical cost over the estimated life of the works, including intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment, and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process (including land used for the storage of treated wastewater in land treatment systems prior to land application) or used for ultimate disposal of residues resulting from such treatment; (ii) any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste, including storm water runoff, or industrial waste, including waste in combined storm water and sanitary sewer systems; or (iii) any device, system, program, facility, equipment or method constructed or installed in connection with a landfill closure program for the purpose of controlling pollution from nonpoint sources to the navigable waters within the State or for the purpose of protecting the quality of groundwater within the State.

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

"Estimated Project Costs" means the projected costs of the Recipient that are eligible for financial assistance by the Corporation under the State Act, that are allowable costs under the Regulations and that are reasonable, necessary and allocable by the Recipient to the Project under generally accepted government accounting standards, as set forth in the Application, which projections are set forth in **Exhibit C** hereto. Such Estimated Project Costs may include costs of refunding outstanding bonds or notes issued by the Recipient to finance Project Costs, if such Project Costs meet the requirements of the preceding sentence.

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

"Interest Rate" means the Subsidy Interest Rate, the Pool Interest Rate or the Overdue Interest Rate, as applicable.

"Leveraged Financing" means the financial assistance made from monies deposited in New York State Clean Water Revolving Fund created by the State Act that is made available through the issuance of bonds or notes of the Corporation.

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

"Net Interest Rate" means the applicable rate of interest after applying any reductions for funds credited by the Corporation to the Recipient derived from amounts representing earnings from the investment of proceeds of the Direct Financing to be used to finance the acquisition, construction and installation of this Project deposited in accordance with Section 3.4(a).

"Pool Interest Rate" means the Net Interest Rate of the latest Revolving Fund pooled financing prior to the closing of this Direct Financing which is applicable to this Direct Financing and the Recipient Bonds without regard to the Subsidy Interest Rate.

"Principal Amount" has the meaning set forth in **Exhibit E** hereto.

"Project" means the Project being funded with this Direct Financing and described in **Exhibit A** hereto, as said Exhibit may be amended in accordance herewith.

"Project Costs" means the incurred costs of the Recipient which are eligible for financial assistance from the Revolving Fund under the State Act, which are allowable costs under the Regulations and which are reasonable, necessary and allocable by the Recipient to the Project under generally accepted government accounting standards. Such Project Costs may include costs of refunding Existing Indebtedness, if any, provided that such costs meet the requirements of the preceding sentence.

"Project Finance Agreement" means this Project Finance Agreement.

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

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

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

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

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

"State" means the State of New York.

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

"State Approvals" means (i) the approval by the Public Authorities Control Board of the purchase of the Recipient Bonds by the Corporation and the execution of this Project Finance Agreement and (ii) where applicable, the approval of the State Comptroller for the issuance of the Recipient Bonds.

"Subsidy Interest Rate" means the Net Interest Rate to be paid by the Recipient to the Corporation as set forth in **Exhibit E** after applying any reductions for funds credited by the Corporation to the Recipient derived from (a) amounts representing earnings from the investment of proceeds of the Direct Financing to be used to finance the acquisition, construction and installation of this Project deposited in accordance with Section 3.4(a), and (b) any other funds within the Revolving Fund so designated from time to time by the Corporation.

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

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

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

Section 1.2 Rules of Construction.

Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Project Finance Agreement:

- (a) *Number.* Words importing the singular number shall include the plural number and vice

versa.

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

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

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

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

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

Section 1.3 Exhibits and Appendices Incorporated.

All exhibits and appendices to this Project Finance Agreement, including any amendments and supplements hereto, are incorporated herein and made a part of this Project Finance Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the Recipient.

As of the date set forth on the cover page hereof and as of each date subsequent to the date hereof on which certain of the following representations and warranties are required to be restated, the Recipient represents and warrants as follows:

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

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

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

(d) *Binding Obligation.* This Project Finance Agreement has been duly authorized, executed and delivered by the Recipient and, assuming due authorization and execution by the Corporation, constitutes a legal, valid and binding obligation of the Recipient enforceable in accordance with its terms. Upon issuance and delivery thereof, the Recipient Bonds each will have been duly executed and delivered and will constitute legal, valid and binding obligations of the Recipient. The defense of sovereign immunity is not available to the Recipient in any proceedings by the Corporation to enforce any of the obligations of the Recipient under this Project Finance Agreement or the Recipient Bonds; and, to the fullest extent permitted by law, the Recipient consents to the initiation of any such proceedings in any court of competent jurisdiction and agrees not to assert the defense of sovereign immunity in any such proceedings. The enforceability (but not the validity) of rights or remedies with respect to this Project Finance Agreement or the Recipient Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

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

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

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

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

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

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

(k) *Project Costs.* The estimated or actual costs of this Project set forth in **Exhibit C** are equal to or in excess of the principal amount of this Direct Financing and represent a reasonable estimate of the costs actually incurred or expected to be incurred for this Project.

(l) *Project Compliance and Completion.* The Project is in compliance with all applicable federal, State and local laws and ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality. To the extent that this Project is not yet complete, the Recipient intends to proceed with due diligence to complete this Project pursuant to Section 4.3 hereof. The Recipient has complied with and completed all requirements of the State Environmental Quality Review Act and of the State Environmental Review Process approved by EPA for Revolving Fund projects necessary to commence construction of this Project.

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

(n) *Existing Indebtedness.* Except as specified otherwise in **Exhibit B**, the Existing Indebtedness, if any, may be refunded without payment of any premium or penalty. All consents, authorizations and approvals of any third party with respect to the refunding of the Existing Indebtedness, if any, have been duly obtained, including any approval of the State Comptroller required pursuant to Section 90.10 of the Local Finance Law or otherwise. Except as stated otherwise in **Exhibit E**, as of the date of this Project Finance Agreement the Recipient has applied the full amount of the proceeds of Existing Indebtedness, if any, to the costs of the Project, as reflected in the description of estimated project costs, attached as **Exhibit C** hereto.

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

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

(q) *Procurement and Suspension Debarment.* The Recipient is not a debarred or suspended party under 40 CFR Part 32. Further, the Recipient shall ensure that no subaward, contract or agreement

for purchases of goods or services shall be made with any debarred or suspended party under 40 CFR Part 32.

Section 2.2 Representations and Warranties of the Corporation.

The Corporation represents and warrants as follows:

- (a) *Existence and Authority.* The Corporation is a body corporate and politic, constituting a public benefit corporation, established and existing under the laws of the State, including the Act. The Corporation is authorized to provide funds to the Recipient to undertake and complete this Project and/or to refund the Existing Indebtedness.
- (b) *Legal Power.* The Corporation has complied with the provisions of the Act and has full legal power and authority to execute and deliver this Project Finance Agreement and, subject to the receipt of the State Approvals, to consummate the transactions contemplated hereby and to perform its obligations hereunder.
- (c) *No Default.* The Corporation is not in default under any of the provisions of the laws of the State that would affect its existence or its powers referred to in the preceding paragraph (b).
- (d) *Approvals.* By resolution duly adopted by the Corporation and still in full force and effect, the Corporation has authorized the execution, delivery and due performance of this Project Finance Agreement, and the taking of any and all action as may be required on the part of the Corporation to carry out, give effect to and consummate the transactions contemplated by each of the foregoing, and the Corporation shall take all actions within its reasonable control to obtain all approvals necessary in connection with the foregoing that have not been obtained as of the date hereof.
- (e) *Binding Obligation.* This Project Finance Agreement has been duly authorized, executed and delivered by the Recipient and, upon execution, delivery and acceptance hereof by the Corporation, will constitute a legal, valid and binding special obligation of the Corporation.
- (f) *No Violation.* The execution and delivery by the Corporation of this Project Finance Agreement and the consummation of the transactions contemplated herein will not violate any indenture, mortgage, deed of trust, note, loan agreement or other contract or instrument to which the Corporation is a party or by which it is bound and, to the best of the Corporation's knowledge, will not violate any judgment, decree, order, statute, rule or regulation applicable to the Corporation. The Corporation shall take all actions within its reasonable control to obtain all consents, approvals, authorizations and orders of governmental or regulatory authorities that are required for the consummation of the transactions contemplated hereby but have not been obtained as of the date hereof.
- (g) *No Litigation.* There is no action, suit, proceeding or investigation at law or in equity before or by any court, or any public board or body, pending or threatened against or affecting the Corporation, or to the best knowledge of the Corporation any basis therefore, wherein an unfavorable decision, ruling, or finding would adversely affect the transactions contemplated hereby or which, in any way, would adversely affect the validity of this Project Finance Agreement or any agreement or instrument to which the Corporation is a party and which is used or contemplated for use in consummation of the transactions contemplated herein.

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

ARTICLE III

PURCHASE OF RECIPIENT BONDS

Section 3.1 Purchase of Recipient Bonds.

Subject to the conditions and in accordance with the terms of this Project Finance Agreement, the Corporation hereby agrees to purchase and the Recipient hereby agrees to sell the Recipient Bonds to the Corporation in an aggregate principal amount of up to the Principal Amount, at the Interest Rate, or rates, specified in **Exhibit E** hereto. Pursuant to Section 3.6, the Recipient hereby agrees to issue to or upon the order of the Corporation, and to deliver to or upon the order of the Corporation, the Recipient Bonds in an aggregate principal amount of up to the Principal Amount, bearing interest at the rate or rates specified and maturing at the times and in the amounts set forth in **Exhibit F** hereto.

Notwithstanding the foregoing, in the event a breach of this Project Finance Agreement occurs and is continuing, the Corporation may cease providing the Subsidy Interest Rate to the Recipient in which case the Pool Interest Rate, or the Overdue Interest Rate, as applicable, will be the rate applicable to the Recipient Bonds until such breach is cured to the satisfaction of the Corporation.

Section 3.2 Other Amounts Payable.

(a) *Fees and Expenses of the Corporation.* The Recipient hereby expressly agrees to pay to the Corporation:

(1) The Corporation's annual administrative fee in the amount, if any, and on the dates specified in **Exhibit E** hereto; and

(2) As such expenses are incurred, the amount of any Corporation expenses (including but not limited to investment losses and the reasonable fees and expenses of the Corporation and the Depository Bank and attorneys representing either of them) incurred as a result of the Recipient's failure to make any payment on the Recipient Bonds when due or failure to otherwise comply with the terms of this Project Finance Agreement or the Recipient Bonds. In addition, in the event that Recipient fails to pay when due any sum owing to the Corporation, the Recipient agrees to pay to the Corporation the Overdue Interest Rate on the amount then due and payable.

(b) *Indemnification.* To the extent permitted by law, the Recipient agrees to indemnify, defend and hold harmless the Corporation against any loss or liability arising out of any claim or action brought against the Corporation for death, injury or damage to persons or property occurring in connection with the construction, operation or maintenance of this Project. Such obligation of the Recipient shall in each case be conditioned upon (i) prompt written notice, by the Corporation to the Recipient, of the institution of any such claim or action; and (ii) the assignment, by the Corporation to the Recipient, of the right to conduct the defense of any such claim or action, provided that such defense is undertaken by

counsel reasonably satisfactory to the Corporation, and provided further that no settlement, compromise or other voluntary resolution is entered into without the Corporation's prior written consent that would impose any liability or obligation on the Corporation. To the fullest extent permitted by law, the Recipient agrees to pay and discharge any settlement, compromise or other voluntary resolution and any judgment or award entered or made against the Corporation with respect to any such claim or action.

Section 3.3 Excess Proceeds: Optional and Mandatory Redemption.

(a) *Application of Excess Proceeds.* If the amount of the Direct Financing exceeds the actual Project Costs, excess proceeds shall be applied to the payment of the Recipient Bonds, including to the redemption of the excess Recipient Bonds, in inverse order of maturities. On the next principal payment date following the scheduled completion date of the Project, as reflected in **Exhibit D** to this Project Finance Agreement, the Recipient shall apply proceeds not actually required for Project costs against the amount of the principal payment then due on the Direct Financing; and the Corporation is hereby authorized to direct the Depository Bank to disburse unexpended proceeds for such purpose.

(b) *Optional Redemption.* The Recipient may redeem Recipient Bonds outstanding, in whole at any time, or in part on any interest payment date, or, if the Recipient Bonds bear no interest, on any date, in inverse order of maturities, at a redemption price equal to 100% of the principal amount outstanding on such Recipient Bonds to be redeemed, together with accrued and unpaid interest to the date of redemption, if any, upon compliance with the following conditions:

(1) The Recipient shall deliver a written notice to the Corporation, at least thirty (30) days and not more than sixty (60) days prior to the date of redemption, indicating that the Recipient desires to redeem a specified amount of the Recipient Bonds outstanding, and specifying the amount to be so redeemed and the date of redemption.

(2) On or prior to the date of redemption, the Recipient shall pay to the Corporation the full redemption price of the Recipient Bonds being redeemed, together with all other sums due and owing to the Corporation hereunder.

(c) *Mandatory Redemption.* The Recipient Bonds shall be redeemed by the Recipient, at any time, in whole or in part, in inverse order of maturities, at a redemption price equal to 100% of the principal then outstanding on such Recipient Bonds, together with accrued and unpaid interest, if any, to the date of redemption in accordance with the terms thereof, the provisions of the next succeeding paragraphs and, if applicable, **Exhibit E**. On or prior to the date of redemption, the Recipient shall pay to the Corporation the full redemption price of the Recipient Bonds being redeemed, together with all other sums due and owing to the Corporation hereunder.

The Recipient Bonds shall be redeemed by the Recipient, in whole or in part, prior to maturity pursuant to and in accordance with this section upon the date specified in a notice from the Corporation delivered to the Recipient not less than sixty (60) days prior to such redemption date in the event, as determined by the Corporation and as specified in such notice, that the financed Project related to the Recipient Bonds is abandoned by the Recipient.

The Recipient Bonds shall be redeemed by the Recipient in accordance with the terms and conditions set forth in Section 7.1 hereof.

Unless otherwise agreed to in writing by the Corporation, the Recipient Bonds shall be redeemed by the Recipient, in whole or in part, prior to maturity, within five Business Days next succeeding the date on which the Recipient receives any other grant, loan or other funds ("Other Proceeds") which are intended to pay or to finance, in whole or in part, costs of the Project which have been, or were intended to be, financed with the proceeds of the Recipient Bonds; provided, however, that such Recipient Bonds shall be redeemed solely to the extent of, and in an amount equal to, any such Other Proceeds received by the Recipient on or after the date of issuance of the Recipient Bonds.

In the event of any default in the payment of the unpaid principal on the earlier of the Maturity Date of each installment of the Recipient Bonds or the date of earlier mandatory redemption, the Recipient promises to pay interest on said unpaid principal to the Registered Owner of the Recipient Bonds at the Net Interest Rate of twelve per centum (12%) per annum ("Overdue Interest Rate") on and after said Maturity Date or date of earlier mandatory redemption until said unpaid principal sum is paid in full.

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

Section 3.4 Deposit and Disbursement of Proceeds.

(a) *Deposit of Proceeds.* Proceeds of the Direct Financing shall be deposited as follows:

(1) To the extent the proceeds of this Direct Financing are to be used to finance the acquisition, construction and installation of any portion of this Project not yet completed or to pay costs of issuance of Recipient Bonds or any amounts payable to the Corporation under this Project Finance Agreement, such proceeds shall be deposited initially in the Construction Account. Disbursements to, or at the direction of, the Recipient for Project Costs shall be made from such Construction Account, as applicable, in accordance with Section 3.4(b). Disbursements will be made from any proceeds, upon proper request therefore, until exhausted.

(2) To the extent the proceeds of the Direct Financing are to be used to refund Existing Indebtedness, the Corporation shall deposit the proceeds to be so used into the Construction Account, as applicable, from which disbursements shall be made, in accordance with Section 3.4(c), to refund Existing Indebtedness.

(3) In the event that the proceeds of the Direct Financing are to be used in part to finance the acquisition, construction and installation of the Project not yet completed and in part to refund Existing Indebtedness, such proceeds shall be deposited in accordance with subsections (a)(1) and/or (a)(2) above, consistent with the intended use thereof.

(b) *Disbursement of Proceeds - New Construction.* Proceeds to finance the acquisition, construction and installation of any portion of the Project not yet completed shall be disbursed pursuant to

requisitions submitted by the Recipient to, and approved by, the Corporation as follows:

(1) Copies of each requisition shall be delivered to the Corporation, in accordance with this Project Finance Agreement and in substantially the form set forth as **Exhibit K**. Bills, invoices, evidence of payment or other evidence that the Recipient has incurred Project Costs for which disbursement is requested shall be delivered to the Corporation in accordance with **Exhibit K**. Notwithstanding the foregoing, the Depository Bank is hereby authorized and directed to pay amounts payable to the Corporation pursuant to this Project Finance Agreement without requisition by the Corporation.

(2) Upon approval of a requisition by the Corporation, the Corporation shall authorize and instruct the Depository Bank to disburse the amount so approved, to or upon the order of the Recipient as provided in the approved requisition; provided, however, that the aggregate of all disbursements shall not exceed the Principal Amount.

(3) Disbursements of proceeds shall be made from the proper account or accounts, as set forth in Section 3.4(a).

(c) *Disbursement of Proceeds - Refunding.* Disbursements of proceeds to refund Existing Indebtedness shall be made as follows:

(1) Where the refunding constitutes an "advance refunding" pursuant to Section 90.10 of the Local Finance Law of the State, of notes or bonds of the Recipient prior to their maturity, proceeds shall be disbursed to the escrow holder on the date of delivery of the Recipient Bonds or on such other date as may be agreed upon by the Recipient and the Corporation, and such proceeds shall be disbursed by the escrow holder to refund such notes or bonds at the times and in the manner specified in an escrow agreement between the Recipient and the escrow holder, such agreement to be executed at or prior to the Direct Financing and to be in form and substance satisfactory to the Corporation.

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

(3) With respect to any refunding of Existing Indebtedness: except as provided otherwise in **Exhibit E** hereto, the Recipient expressly acknowledges and agrees that (i) the Corporation will not disburse proceeds to refund Existing Indebtedness in excess of the amount of Existing Indebtedness identified in **Exhibit B** hereto, or such lesser amount as has been reviewed and approved by DEC or the Corporation on behalf of DEC as eligible costs of an Eligible Project; (ii) if, on the maturity or prepayment date of Existing Indebtedness, the amount of proceeds to be disbursed by the Corporation pursuant to clause (i) above is less than the full principal and interest payment necessary to pay off and discharge on such date any series of bonds or notes of which the Existing Indebtedness constitutes a part, the Recipient shall be obligated (and hereby agrees) to pay the difference in its own funds on such date so as to fully pay off and discharge such bonds or notes to the extent that the difference is due on such date; and (iii) any proceeds remaining after all transfers to pay off and discharge Existing Indebtedness shall be deposited into the related Construction Account for disbursement pursuant to this Section 3.4 or Section 3.3(a).

Section 3.5 Effective Date and Term.

The date of this Project Finance Agreement is provided for reference purposes only, and this

Project Finance Agreement shall become effective upon its execution and delivery by the Recipient and acceptance by the Corporation. If no Direct Financing is closed with the Recipient pursuant to the terms hereof within a period of thirty (30) days from the date hereof, this Project Finance Agreement shall become null and void as of the expiration of such thirty-day period. If, within such thirty-day period, a Direct Financing is closed with the Recipient pursuant hereto, then this Project Finance Agreement shall remain in full force and effect until, and shall expire on, the date on which (i) all Recipient Bonds have been discharged and satisfied in accordance with the provisions thereof and (ii) all obligations of the Recipient to the Corporation hereunder are satisfied; provided, however, that Section 3.2(b) shall survive any termination of this Project Finance Agreement.

Section 3.6 Execution and Delivery of Recipient Bonds.

(a) *Form of Bonds.* The Recipient agrees to execute and deliver to the Corporation its Recipient Bonds. Such Recipient Bonds shall be substantially in the form of **Exhibit G** hereto, with only such changes, deletions and additions as have been agreed to by the Corporation, and shall:

(1) provide for payments of principal, premium, if any, and interest, if any, equal to the payments of principal, premium, if any, and interest, if any, set forth in **Exhibit F** hereto; and

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

(b) *Additional Documents.* The Recipient further agrees to deliver to the Corporation, concurrently with the delivery of such Recipient Bonds:

(1) an unqualified opinion of nationally recognized bond counsel to the Recipient, in substantially the form set forth in **Exhibit H**;

(2) an opinion of local counsel to the Recipient, in substantially the form set forth in **Exhibit I**;

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

(4) if so required by the Resolution, a certificate setting forth the terms of the Recipient Bonds;

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

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

(i) a certificate of the chief fiscal officer pursuant to Section 90.10(g) of the

Local Finance Law of the State; and

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

(7) such additional certificates, documents and opinions as the Corporation may reasonably request.

Section 3.7 Depository Bank.

The Recipient (i) hereby appoints Manufacturers and Traders Trust Company as the Depository Bank with which proceeds will be deposited, (ii) authorizes the Corporation to direct the Depository Bank to establish a Construction Account for the purposes specified herein, (iii) irrevocably directs the Depository Bank to release proceeds solely in accordance with Section 3.4 hereof, and (iv) hereby authorizes the Depository Bank to invest amounts deposited with the Depository Bank at the direction of the Corporation, subject to applicable provisions of the Local Finance Law of the State of New York and the General Municipal Law of the State of New York.

Section 3.8 Reimbursement of Revolving Fund.

If the Corporation determines that funds disbursed pursuant to this Project Finance Agreement have been expended by the Recipient for costs that are not permissible Project Costs, the Recipient shall promptly reimburse the account from which such amounts were disbursed in an amount equal to the amount of those funds improperly applied together with interest on such amounts for the period during which such amounts were improperly applied at a rate equal to the interest rate of the Direct Financing. The Corporation shall apply the interest rate subsidy granted to the Recipient pursuant to Section 3.1 hereof to reimburse the Revolving Fund or shall reduce such interest rate subsidy until the Revolving Fund is reimbursed for amounts misapplied as set forth in this paragraph.

Section 3.9 Leveraged Financing Takeout.

(a) Leveraged Financing. At any time during the life of the Direct Financing, the Corporation shall have the right, solely in its discretion, to convert the Direct Financing to a Leveraged Financing and to refinance the Project through the issuance of Corporation Bonds therefore. The Leveraged Financing shall be equal in amount to the sum of (i) the amount of the Direct Financing that is then outstanding, (ii) the Recipient's pro rata share of any fees charged by the Corporation and/or the State upon the issuance of the Corporation Bonds and the making of the Leveraged Financing (fees charged by the Corporation shall be reduced by the amount of issuance fees charged by the Corporation in connection with the Direct Financing hereunder), (iii) the Recipient's pro rata share of the costs of issuance of the Corporation Bonds, and (iv) in the case of a Recipient which is a public benefit corporation, any amount necessary to fund a debt service reserve fund for the Recipient Bonds issued in relation to the Leveraged Financing. The Corporation agrees that an allocation from the Revolving Fund shall be made for the Leveraged Financing, equal to at least one-third of the principal amounts of the Leveraged Financing set forth in parts (i), (ii) and (iii) of the preceding sentence, resulting in a proportionate interest rate subsidy for those portions of the Leveraged Financing.

(b) Execution of Documents, etc. The Recipient agrees that at the request of the Corporation it shall cooperate with and assist the Corporation in converting the Direct Financing to a Leveraged Financing, including by execution of a new Project Finance Agreement and related documents including new Recipient

Bonds evidencing the Leveraged Financing; and the Recipient shall execute such documents and take such actions as may be necessary or appropriate to assure the exclusion from federal income tax of the Corporation Bonds issued therefore.

ARTICLE IV

GENERAL PROJECT CONDITIONS, COVENANTS AND REPRESENTATIONS

Section 4.1 Compliance with Laws and Agreements.

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

The Recipient further agrees that if its Project is determined by the Corporation, to be subject to the federal audit requirements of the Single Audit Act of 1984, then it will comply with the requirements of the Single Audit Act of 1984 (31 USC 7501 et seq.) and all laws and regulations implementing same including without limitation 40 CFR Part 31, all as amended from time to time.

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

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

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

(e) *S/M/WBE/AA.* The Recipient agrees that it, its authorized representatives and all

contractors, subcontractors, and consultants providing services for this Project shall comply with all federal and State laws, regulations, and executive orders applicable to this Project, and shall provide such documentation, including quarterly reports, as may be requested by the Corporation, regarding affirmative action, equal employment opportunity, and small, minority and women's business enterprises.

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

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

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

Section 4.2 Plans and Specifications.

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

(b) *No Warranty Regarding Condition, Suitability or Cost of Project.* Neither the Corporation nor DEC makes any warranty, either express or implied, as to this Project or its condition or that it will be suitable for the Recipient's purposes or needs, or that the proceeds of the Direct Financing will be sufficient to pay the costs of this Project. Review or approval of engineering reports, facilities plans, design drawings and specifications or other documents or the inspection of Project Construction by DEC or the Corporation does not relieve the Recipient of its responsibility to properly plan, design, build and effectively operate and maintain this Project as required by laws, regulations, permits and good management practices. The Recipient acknowledges and agrees that DEC and the Corporation, and their representatives, are not responsible for increased costs resulting from defects in the plans, design drawings and specifications or other Project documents. Nothing in this section prohibits a Recipient from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing Project work.

(c) *Performance Standards.* The Recipient agrees to take corrective action necessary to bring the Project into compliance with the Project performance standards contained in the approved engineering report or facilities plan for this Project. The Corporation agrees to consider additional Revolving Fund assistance to finance the costs of such corrective action.

Section 4.3 Construction of Project.

(a) *Construction.* If all or part of this Project is not completed as of the date of this Project Finance Agreement, the Recipient agrees to ensure that this Project will be constructed expeditiously and in accordance with the construction schedule most recently provided by the Recipient and approved by the Corporation. (Such construction schedule as of the date of this Project Finance Agreement is appended hereto as **Exhibit D**.)

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

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

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

(e) *Completion Certificate.* To the extent, if any, that the Project is not yet complete, the Recipient shall deliver to the Corporation, **within fifteen (15) Business Days following completion of the Project**, a certificate of a supervising engineer stating that this Project has been completed in accordance with this Project Finance Agreement.

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

Section 4.4 Ownership, Operation and Maintenance.

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

(b) *Operation and Maintenance.* The Recipient agrees to ensure proper and efficient operation and maintenance of this Project satisfactory to DEC, including but not limited to retaining a sufficient

number of qualified staff and insuring performance of required tests and requirements. After completion of this Project the Recipient (i) at all times shall operate this Project or otherwise cause this Project to be operated properly and in a sound and economical manner and shall maintain, preserve and keep this Project, or shall cause this Project to be maintained, preserved and kept, in good repair, working order and condition, and (ii) from time to time shall make, or shall cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of this Project may be properly conducted in a manner that is consistent with the project performance standards contained in the engineering report or facilities plan (each as defined in the Regulations) for this Project, with this Project Finance Agreement and with the requirements of any related permit obtained for the operation of this Project.

(c) *Continued Ownership and Operation.* The Recipient agrees to own, operate and maintain this Project unless authorized to cease operation or dispose of this Project according to the provisions of Section 17-1909.4.g.(ii) and (vii) of the Environmental Conservation Law. The Recipient shall not discontinue operation of or sell or otherwise dispose of this Project, except for portions of this Project sold or otherwise disposed of in the course of ordinary repair and replacement of obsolete or worn out parts, without the prior written approval of the Commissioner for so long as the Direct Financing is outstanding.

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

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

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

Section 4.5 Accounting and Records.

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

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

(c) *Record Retention.* The Recipient agrees to retain all files and records relating to the

construction of this Project for at least six (6) years after Project completion and to retain all other Project files and records until the final payment of debt service on the Recipient Bonds has been made to the Corporation. As-built plans and specifications for this Project shall be retained for the useful life of the Project. The Recipient further agrees to make available to the EPA Administrator or representatives of the EPA Administrator any files or records necessary to determine compliance with the Clean Water Act.

Section 4.6 Payment of Additional Project Costs.

In the event that proceeds of this Direct Financing are not sufficient to pay the costs of this Project in full, the Recipient shall nonetheless complete this Project and shall pay such portion of the Project Costs as may be in excess of such available proceeds, and shall not be entitled to any reimbursement therefore from the Corporation.

Section 4.7 Remediation.

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

ARTICLE V

COVENANTS

Section 5.1 Application of Proceeds.

The Recipient covenants and agrees that it shall apply the proceeds of the Direct Financing solely for Project Costs and, as applicable, to refund the Existing Indebtedness.

Section 5.2 Payment of Recipient Bonds.

The Recipient covenants and agrees (i) that it shall duly and punctually pay or cause to be paid the principal installments or redemption price of the Recipient Bonds and the interest, if any, thereon, at the dates and places and in the manner stated in the Recipient Bonds and in accordance with Article III hereof and (ii) that such obligation shall not be subject to any defense (other than payment) or any rights of setoff, recoupment, abatement, counterclaim or deduction and shall be without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Corporation, DEC or the Depository Bank.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.1 Events of Default.

The occurrence of any of the following shall be considered an Event of Default:

(a) *Nonpayment.* The Recipient fails to make any payment required under the Recipient Bonds or this Project Finance Agreement when and as the same shall become due and payable.

(b) *Misrepresentation, Etc.* Any warranty, representation or other statement made: (i) by or on behalf of the Recipient in, pursuant to, or in connection with this Project Finance Agreement; (ii) in connection with any other financing made by the Corporation to the Recipient; or (iii) by or on behalf of the Recipient in the application filed in connection therewith, is false, incorrect or misleading in any respect.

(c) *Sale or Transfer.* A sale, transfer or other disposition of the Project.

(d) *Default Under Other Indebtedness.* The Recipient defaults in the payment of any indebtedness to the Corporation or in the performance of any term, covenant, condition or agreement of any such indebtedness.

(e) *Other Failure to Perform.* The Recipient fails to perform and/or comply with any covenant or condition required under this Project Finance Agreement.

ARTICLE VII

REMEDIES

Section 7.1 Remedies.

Upon the occurrence of an Event of Default, as defined in Article VI hereof, the Corporation may take whatever action at law or in equity may appear necessary or desirable to remedy such default, in addition to the remedies below. Failure by the Corporation to exercise, or delay in exercising, any right or remedy under this Article VII shall not operate as a waiver of such right or remedy.

(a) *Mandatory Redemption; Acceleration.* Notwithstanding anything herein to the contrary, in the event that the Recipient fails to comply with any condition constituting an Event of Default, the Recipient agrees that the Corporation may at its election and by not less than thirty (30) days written notice to the Recipient, require the Recipient to immediately redeem the Recipient Bonds in whole at the Redemption Price together with all other sums due and owing to the Corporation. Upon any such notification, the same shall become immediately due and payable, despite anything to the contrary in this Project Finance Agreement.

(b) *Rejection or Adjustment of Disbursements.* The Corporation shall have the right to reject, correct, adjust or withhold disbursements for Direct Financing proceeds as deemed appropriate by the Corporation in the event of a default by Recipient, or in the event Recipient fails to comply with any of the requirements of **Exhibit K**.

(c) *Date of Default; Overdue Interest Rate.* Upon the occurrence of an Event of Default, interest shall accrue on the amount of the outstanding balance of the Direct Financing at the Overdue Interest Rate from the date of default until such outstanding balance is paid.

(d) *Failure to Redeem/Convert.* In the event Recipient's default is based on its failure to redeem pursuant to Section 3.3(c), interest shall accrue on the amount of the outstanding balance of the Direct Financing at the Overdue Interest Rate.

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

(f) *Right to Remedial Action.* Nothing in this Project Finance Agreement affects the right of DEC or the Corporation to take remedial action including but not limited to administrative enforcement action and actions for breach of contract if the Recipient fails to carry out its obligations under this Project Finance Agreement.

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

(h) *Costs of Default.* The Recipient agrees to pay to the Corporation, as such expenses are incurred, the amount of any expenses (including but not limited to the reasonable fees and expenses of the Corporation and attorneys representing the Corporation) incurred as a result of the Recipient's failure to make any payment on the Recipient Bonds when due or other failure to comply with the terms of this Project Finance Agreement or the Recipient Bonds.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notices.

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

(a) Corporation:

New York State Environmental
Facilities Corporation

625 Broadway
Albany, New York 12207-2997
Attn.: Chief Financial Officer
Telefacsimile No.: (518) 402-7086

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

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

(c) DEC:

to the address specified in **Exhibit E** hereto.

(d) Recipient:

to the address specified in **Exhibit E** hereto.

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

Section 8.2 Binding Effect.

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

Section 8.3 Severability.

If any provision of this Project Finance Agreement is held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 8.4 Amendments, Supplements and Modifications.

This Project Finance Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Corporation and the Recipient.

Section 8.5 Execution in Counterparts.

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

Section 8.6 Applicable Law.

This Project Finance Agreement shall be governed by and construed in accordance with the laws of the State, including, without limitation, the Act and the State Act.

Section 8.7 Benefit of Project Finance Agreement.

This Project Finance Agreement is executed, among other reasons, to secure, and to induce the purchase by the Corporation of, the Recipient Bonds. Accordingly, those rights of the Corporation to enforce the duties, covenants, obligations and agreements of the Recipient specified in clause (i) of the first sentence of Section 7.9 hereof may at any time, in whole or in part, be assigned and pledged by the Corporation and thereafter such duties, covenants, obligations and agreements so assigned and pledged shall be for the benefit of and enforceable by the Corporation and such assignee.

Section 8.8 Further Assurances; Financial Information.

The Recipient, at the request of the Corporation, shall authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable, in the sole discretion of the Corporation, for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Project Finance Agreement and the Recipient Bonds, and shall furnish the Corporation with such additional information concerning the financial condition of the Recipient as the Corporation may reasonably request from time to time, including but not limited to such information as may be necessary in order for the Corporation to comply with any applicable legal requirements or to offer its bonds to the public.

Section 8.9 Assignment of Project Finance Agreement or Recipient Bonds.

The Corporation may with notice to, but without the consent of, the Recipient pledge and assign (i) any portion of the Corporation's estate, right, title and interest and claim in, to and under this Project Finance Agreement and the right to make all related waivers and agreements in the name and on behalf of the Corporation, as agent and attorney in fact, and to perform all other related acts which are necessary and appropriate under this Project Finance Agreement, if any, and (ii) the Corporation's estate, right, title and interest and claim in, to and under the Recipient Bonds and payments under the Recipient Bonds.

Section 8.10 Covenant Against Discrimination.

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

Section 8.11 Project Finance Agreement Supersedes Prior Agreements.

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

Section 8.12 Signs.

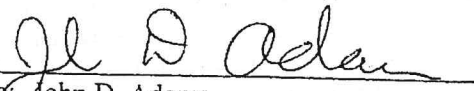
In recognition of the funding provided hereunder for the Project, the Recipient agrees that any identifying signs that relate to this Project shall be in a form acceptable to the Corporation and the DEC.

Section 8.13 Refunding Option.

At any time prior to the Maturity Date, but only once within ten years of the Closing Date and once within the ten years following the tenth anniversary of the Closing Date, the Recipient may request that the Corporation refinance the amount then due under this agreement by reducing the effective interest rate set forth in the remaining Bonds to a rate equal to the then current subsidized interest rate as established from time to time by the Corporation. No such refunding shall be made unless the Corporation agrees to such refinancing, and the present value savings test set forth in Section 90.10 of the Local Finance Law is satisfied with respect to such refunding (or would be satisfied if the recipient were subject to the provisions of such Section).

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

TOWN OF BEEKMAN:

By: 
Name: John D. Adams
Title: Supervisor

NEW YORK STATE ENVIRONMENTAL
FACILITIES CORPORATION

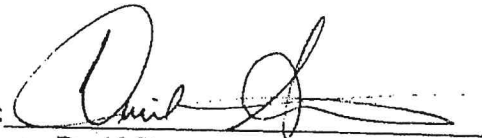
By: 
Name: David Sterman
Title: President

EXHIBIT A

PROJECT DESCRIPTION

CWSRF Project No.: C3-7339-01-00

Recipient: Town of Beekman

County: Dutchess

This action consists of financing costs associated with the planning, design and construction of improvements to the wastewater treatment facilities serving the Dover Ridge Sewer District in the Town of Beekman. The project is defined by the engineering report entitled, "Final Wastewater Facility Plan for Dover Ridge, Beekman, New York", dated June 30, 2003, which was approved by the NYS Environmental Facilities Corporation (EFC) on July 28, 2004. The project is further defined by the plans and specifications entitled, "Dover Ridge WWTP Rehabilitation", dated June 2004, which were approved by the EFC on October 27, 2004.

EXHIBIT B

Recipient: Town of Beekman
 County: Dutchess
 CWSRF Project No.: C3-7339-01-00

DESCRIPTION OF PREVIOUSLY ISSUED INDEBTEDNESS
 USED TO FINANCE THE PROJECT

Project Number	Type of Obligation	Issue Date	Original Principal Amount	Maturity Date	Redemption Amount (if any)	Redemption Date (if any)	Amount to be Refinanced
C3-7339-01-00	BAN 1.0	8/30/2000	\$ 675,000	5/3/2001			
	BAN 1.1	5/2/2001	\$ 675,000	5/2/2002	\$ 5,000	5/2/2002	
	BAN 1.2	5/2/2002	\$ 670,000	5/2/2003	\$ 5,000	5/1/2003	
	BAN 1.3	5/1/2003	\$ 665,000	4/30/2004	\$ 5,000	4/29/2004	
	BAN 1.4	4/29/2004	\$ 660,000	4/29/2005	\$ 10,000	4/29/2005	
					\$ 650,000	4/29/2005	
	BAN 2.0	1/26/2005	\$ 350,000	4/29/2005	\$ 350,000	4/29/2005	
	BAN 3.0 (1)	4/28/2005	\$ 1,000,000	10/28/2005			
BAN 3.1	10/28/2005	\$ 1,000,000	10/27/2006	\$ 10,000	4/25/2006	\$ 773,828 (2)	

(1) BAN 3.0 paid off BAN 1.4 and BAN 2.0 totaling \$1,000,000.

(2) The Town of Beekman will pay-off the BAN balance of \$216,172.00 with CW/CA Bond Act Grant Funds.

The Borrower directs the Corporation to transfer the amount to be refinanced as listed above at closing above in accordance with the following wire instructions.

WIRE INSTRUCTIONS: BAN Payoff

Name of Bank: JP Morgan Chase Bank
 Bank Address: 12 Corporate Woods Blvd. 4th Floor
 Albany, New York 12211
 Contact Person: Ann B. Witherell
 Bank Phone #: 518-433-2534
 Bank Fax #: 518-433-0295
 Bank ABA#: 021000021
 Account Name: Commercial Loan Department
 Account #: 323522211
 For further credit to Town of Beekman
 80254574
 Borrower Fed Tax ID #: 14-6002080

EXHIBIT C

ESTIMATED PROJECT COSTS

CWSRF Project No.: C3-7339-01-00

Recipient: Town of Beekman

County: Dutchess

ESTIMATED PROJECT COSTS

AVAILABLE FOR DISBURSEMENT

Long-Term
Financing

Construction Costs

Contract #1-Milnes Company, Inc. (Bid including c/o 1)

\$ 946,788.58

Engineering-Insite Engineering, Surveying & Landscape Architecture, PC
Design Fees

58,300.00

Additional Services-Design, Bidding

28,600.00

Construction Related Fees

45,200.00

Other Costs

Bond Counsel-Gentile & Turpin, PC (Hourly)

5,000.00

Fiscal Advisor-Public Finance Associates, Inc. (not to exceed)

15,500.00

Miscellaneous (Including shed, computer)

12,000.95

Net Interest (Pending Statements)

24,688.47 (1)

TOTAL OF PROJECT COSTS

\$ 1,136,078.00

Clean Water/Clean Air Bond Act Grant

(327,250.00)

Less Principal Payments Made on Bond Anticipation Note

(35,000.00)

CWSRF AMOUNT REQUESTED - LONG-TERM DIRECT FINANCING

\$ 773,828.00

(1) To be paid with CW/CA Bond Act Grant Funds.

EXHIBIT D

ESTIMATED CONSTRUCTION SCHEDULE

CWSRF Project No.: C3-7339-01-00

Recipient: Town of Beekman

County: Dutchess

<u>Description</u>	<u>Construction Start</u>	<u>Construction Completion</u>
WWTP Rehabilitation	A) October 22, 2004	(A) December 15, 2005*

*substantial completion per Consulting Engineer

EXHIBIT E

SCHEDULE OF ADDITIONAL PROVISIONS

CWSRF Project No.: C3-7339-01-00

Recipient: Town of Beekman

County: Dutchess

I. Definitions:

"Principal Amount" means \$773,828.00, which is the original aggregate principal amount of this Direct Financing and of the Recipient Bonds.

"Subsidy Interest Rate" means 0.00% per annum for this Direct Financing and the Recipient Bonds subject to change upon the terms and conditions set forth in the Project Finance Agreement.

"Pool Interest Rate" means 1.94% per annum, which is the Net Interest Rate on this Direct Financing and the Recipient Bonds without regard to the Subsidy Interest Rate.

Capitalized terms used but not otherwise defined in this **Exhibit E** or elsewhere in this Project Finance Agreement shall have the meanings set forth in the Regulations.

II. Other Amounts Payable:

None; not applicable.

III. Disbursement Requests:

The Recipient hereby certifies that the person or persons from time to time holding the office(s) listed below is/are authorized to request the disbursement of proceeds on behalf of the Recipient:

TITLE: SUPERVISOR

The Recipient may, by written notice given hereunder, designate any further or different officers or employees which the Recipient has authorized to execute requests for disbursement of proceeds.

IV. Notice Addresses:

1. For purposes of Section 7.1(c) hereof, the address of DEC is:

New York State Department of
Environmental Conservation
Region 3 Offices
21 South Putt Corners Road
New Paltz, New York 12561
Attn.: Regional Water Engineer

2. For purposes of Section 7.1(d) hereof, the address of the Recipient is:

Town of Beekman
4 Main Street
Poughquag, New York 12570

V. Project Completion (if applicable):

The Recipient hereby represents that Project construction is expected to be completed as detailed in Exhibit D.

VI. Existing Indebtedness Provision (if applicable):

1. As of the date hereof, the Recipient has submitted documentation supporting, and the Corporation has approved, the amount specified in **Exhibit B**, under "Amount to Be Refinanced," as proceeds of Existing Indebtedness expended for eligible costs of the Project.
2. The Recipient agrees that it will transfer to the Corporation, for the Corporation's receipt on or before the date set forth on the cover page hereof, the amount of \$0.00, from the unspent proceeds of the Existing Indebtedness described in **Exhibit B**. The Corporation agrees to deposit such unspent proceeds in a construction account for the benefit of the Recipient, and to disburse such moneys in accordance with the terms and conditions of this Project Finance Agreement, including, without limitation, **Exhibit K** hereof.
3. The Recipient has requested that the Corporation apply proceeds of this financing, in the amount specified under **Exhibit B**, under "Amount to Be Refinanced," together with unspent proceeds, if any, to refund the Existing Indebtedness. Notwithstanding anything to the contrary herein, however, the Recipient expressly acknowledges and agrees (a) that the Corporation shall not advance proceeds to refund any Existing Indebtedness in excess of the total amount of proceeds of such Existing Indebtedness that as of the Determination Date has been approved by the Corporation as having been expended for eligible costs of the Project; (b) that if, on the maturity or prepayment date of such Existing Indebtedness, the amount of proceeds to be disbursed by the Corporation, pursuant to clause (a), is less than the full principal and interest payment necessary to pay off and discharge such Existing Indebtedness on such date, the Recipient shall be obligated (and hereby agrees) either (i) to pay the difference in its own funds

on such date so as to pay off in full and discharge such Existing Indebtedness or (ii) to arrange to have renewed, or "rolled over", that portion of the Existing Indebtedness which is in excess of the proceeds to be disbursed by the Corporation to refund such Existing Indebtedness; and (c) that the remaining proceeds, other than (i) those disbursed by the Corporation to refund such Existing Indebtedness and (ii) the proceeds to be applied towards the Corporation's financing fee and costs of issuance of the Bonds, shall remain on deposit in the Construction Fund established for the Recipient with the Depository Bank, to be disbursed by the Corporation to the Recipient pursuant to Section 3.4(b) of this Project Finance Agreement, as further expenditures are incurred by this Recipient in connection with the Project (i.e., all such proceeds shall be treated as if they were originally intended to finance the acquisition, construction and installation of portions of the Project not yet completed).

VII. Additional Covenant Respecting Grant, Loan or Other Funds (if applicable):

The Recipient hereby (i) certifies that it has applied for, or that it may apply for, but has not yet been awarded, a grant, loan or other funds ("Other Proceeds") which, if received, would provide financing for all or a portion of the Project being financed by the Corporation; (ii) agrees to keep the Corporation apprised of the status of any such application and to immediately notify the Corporation of any awarding of any such grant, loan or other funds and the expected timing and amount of such assistance in the event of such an award; (iii) authorizes any such grant, loan or other provider to release any information respecting such assistance to the Corporation.

Unless otherwise agreed to in writing by the Corporation, the Recipient Bonds shall be subject to mandatory redemption prior to maturity within five Business Days next succeeding the date on which the Recipient receives any Other Proceeds which are used to finance costs of the Project which have been financed with the proceeds of the Recipient Bonds; provided, however, that such Recipient Bonds shall be subject to such mandatory redemption solely to the extent of, and in an amount equal to, any such Other Proceeds received by the Recipient on or after the date of issuance of the Recipient Bonds.

VIII. Special Project Conditions

None.

Exhibit F

New York State Environmental Facilities Corporation

Town of Beekman

County of Dutchess

CWSRF Project No.: C3-7339-01-00

Payment Schedule

Number	Date	Coupon	Principal	Interest	Annual Debt Service
R-1	04/25/2007	-	25,795.00	-	25,795.00
R-2	04/25/2008	-	25,795.00	-	25,795.00
R-3	04/25/2009	-	25,795.00	-	25,795.00
R-4	04/25/2010	-	25,795.00	-	25,795.00
R-5	04/25/2011	-	25,795.00	-	25,795.00
R-6	04/25/2012	-	25,795.00	-	25,795.00
R-7	04/25/2013	-	25,795.00	-	25,795.00
R-8	04/25/2014	-	25,795.00	-	25,795.00
R-9	04/25/2015	-	25,794.00	-	25,794.00
R-10	04/25/2016	-	25,794.00	-	25,794.00
R-11	04/25/2017	-	25,794.00	-	25,794.00
R-12	04/25/2018	-	25,794.00	-	25,794.00
R-13	04/25/2019	-	25,794.00	-	25,794.00
R-14	04/25/2020	-	25,794.00	-	25,794.00
R-15	04/25/2021	-	25,794.00	-	25,794.00
R-16	04/25/2022	-	25,794.00	-	25,794.00
R-17	04/25/2023	-	25,794.00	-	25,794.00
R-18	04/25/2024	-	25,794.00	-	25,794.00
R-19	04/25/2025	-	25,794.00	-	25,794.00
R-20	04/25/2026	-	25,794.00	-	25,794.00
R-21	04/25/2027	-	25,794.00	-	25,794.00
R-22	04/25/2028	-	25,794.00	-	25,794.00
R-23	04/25/2029	-	25,794.00	-	25,794.00
R-24	04/25/2030	-	25,794.00	-	25,794.00
R-25	04/25/2031	-	25,794.00	-	25,794.00
R-26	04/25/2032	-	25,794.00	-	25,794.00
R-27	04/25/2033	-	25,794.00	-	25,794.00
R-28	04/25/2034	-	25,794.00	-	25,794.00
R-29	04/25/2035	-	25,794.00	-	25,794.00
R-30	04/25/2036	-	25,794.00	-	25,794.00
			\$773,828.00		\$773,828.00

Town of Beekman | SINGLE PURPOSE | 4/21/2006 | 12:06 PM

George Chakmakas

New York State Environmental Facilities Corporation

EXHIBIT G

**REGISTERED
No. R-1**

**REGISTERED
\$773,828.00**

UNITED STATES OF AMERICA
STATE OF NEW YORK
COUNTY OF DUTCHESS
TOWN OF BEEKMAN
E.F.C. Clean Water Statutory Installment Bond – 2006

**FINAL
MATURITY DATE**

INTEREST RATE

**DATE OF
ORIGINAL ISSUE**

April 25, 2036

Initially 0%, the Subsidy Interest Rate,
but subject to change upon the terms and
conditions set forth in the Project Finance
Agreement referred to below.

June 8, 2006

REGISTERED OWNER: NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

PRINCIPAL SUM: SEVEN HUNDRED SEVENTY-THREE THOUSAND EIGHT HUNDRED
TWENTY-EIGHT DOLLARS AND NO CENTS (\$773,828.00)

The Town of Beekman (the "Recipient"), in the County of Dutchess, a municipal corporation of the State of New York, hereby acknowledges itself indebted and for value received promises to pay to the REGISTERED OWNER named above, or registered assigns, on or before the FINAL MATURITY DATE (stated above) the PRINCIPAL SUM in annual installments provided below per annum, annually on the April 25 in each year from the date of this bond until it matures.

Date	Principal	Annual Debt Service FY
04/25/2007	-	25,795.00
04/25/2008	-	25,795.00
04/25/2009	-	25,795.00
04/25/2010	-	25,795.00
04/25/2011	-	25,795.00
04/25/2012	-	25,795.00
04/25/2013	-	25,795.00
04/25/2014	-	25,795.00
04/25/2015	-	25,794.00
04/25/2016	-	25,794.00
04/25/2017	-	25,794.00
04/25/2018	-	25,794.00
04/25/2019	-	25,794.00
04/25/2020	-	25,794.00
04/25/2021	-	25,794.00
04/25/2022	-	25,794.00
04/25/2023	-	25,794.00
04/25/2024	-	25,794.00
04/25/2025	-	25,794.00
04/25/2026	-	25,794.00

04/25/2027	-	25,794.00	-	25,794.00
04/25/2028	-	25,794.00	-	25,794.00
04/25/2029	-	25,794.00	-	25,794.00
04/25/2030	-	25,794.00	-	25,794.00
04/25/2031	-	25,794.00	-	25,794.00
04/25/2032	-	25,794.00	-	25,794.00
04/25/2033	-	25,794.00	-	25,794.00
04/25/2034	-	25,794.00	-	25,794.00
04/25/2035	-	25,794.00	-	25,794.00
04/25/2036	-	25,794.00	-	25,794.00

The installments of principal on this bond will be paid to the REGISTERED OWNER of this bond in lawful money of the United States of America upon presentation of this bond for notation of any such payment thereon for so long as the New York State Environmental Facilities Corporation (the "Corporation") shall be the REGISTERED OWNER of this bond, the Corporation, or its successors or assigns, may, by written instruction to the Recipient, instruct the Recipient to pay any principal of this bond to any bank acting as custodian of the REGISTERED OWNER of this bond. In the event of any default in the payment of the unpaid principal of any installment of this bond on the earlier of the installment date or the date of mandatory redemption, the Recipient promises to pay interest on said unpaid principal to the REGISTERED OWNER at the Net Interest Rate of twelve per centum (12%) per annum on and after said installment date or date of mandatory redemption until said unpaid principal sum is paid in full. Terms used and not otherwise defined herein shall have the respective meanings set forth in the Project Finance Agreement (as later defined).

This bond is a statutory installment bond issued pursuant to section 62.10 of the Local Finance Law and pursuant to a bond resolution, duly adopted by the Town of Beekman on May 1, 2000, September 27, 2004 and May 2, 2005, authorizing the issuance of not to exceed \$1,200,000 bonds of the Recipient to provide funds required by the Recipient to finance the cost of improvements of the Wastewater Treatment Facilities of the Dover Ridge Sewer district in the Town of Beekman (the "Resolution"), and a Certificate of Determination executed by the Supervisor of the Recipient dated as of June 8, 2006. This bond may not be converted into a coupon bond.

This bond is transferable or exchangeable, solely in accordance with the terms of the Project Finance Agreement dated as of [closing date] between the Recipient and the Corporation, only upon the books of the Recipient kept for that purpose, by the REGISTERED OWNER hereof in person, or by his attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer or exchange satisfactory to the Recipient and duly executed by the REGISTERED OWNER or his attorney duly authorized in writing, and thereupon a new bond, in the same aggregate principal amount and of the same maturity, shall be issued to the transferee or the REGISTERED OWNER in exchange therefor upon the payment of the charges, if any, therein prescribed.

This bond shall be subject to redemption prior to maturity, in whole or in part at any time, at the option of the Recipient, from any monies available therefor, in inverse order of installment maturities, at the redemption prices of 100% of the principal amount of such bond, installment or portions thereof to be redeemed.

Any such redemption, either in whole or in part, shall be made upon at least thirty (30) days and no more than sixty (60) days prior written notice to the REGISTERED OWNER hereof.

Unless otherwise agreed to in writing by the Corporation, this bond shall be subject to mandatory redemption prior to maturity within five Business Days next succeeding the date on which the Recipient receives any other grant, loan or other funds ("Other Proceeds") which are, or were intended to be, used to finance costs of the Project which have been, or were intended to be, financed with the proceeds of this bond; provided, however, that such bond shall be subject to such mandatory redemption solely to the extent of, and in an amount equal to, any such Other Proceeds received by the Recipient on or after the date of issuance of this bond.

This bond shall be redeemed by the Recipient, in whole or in part, prior to maturity pursuant to and in accordance with Section 3.3 of the Project Finance Agreement entered into between the Corporation and the Recipient dated [closdate] (the "Project Finance Agreement") upon the date specified in a notice from the Corporation delivered to the Recipient not less than sixty (60) days prior to such redemption date in the event, as determined by the Corporation and as specified in such notice, that the financed Project related to the Bond is abandoned by the Recipient.

This bond shall be redeemed upon the terms and conditions set forth in Article VII of the Project Finance Agreement.

In the event the Recipient shall appoint a fiscal agent, the monies necessary for any redemption of this bond shall be paid to or deposited with any such fiscal agent prior to the redemption date. All installments of this bond called for redemption shall cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such bond, installment or portion thereof are on deposit with such fiscal agent.

If such monies are not available on the redemption date, this bond or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption, except in the event of mandatory redemption, then the Overdue Interest Rate shall become effective five (5) days after the receipt of the Other Proceeds and continue until such Other Proceeds are paid to the Corporation.

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

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

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

TOWN OF BEEKMAN

By: John D. Adams
Supervisor

SEAL

ATTEST:

Virginia Ward
Clerk

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the Undersigned hereby sells, assigns and transfers unto _____ (Please insert Social Security or other identifying number of Assignee(s): _____) the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

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

*PRINCIPAL PAYMENTS

Amount	Date Received	Received by
\$ _____	_____, 20__	_____ (Signature of person receiving payment)
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____

INTEREST PAYMENTS

Amount	Interest to	Received by
\$ _____	_____, 20__	_____ (Signature of person receiving payment)
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____
\$ _____	_____, 20__	_____

EXHIBIT H

FORM OF OPINION OF NATIONALLY RECOGNIZED BOND COUNSEL

[Letterhead of Bond Counsel to Recipient]

June 8, 2006

Town of Beekman
4 Main Street
Poughquag, New York 12570

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

Re: New York State Clean Water Revolving Fund
\$773,828.00 Long-Term Direct CWSRF Financing to the
Town of Beekman (the "Recipient")
CWSRF Project No.: C3-7339-01-00

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of **\$773,828.00 E.F.C. Clean Water Statutory Installment Bond-2006** (the "Bonds") of the Town of Beekman (the "Recipient").

The Bonds are issued pursuant to the provisions of the Local Finance Law, constituting Chapter 33-A of the Consolidated Laws of the State of New York, and a bond resolution duly adopted by the Town Board and are being delivered to New York State Environmental Facilities Corporation (the "Corporation") pursuant to a Project Finance Agreement (the "Project Finance Agreement") dated as of June 8, 2006 between the Corporation and the Recipient. Any term used but not otherwise defined herein shall have the meaning set forth in the Project Finance Agreement.

The Bonds are dated June 8, 2006, mature in the principal installment amounts, on each of the following dates, and bears no interest, as set forth below:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
-----------------------------------	-----------------------------------	--------------------------------

[insert Recipient's Debt Service Schedule]

The Bonds are issued only in fully registered form without interest coupons, not exceeding the aggregate principal amount of Bonds maturing in all years of the statutory installment bond. The Bonds are lettered and numbered R-1.

The Bonds are subject to redemption prior to maturity upon the terms set forth in the Project Finance Agreement.

We have reviewed certain resolutions of the Recipient, the descriptions of the Project and Existing Indebtedness to be refinanced, if any, the Bonds and other documents to be delivered pursuant to the Project Finance Agreement, and such other documents as we have deemed necessary in the rendering of this opinion. Based upon such review of these documents, it is our opinion that:

(1) The Project Finance Agreement has been duly authorized, executed and delivered by the Recipient. Assuming the due authorization, execution and delivery thereof by the Corporation, the Project Finance Agreement constitutes a legal, valid and binding obligation of the Recipient, enforceable in accordance with its terms.

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

(3) We have examined the executed statutory installment Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

FORM/DO NOT EXECUTE

Gentile & Turpen, P. C.

EXHIBIT I

FORM OF OPINION OF LOCAL COUNSEL

June 8, 2006

Town of Beekman
4 Main Street
Poughquag, New York 12570

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

Re: New York State Clean Water Revolving Fund
\$773,828.00 Long-Term Direct CWSRF Financing to the
Town of Beekman (the "Recipient")
CWSRF Project No.: C3-7339-01-00

Ladies and Gentlemen:

I am an attorney admitted to practice in the State of New York. I have acted as counsel to the municipality identified above (the "Recipient") in connection with its entering into a Project Finance Agreement dated as of June 8, 2006 (the "Project Finance Agreement") with the New York State Environmental Facilities Corporation (the "Corporation"). Any term used but not otherwise defined herein shall have the meaning set forth in the Project Finance Agreement.

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

- (a) the Project Finance Agreement, in the form executed by the Recipient; and
- (b) proceedings of the governing members of the Recipient relating to the approval of the Project Finance Agreement, the execution, issuance and delivery thereof and of the Recipient Bonds on behalf of the Recipient, and the authorization of the undertaking and completion of the Project.

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

Based upon the foregoing, I hereby certify as follows:

1. There is no litigation of any nature pending or threatened (i) to restrain or enjoin the issuance, sale, execution or delivery of the Project Finance Agreement or the Recipient Bonds or any of the proceedings taken with respect to the issuance and sale of the Recipient Bonds, or the application of moneys to the payment of the Recipient Bonds, or (ii) in any manner questioning

the proceedings and authority under which the Recipient Bonds were authorized or affecting the validity of the Recipient Bonds, the existence or boundaries of the Recipient or the title of officials of the Recipient who have acted with respect to the proceedings for the issuance and sale of the Recipient Bonds to their respective offices; and no authority or proceedings for the issuance and sale of the Recipient Bonds have been repealed, revoked or rescinded.

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

3. The Project Finance Agreement has been duly authorized, executed and delivered by the Recipient. Assuming the due authorization, execution and delivery thereof by the Corporation, the Project Finance Agreement constitutes a legal, valid and binding obligation of the Recipient, enforceable in accordance with its terms.

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

FORM/DO NOT EXECUTE

Name: Kevin A. Denton, Esq.

EXHIBIT J

[FORM OF RECIPIENT CLOSING CERTIFICATE]

Town of Beekman

CLOSING CERTIFICATE

dated June 8, 2006

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

I, the officer identified below of the municipal corporation named above (the "Recipient"), hereby certify that:

1. This certificate is being executed in connection with the issuance and sale by the Recipient of its \$773,828.00 principal amount of general obligation bonds (the "Recipient Bonds") to the New York State Environmental Facilities Corporation (the "Corporation").

2. The representations and warranties relating to the Recipient set forth in the project finance agreement between the Corporation and the Recipient, dated as of June 8, 2006 (the "Project Finance Agreement"), are true and correct as of the date hereof. The Project Finance Agreement is in full force and effect as of the date hereof, and the Recipient has complied with and performed and shall continue to comply with and perform all of its covenants and agreements set forth in the Project Finance Agreement.

3. As of the date hereof, the Recipient has delivered or caused to be delivered to the Corporation, as purchaser thereof, \$773,828.00 principal amount of Recipient Bonds, duly and completely executed by or on behalf of the Recipient. Said Recipient Bonds conform to the description thereof in the Project Finance Agreement and constitute validly issued and legally binding general obligations of the Recipient. At or before the time of such delivery, the Recipient received from the Corporation the amount of \$773,828.00, as payment in full for said bonds in accordance with the Project Finance Agreement.

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

5. No litigation of any nature is now pending or, to my knowledge, threatened: (a) to restrain or enjoin the issuance or delivery of the Recipient Bonds or the levy and collection of taxes or assessments to pay the same; (b) in any manner questioning or affecting, directly or indirectly, the validity of the Recipient Bonds or the proceedings or authority for the issuance

thereof; or (c) contesting the corporate existence or boundaries of the Recipient or the title of the undersigned officers to their respective offices.

6. No authority or proceedings for the issuance of the Recipient Bonds have been repealed, revoked or rescinded, and compliance with the covenants contained in the Project Finance Agreement is not prohibited by or violative of any provision of local or special law, regulation or resolution applicable to the Recipient or of any contract to which it is a party.

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

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

<u>SIGNATURE</u>	<u>NAME OF OFFICER</u>	<u>OFFICIAL TITLE</u>	<u>TERM OF OFFICE EXPIRES</u>
<u>FORM/DO NOT EXECUTE</u>	<u>John D. Adams</u>	<u>Supervisor</u>	<u>December 31, 2007</u>

[PLEASE HAVE THE SIGNATURE ABOVE EITHER NOTARIZED OR GUARANTEED BY A BANK OFFICER (BOTH FORMS ARE BELOW)]

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

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

OR

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

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

Notary Public

Date: _____

EXHIBIT K

REQUISITION PROCEDURES AND FORM OF REQUISITION

PART A

DISBURSEMENT REQUEST PROCEDURES FOR RECIPIENTS

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

Section 1. General Requirements. All requests by the Recipient for the disbursement of proceeds shall be made by submission to the Corporation (Attention: Financial Services Unit) of a State Revolving Fund Requisition together with a State Revolving Fund Disbursement Request, in form and substance satisfactory to the Corporation and in each case completed and executed by a duly authorized representative of the Recipient, and accompanied by the documentation required pursuant to Section 2 of this Part A captioned "Documentation Submission." The form of requisition set forth as Part D of this **Exhibit K** shall be used by the Recipient unless another form is required or approved by the Corporation. The Recipient shall simultaneously submit copies of such forms, without the accompanying documentation, to the Depository Bank.

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

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

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

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

Section 2. Documentation Submission.

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

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

PART B

WITHHOLDING DISBURSEMENT

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

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

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

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

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

Section 3. Adjustment.

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

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

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

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

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

Section 4. Withholding.

(a) The Corporation shall be entitled to withhold approval immediately on all pending and subsequent requests for the disbursement of proceeds if the Recipient:

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

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

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

(b) If the Recipient

(i) fails to construct the Project in a manner consistent with plans, specifications, Engineering Reports or Facilities Plans previously submitted to and approved by DEC and/or the Corporation, or with good

engineering practices, where such inconsistency prevents or materially impairs the Project from fulfilling its intended purpose or prevents or materially impairs the ability of DEC and the Corporation to monitor compliance by the Recipient with applicable federal or State law pertaining to the Project or with the terms and conditions of this Project Finance Agreement;

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

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

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

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

Section 5. Special Project Conditions. In addition to the foregoing, the disbursement of proceeds shall be subject to any special project conditions set forth in **Exhibit E**.

PART C

REIMBURSEMENT OF REVOLVING FUND

If the Corporation determines that funds disbursed to, or at the direction of, the Recipient as part of the financing have been expended by the Recipient for costs that are not permissible Project Costs, the Corporation shall provide written notice to the Recipient of such determination. Such notice shall specify the amount of such funds.

The Recipient hereby agrees that, within 30 days after the receipt of such notice, the Recipient will reimburse the Corporation in an amount equal to the amount of the funds which the Corporation has determined were improperly applied. In the event the Recipient fails to reimburse the Revolving Fund in such amount within 30 days after the receipt of such notice, the Recipient hereby further agrees to pay interest on such amount at the rate of 12 percent per annum, such interest to begin accruing on the 31st day after the Recipient's receipt of such notice, until such amount is paid.

PART D

FORM OF REQUISITION

New York State Environmental Facilities Corporation
625 Broadway
Albany, New York 12207
Attention: Financial Services Unit

Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, New York 14240

Re: Project No.: C3-7339-01-00
Town of Beekman
Long-Term Direct Financing

Ladies and Gentlemen:

Pursuant to Section 3.4(b) of the Project Finance Agreement, dated as of June 8, 2006, by and between the New York State Environmental Facilities Corporation and the Town of Beekman (the "Project Finance Agreement"), the Town of Beekman hereby requests disbursement in the amount of \$ _____ for Project Costs. Capitalized terms used but not defined herein have the meaning set forth in the Project Finance Agreement. In connection with this requisition the undersigned hereby represents and certifies the following:

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

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

8. The undersigned is duly authorized to execute and deliver this requisition on behalf of the Recipient.
9. The Recipient hereby represents and warrants that it is not a debarred or suspended party under 40 CFR Part 32. Further, the Recipient has not made any award, contract or agreement for purchases of goods or services with any debarred or suspended party under 40 CFR Part 32.

Date: _____

Signature and Title of the Authorized
Representative of the Town of Beekman

COST SUMMARY

Name and Address of Recipient:	Project No. C3-7339-01-00				Request No.
	Series No. Long-Term Direct				
Description of Costs	Estimated Project Budget*	Costs Incurred & Documented Prior To Closing*	Costs Requested For This Disbursement	Cumulative Costs Incurred & Documented To Date	Adjusted Disbursement (For EFC Use)
1. <u>Construction Costs</u> Contract #1-Milnes Company, Inc. (Bid)	\$ 946,788.58	\$ 935,201.00			
2. <u>Engineering Costs</u> Design Fees	\$ 58,300.00	\$ 58,300.00			
Additional Services-Design, Bidding	\$ 28,600.00	\$ 28,518.22			
Construction Related Fees	\$ 45,200.00	\$ 33,634.18			
3. <u>Other Expenses</u> Bond Counsel-Gentile & Turpin, PC (Hourly)	\$ 5,000.00	\$ 3,085.94			
Fiscal Advisor-Public Finance Associates, Inc. (not to exceed)	\$ 15,500.00	\$ 15,500.00			
Net Interest (Pending Statements)	\$ 24,688.47	\$ 24,688.47			
Miscellaneous (Including shed, computer)	\$ 12,000.95	\$ 10,887.54			
PROJECT TOTALS	\$ 1,136,078.00	\$ 1,109,815.35			
Less: Principal Payments Made on BAN	\$ (35,000.00)	\$ (35,000.00)			
Less: Clean Water/Clean Air Bond Act Grant	\$ (327,250.00)				
FINANCED TOTALS	\$ 773,828.00	\$ 1,074,815.35			
Cumulative Costs Requested for Disbursement				\$	\$
Less Costs Used to Refinance Existing Debt				((
Less Costs Previously Disbursed (Excluding Refinancings)				((
Total Costs Requested For This Disbursement			\$	\$	\$

*COLUMNS FOR EFC USE ONLY

NOTE: EFC GENERATED FORM MUST BE USED FOR ALL DISBURSEMENTS

CLOSING CERTIFICATE

dated June 8, 2006

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

I, the officer identified below of the municipal corporation named above (the "Recipient"), hereby certify that:

1. This certificate is being executed in connection with the issuance and sale by the Recipient of its \$773,828.00 principal amount of general obligation bonds (the "Recipient Bonds") to the New York State Environmental Facilities Corporation (the "Corporation").

2. The representations and warranties relating to the Recipient set forth in the project finance agreement between the Corporation and the Recipient, dated as of June 8, 2006 (the "Project Finance Agreement"), are true and correct as of the date hereof. The Project Finance Agreement is in full force and effect as of the date hereof, and the Recipient has complied with and performed and shall continue to comply with and perform all of its covenants and agreements set forth in the Project Finance Agreement.

3. As of the date hereof, the Recipient has delivered or caused to be delivered to the Corporation, as purchaser thereof, \$773,828.00 principal amount of Recipient Bonds, duly and completely executed by or on behalf of the Recipient. Said Recipient Bonds conform to the description thereof in the Project Finance Agreement and constitute validly issued and legally binding general obligations of the Recipient. At or before the time of such delivery, the Recipient received from the Corporation the amount of \$773,828.00, as payment in full for said bonds in accordance with the Project Finance Agreement.

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

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

6. No authority or proceedings for the issuance of the Recipient Bonds have been repealed, revoked or rescinded, and compliance with the covenants contained in the Project Finance Agreement is not prohibited by or violative of any provision of local or special law, regulation or resolution applicable to the Recipient or of any contract to which it is a party.

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

OPINION OF LOCAL COUNSEL

June 8, 2006

Town of Beekman
4 Main Street
Poughquag, New York 12570

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

Re: New York State Clean Water Revolving Fund
\$773,828.00 Long-Term Direct CWSRF Financing to the
Town of Beekman (the "Recipient")
CWSRF Project No.: C3-7339-01-00

Ladies and Gentlemen:

I am an attorney admitted to practice in the State of New York. I have acted as counsel to the municipality identified above (the "Recipient") in connection with its entering into a Project Finance Agreement dated as of June 8, 2006 (the "Project Finance Agreement") with the New York State Environmental Facilities Corporation (the "Corporation"). Any term used but not otherwise defined herein shall have the meaning set forth in the Project Finance Agreement.

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

- (a) the Project Finance Agreement, in the form executed by the Recipient; and
- (b) proceedings of the governing members of the Recipient relating to the approval of the Project Finance Agreement, the execution, issuance and delivery thereof and of the Recipient Bonds on behalf of the Recipient, and the authorization of the undertaking and completion of the Project.

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

Based upon the foregoing, I hereby certify as follows:

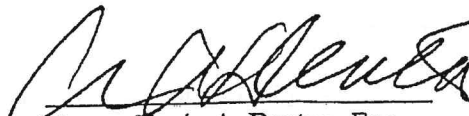
1. There is no litigation of any nature pending or threatened (i) to restrain or enjoin the issuance, sale, execution or delivery of the Project Finance Agreement or the Recipient Bonds or any of the proceedings taken with respect to the issuance and sale of the Recipient Bonds, or the application of moneys to the payment of the Recipient Bonds, or (ii) in any manner questioning

the proceedings and authority under which the Recipient Bonds were authorized or affecting the validity of the Recipient Bonds, the existence or boundaries of the Recipient or the title of officials of the Recipient who have acted with respect to the proceedings for the issuance and sale of the Recipient Bonds to their respective offices; and no authority or proceedings for the issuance and sale of the Recipient Bonds have been repealed, revoked or rescinded.

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

3. The Project Finance Agreement has been duly authorized, executed and delivered by the Recipient. Assuming the due authorization, execution and delivery thereof by the Corporation, the Project Finance Agreement constitutes a legal, valid and binding obligation of the Recipient, enforceable in accordance with its terms.

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



Name: Kevin A. Denton, Esq.

GENTILE & TURPEN, P.C.

14 WALL STREET, 20TH FLOOR
NEW YORK, NEW YORK 10005
(212) 618-1228
FACSIMILE (212) 618-1705

COUNSELLORS-AT-LAW

TOLL-FREE (877) 550-5704
E-MAIL: PGENTILE@ATTGLOBAL.NET

1 CAPNER STREET
FLEMINGTON, NEW JERSEY 08822
(908) 284-2474
FACSIMILE: (908) 284-1425

WRITER'S E-MAIL:

REPLY TO:

June 8, 2006

Town of Beekman
4 Main Street
Poughquag, New York 12570

New York State Environmental
Facilities Corporation
625 Broadway
Albany, New York 12205

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of \$773,828 EFC Clean Water Statutory Installment Bond - 2006 (the "Bonds") of the Town of Beekman (the "Recipient").

The Bonds are issued pursuant to the provisions of the Local Finance law, constituting Chapter 33-A of the Consolidated Laws of the State of New York, and bond resolutions duly adopted by the Board of Trustees of the Recipient. The Bonds are delivered to New York State Environmental Facilities Corporation (the "Corporation") pursuant to a Project Finance Agreement, dated as of June 8, 2006 between the Corporation and the Recipient (the "Agreement"). Terms used but not otherwise defined herein shall have the respective meanings set forth in the Agreement.

The Bonds are dated June 8, 2006, mature in the principal installment amounts on April 25th in each of the years set forth below and the Bonds bear no interest all as set forth below:

<u>Year of Maturity</u>	<u>Principal Amount</u>
2007	\$25,795
2008	25,795
2009	25,795
2010	25,795
2011	25,795
2012	25,795
2013	25,795
2014	25,795
2015	25,794
2016	25,794
2017	25,794

2018	25,794
2019	25,794
2020	25,794
2021	25,794
2022	25,794
2023	25,794
2024	25,794
2025	25,794
2026	25,794
2027	25,794
2028	25,794
2029	25,794
2030	25,794
2031	25,794
2032	25,794
2033	25,794
2034	25,794
2035	25,794
2036 (final maturity)	25,794

The Bonds are issued only in fully registered form without interest coupons, not exceeding the aggregate principal amount of Bonds maturing in any year. The Bonds are lettered and numbered "R-1".

The Bonds are subject to redemption prior to maturity upon the terms set forth in the Agreement.

We have examined certain resolutions of the Recipient, the description of the Project and the Existing Indebtedness to be refinanced, if any, the Bonds and other documents to be delivered pursuant to the Agreement, and such other documents as we have deemed necessary in rendering this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid instruments, certificates and documents. Based upon such review, we are of the opinion that:

- 1) The Agreement has been duly authorized, executed and delivered by the Recipient. Assuming the due authorization, execution and delivery thereof by the Corporation, the Agreement constitutes the legal, valid and binding obligation of the Recipient, enforceable in accordance with its terms.
- 2) The Bonds (i) conform to the descriptions thereof in the Agreement and (ii) are a valid and legally binding general obligation of the Recipient for which the Recipient has pledged its faith and credit; and, unless paid from other sources, all the taxable real property within the Recipient is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, if any, without limitation as to rate or amount. The enforceability of rights or remedies under the Agreement or the Bonds may be limited by bankruptcy, insolvency or other laws

June 8, 2006
Page 3 of 3

affecting creditors' rights or remedies heretofore or hereafter enacted.

- 3) We have examined the executed Bond and, in our opinion, both the form and execution thereof are regular and proper.

Very truly yours,

A handwritten signature in black ink, appearing to read "James K. Ferguson". The signature is written in a cursive style with a large, sweeping initial "J".

