

**NEW ISSUE — BOOK-ENTRY-ONLY**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to New York State Energy Research and Development Authority, interest on the Series 2013A Bonds (as hereinafter defined) (i) is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is exempt, under existing statutes from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.*



**\$24,300,000**  
**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY**  
**Residential Energy Efficiency Financing Revenue Bonds, Series 2013A**  
**(Federally Taxable)**

**Dated: Date of Delivery**

**Due: July 1, as shown below**

New York State Energy Research and Development Authority (the "Authority") is offering its Residential Energy Efficiency Financing Revenue Bonds, Series 2013A (the "Series 2013A Bonds"), in the aggregate principal amount set forth above.

The Series 2013A Bonds will be limited obligations of the Authority, payable solely from and secured by Pledged Loan Payments and Pledged Interest Subsidies held by The Bank of New York Mellon (the "Trustee"), under the Indenture (as hereinafter defined).

Interest on the Series 2013A Bonds will be payable on January 1 and July 1 of each year, commencing on January 1, 2014.

**Serial Bonds: \$18,455,000**

<b>July 1 Maturity</b>	<b>Principal Amount</b>	<b>Interest Rate %</b>	<b>Price %</b>	<b>CUSIP<sup>†</sup></b>
2014	\$2,195,000	0.350	100	64985LAA6
2015	2,080,000	0.550	100	64985LAB4
2016	2,105,000	1.028	100	64985LAC2
2017	1,930,000	1.621	100	64985LAD0
2018	1,775,000	1.971	100	64985LAE8
2019	1,755,000	2.372	100	64985LAF5
2020	1,800,000	2.772	100	64985LAG3
2021	1,780,000	2.986	100	64985LAH1
2022	1,590,000	3.206	100	64985LAJ7
2023	1,445,000	3.406	100	64985LAK4

**\$5,845,000 4.106% Term Bond due July 1, 2028, Price 100%, CUSIP<sup>†</sup> number 64985LAL2**

Payments, when due, of principal of, interest on and redemption premium, if any, on the Series 2013A Bonds are guaranteed pursuant to the Series 2013A Guarantee (the "Series 2013A Guarantee") issued by the New York State Environmental Facilities Corporation (the "Guarantor"),



as more fully described under "GUARANTOR AND THE SERIES 2013A GUARANTEE." The Series 2013A Guarantee will not be a general obligation of the Guarantor. The Series 2013A Guarantee will not constitute an indebtedness of or a charge against the general credit of the Guarantor. The Series 2013A Bonds and the Series 2013A Guarantee will be payable solely from the sources described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS" herein.

**See "INVESTMENT CONSIDERATIONS" beginning on page 35 for a discussion of certain factors that investors should consider in making an informed investment decision.**

The Series 2013A Bonds will be issued only as fully registered bonds, without coupons, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the Securities Depository (as defined herein) for the Series 2013A Bonds. Beneficial interests in the Series 2013A Bonds may be purchased in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof. See "THE SERIES 2013A BONDS - Securities Depository" herein. The Bank of New York Mellon will serve as Trustee and Registrar and Paying Agent under the Indenture.

The Series 2013A Bonds will not be general obligations of the Authority. The Series 2013A Bonds will not constitute an indebtedness of or a charge against the general credit of the Authority. Neither the Series 2013A Bonds nor the Series 2013A Guarantee will constitute a debt of the State of New York, and the State of New York will not be liable on the Series 2013A Bonds or the Series 2013A Guarantee. No owner of any Series 2013A Bonds will have the right to demand payment of the principal of, or premium, if any, or interest on, the Series 2013A Bonds or any payment due under the Series 2013A Guarantee out of any funds to be raised by taxation.

The Series 2013A Bonds are offered subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain other legal matters will be passed upon for the Authority by Hal Brodie, its General Counsel. Certain legal matters with respect to the Series 2013A Guarantee will be passed upon for the Guarantor by James R. Levine, its General Counsel and by Fulbright & Jaworski LLP, New York, New York, a member of Norton Rose Fulbright, special counsel to the Guarantor. Certain other legal matters will be passed upon for the Underwriters by Sidley Austin LLP, New York, New York, counsel to the Underwriters. It is expected that delivery of the Series 2013A Bonds against payment therefor will be made on or about August 13, 2013, in New York, New York.

**Citigroup**

**Jefferies & Company**

**Ramirez & Co., Inc.**

Dated: July 31, 2013

<sup>†</sup>CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the offered bonds. Neither the Authority nor the Underwriters are responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the offered bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the offered bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the offered bonds.

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This Official Statement is not to be construed as a contract or agreement between the Authority and the purchaser or holders of any of the Series 2013A Bonds. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws of the State of New York (the "State") contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Series 2013A Bonds and the proceedings and agreements relating thereto are qualified in their entirety by reference to the definitive forms of the Series 2013A Bonds and such proceedings. This Official Statement is submitted only in connection with the sale of the Series 2013A Bonds by the Authority and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the Authority. No representations are made or implied by the Authority, the Underwriters or the Guarantor as to any offering of any derivative instruments. Any electronic reproduction of this Official Statement may contain computer-generated errors or other deviations from the printed Official Statement. In any such case, the printed version controls.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. The inclusion of such forecasts, projections and estimates should not be regarded as a representation by the Authority, the Guarantor or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representation of fact or guarantees of results. If and when included in this Official Statement the words "expects," "forecasts," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subjected to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economics and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority and the Guarantor. These forward-looking statements speak only as of the date they were prepared. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein (except as required by law) to reflect any change in the Authority's expectations with regards thereto or any change in events, conditions or circumstances on which any such statement is based.

The Underwriters may offer and sell Series 2013A Bonds to certain dealers (including dealers depositing Series 2013A Bonds into investment trusts) and others at prices lower than the offering prices stated on the cover page of this Official Statement. After the initial public offering, the Underwriters may change the price at which the Underwriters offer the Series 2013A Bonds for sale from time to time.

In connection with the offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2013A Bonds. Specifically, the Underwriters may over allot the offering, creating a syndicate short position. The Underwriters may bid for and purchase Series 2013A Bonds in the open market to cover such syndicate short position or to stabilize the price of Series 2013A Bonds. Those activities may stabilize or maintain the market price of the Series 2013A Bonds above independent market levels. The Underwriters are not required to engage in these activities and may end any of these activities at any time.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, THE GUARANTOR, THE GJGNY PROGRAM, THE SRF PROGRAM (EACH AS DEFINED HEREIN) AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offer made hereby, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the Guarantor, or the Underwriters.

Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Guarantor or the Program since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from sources believed to be reliable. Except for the information under the headings "GUARANTOR AND THE SERIES 2013A GUARANTEE" and "APPENDIX B-CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE", the Guarantor makes no representations or warranties as to the accuracy or completeness of this Official Statement and it is not to be construed as a representation of the Guarantor.

**TABLE OF CONTENTS**

<u>Page</u>	<u>Page</u>
INTRODUCTORY STATEMENT.....1	THE SERIES 2013A BONDS .....27
THE AUTHORITY.....2	General .....27
GREEN JOBS-GREEN NEW YORK PROGRAM.....3	Securities Depository.....28
Legislative Authorization .....3	Interest .....30
Regulatory Approvals.....5	Redemption.....30
GJGNY Program .....5	DESCRIPTION OF THE INDENTURE .....31
THE AUTHORITY’S RESIDENTIAL ENERGY	INVESTMENT CONSIDERATIONS .....34
EFFICIENCY LOAN PROGRAM .....6	Considerations Relating to the Pledged
General .....6	Revenues .....34
Sales and Marketing .....7	Investment Characteristics .....36
Underwriting – Loan Approval Process.....7	General Market Considerations .....37
Underwriting – Pricing and Credit Scoring .....8	Legislative and Regulatory Investment
Servicer.....8	Considerations.....38
On-Bill Servicing Parameters .....9	Servicer Investment Considerations.....39
Payment Application: Direct billing – pay	STATE PLEDGE AND AGREEMENT .....41
by check .....10	LEGALITY FOR INVESTMENT AND DEPOSIT ....41
Payment Application: Direct billing – ACH	UNDERWRITING.....41
payment.....11	LITIGATION.....42
Payment Application: On-bill recovery loans.....11	RATINGS .....42
Account Closure Provisions for On-Bill	CONTINUING DISCLOSURE UNDERTAKINGS
Recovery Loans.....11	OF THE AUTHORITY .....42
Account Transfer Provisions for On-Bill	CONTINUING DISCLOSURE UNDERTAKINGS
Recovery Loans.....12	OF THE GUARANTOR .....44
Other Unique Servicing Provisions of On-	TAX MATTERS .....44
Bill Loans .....12	Series 2013A Bonds .....44
Collection Procedures .....12	Disposition and Defeasance .....45
Collection/Delinquency .....13	Information Reporting and Backup
Collection/Delinquency: Assessment of Late	Withholding .....45
Charges .....13	U.S. Holders .....45
Collection/Delinquency: Telephone	IRS Circular 230 Disclosure .....45
Collection Efforts and Written Late	Miscellaneous .....45
Notices .....13	FINANCIAL ADVISORS .....46
Default Collections .....13	APPROVALS .....46
Charge-offs .....13	LEGAL OPINIONS .....46
Extensions and Workouts .....13	
Backup Servicer.....14	APPENDIX A - CERTAIN DEFINITIONS AND
THE PORTFOLIO LOANS .....14	SUMMARY OF THE
General .....14	INDENTURE..... A-1
Eligibility Criteria .....14	APPENDIX B - CERTAIN INFORMATION
Characteristics of the Initial Portfolio Loans .....15	RELATING TO THE NEW YORK
Delinquency and Loss Information.....22	STATE ENVIRONMENTAL
PLEDGED INTEREST SUBSIDIES .....22	FACILITIES CORPORATION
USE OF PROCEEDS .....23	AND THE SERIES 2013A
SOURCES AND USES .....23	GUARANTEE ..... B-1
SECURITY AND SOURCES OF PAYMENT	APPENDIX C - FORM OF APPROVING OPINION
FOR THE SERIES 2013A BONDS .....23	OF BOND COUNSEL ..... C-1
PROJECTED DEBT SERVICE COVERAGE .....24	
GUARANTOR AND THE SERIES 2013A	
GUARANTEE.....25	

**SUMMARY OF TERMS**

The following is qualified in its entirety by reference to the information appearing elsewhere in this Official Statement. Terms used in this Official Statement and not defined herein are defined in “APPENDIX A – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE” and “APPENDIX B – CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE.”

Issuer .....	The New York State Energy Research and Development Authority (the “Authority”) is a public benefit corporation of the State of New York (the “State”) created under the New York State Energy Research and Development Authority Act (the “Act”).
Securities Offered.....	<p>\$24,300,000 Federally Taxable bonds of the Authority (the “Series 2013A Bonds”) are to be issued pursuant to the Indenture of Trust dated as of August 1, 2013 as supplemented by the First Supplemental Series Indenture dated as of August 1, 2013 (the “Indenture”), in each case between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”).</p> <p>The Series 2013A Bonds will be limited obligations of the Authority, payable solely from and secured by the Pledged Revenues held by the Trustee; that is, all Pledged Loan Payments and Pledged Interest Subsidies and all money, revenues and receipts to be received under the Indenture, subject to certain exceptions described in Appendix A.</p>
Interest and Principal.....	<p>Interest on the Series 2013A Bonds will accrue on a 30/360 day basis from their delivery date at the rates set forth herein and will be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2014. The record date for payment of interest on the Series 2013A Bonds is the fifteenth day of the calendar month immediately preceding the interest payment date.</p> <p>Principal of the Series 2013A Bonds will be due as shown on the cover page.</p>
Mandatory Redemption.....	The Series 2013A Bonds maturing on July 1, 2028 shall be subject to mandatory sinking fund redemption, <i>pro rata</i> on each of the dates described herein, at a redemption price equal to the principal amount redeemed, plus accrued and unpaid interest thereon to the redemption date.
Optional Redemption .....	Subject to certain limitations, the Series 2013A Bonds will be subject to optional redemption as described herein.
Form and Denomination.....	The Series 2013A Bonds will be issued only in fully registered form registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”). The Series 2013A Bonds will be denominated in principal amounts of \$5,000 and integral multiples thereof.
The Offering.....	The Series 2013A Bonds are being offered to the public, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters.

Purpose of Issue .....	The Series 2013A Bonds are the first issue of Bonds to finance or refinance loans made by the Authority to fund energy audits and energy efficiency improvements for eligible applicants pursuant to the Authority’s Green Jobs – Green New York program for one to four family residential structures.
The Series 2013A Guarantee .....	The New York State Environmental Facilities Corporation, a public benefit corporation (the “Guarantor”), has determined that reductions in fossil fuel combustion and related reductions of air pollutants being emitted and deposited into New York State’s water bodies forecasted to be achieved through the GJGNY Program qualify the GJGNY Program for financial assistance under the Clean Water State Revolving Fund. Accordingly, the Guarantor will provide financial assistance by guaranteeing the payments when due of principal of, and interest on and redemption premium, if any, on the Series 2013A Bonds (the “Series 2013A Guarantee”). The Series 2013A Guarantee will not be a general obligation of the Guarantor and will be payable solely from the sources herein described. The Series 2013A Guarantee constitutes a Credit Facility as defined in and under the Indenture. The Series 2013A Guarantee shall not be a debt of the State nor shall the State be liable pursuant thereto.
Trustee.....	The Bank of New York Mellon, New York, New York, is the trustee, registrar and paying agent under the Indenture.
The GJGNY Program.....	The Authority has established a revolving loan fund and financing mechanisms to provide Loans to finance energy efficiency improvements for residential 1-4 family dwellings (up to \$26,000), as well as multifamily buildings (program limit \$5,000/unit or \$500,000 per building), small business (<101 employees) and not-for-profit structures (up to \$50,000) (the “GJGNY Program”). The Series 2013A Bonds, however, will only finance and refinance energy efficiency improvements for residential 1-4 family dwellings.
	The Pledged Loan Payments will include loan payments derived from the loans identified as the source of Pledged Loan Payments. See “THE PORTFOLIO LOANS” for a description of the (i) Initial Portfolio Loans consisting of approximately 3,116 loans issued and outstanding as of June 30, 2013 (the “Cutoff Date”) with a remaining principal balance of \$27,747,573.11 and (ii) Subsequent Portfolio Loans which will consist of loans to be issued during a six month period commencing July 1, 2013 (the “Prefunding Period”) and ending December 31, 2013 (the “Subsequent Cutoff Date”) in a principal amount not to exceed \$1,480,000. Such \$1,480,000 will be pledged as cash until loans are actually originated during the Prefunding Period.
	The residential loans to be financed or refinanced will be of two types. Approximately 65% of the aggregate principal balance of the pool of Initial Portfolio Loans and

	<p>Subsequent Portfolio Loans as of their related cutoff dates are anticipated to consist of “Direct Bill” Loans in which the residential obligor is billed monthly by the Servicer (as defined herein) or pays the loan installment through an automated ACH payment. The balance of the Loans will be “On-Bill” Loans wherein the monthly loan installment will be incorporated in the borrower’s monthly or bimonthly utility bill and then transferred to the Servicer by the participating utility on a monthly basis.</p>
Origination .....	<p>The Originator is Wisconsin Energy Conservation Corporation d/b/a Energy Finance Solutions (“EFS”), a not-for-profit corporation, created in 1996, which administers energy efficiency financing programs in approximately 14 states.</p>
Servicer .....	<p>Concord Servicing Corporation (the “Servicer”) will service Direct Bill and On-Bill Loans and act as the Custodian of the original promissory note for each loan. For the On-Bill loans, the participating utility acts as a subservicer, initially collecting the loan installment charge on its customer’s bill and remitting a payment to the Servicer on a monthly basis. The Backup Servicer will be First Associates Loan Servicing, LLC.</p>
On-Bill Servicing .....	<p>The On-Bill installment amount will be presented separately from any electricity/gas charges and will be subordinate to the billing and collection of the utility’s charges for electricity/gas services. The participating utilities are Central Hudson Gas and Electric, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York State Electric and Gas Corporation, Niagara Mohawk Power Corporation (doing business as National Grid), Orange and Rockland, and Rochester Gas and Electric Corporation. Each utility remits loan installment charges collected to the Servicer on a monthly basis.</p> <p>Utilities are obligated to collect the loan installment charges in the same manner as the collection of their service charges and in accordance with regulations adopted by the New York State Public Service Commission. The collection processes include requirements for issuing notice of termination for non-payment, entering into deferred payment arrangements, and ultimately termination of service.</p>
Not Debt of State.....	<p>Neither the Series 2013A Bonds nor the Series 2013A Guarantee shall be a debt of the State of New York (the “State”) nor shall the State be liable thereon.</p>
Enabling Legislation .....	<p>In addition to the pre-existing powers of the Authority, the Green Jobs-Green New York Act of 2009 established a revolving fund and other mechanisms to finance energy audits and energy efficiency improvements for residences, small businesses and not-for-profit corporations. The Power New York Act of 2011 authorized an on-bill recovery financing mechanism for repayment of the Authority’s</p>



Additional Program Indebtedness .....	<p>loans issued through the GJGNY Program through a charge collected on the participating customer’s utility bill.</p> <p>Additional bonds may be issued under the Indenture subject to an Authority certification that a Coverage Test, as further described under “Coverage Test”, is expected to be satisfied together with evidence confirming that the rating applicable to any outstanding bonds will not be lowered by reason of the issuance of such bonds (the “Additional Bonds” and, with the Series 2013A Bonds, the “Bonds”). Any additional indebtedness secured by Pledged Revenues must be consented to by the Guarantor so long as the Series 2013A Guarantee remains in effect.</p>
State Pledge and Agreement.....	<p>The Indenture will include the State’s pledge to and agreement with the holders of the Bonds that the State will not limit or alter the rights and powers vested in the Authority by the Act to fulfill the terms of any contract made by the Authority with such holders, or in any way impair the rights and remedies of such holders until such Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.</p>
Indenture .....	<p>The Indenture provides for the issuance of the Bonds pursuant to the Act, including the Authority’s pledge to the Trustee of the revenues, accounts and statutory and contractual covenants contained therein. The Trustee is authorized to enforce the Indenture and such covenants against the Authority.</p> <p><i>Substitution of Loans.</i> The Indenture authorizes substitution of Portfolio Loans by the Authority based upon certification by the Authority that the Coverage Test described below is met following substitution and to certain other limitations.</p> <p><i>Coverage Test.</i> The Authority will agree to demonstrate quarterly that Net Pledged Revenues (amounts expected to be received as Pledged Loan Payments, less projected Administrative Expenses and Scheduled Credit Facility Fees, plus Pledged Interest Subsidies) are equal to or greater than 110% of Maximum Annual Debt Service for the then current and any future Bond Year. The Authority will be obligated to address any deficits in required coverage by pledging additional loan revenues, substituting loans which are the source of Pledged Loan Payments, or with any funds then available for such purpose from the GJGNY Revolving Fund, as defined below.</p> <p>See “APPENDIX A – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE.”</p>
Disposition and Defeasance .....	<p>Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2013A Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in</p>

	<p>income) and such holder’s adjusted tax basis in the Series 2013A Bond.</p> <p>The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2013A Bonds to be deemed to be no longer outstanding under the Indenture (a “defeasance”). (See “APPENDIX A – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE.”). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Internal Revenue Code of 1986, as amended (the “Code”), and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2013A Bonds subsequent to any such defeasance could also be affected. See “TAX MATTERS” herein.</p>
No Authority or Guarantor Bankruptcy.....	Under current law, neither the Authority nor the Guarantor is eligible for protection from its creditors pursuant to Title 11 (the “Bankruptcy Code”) of the United States Code.
Tax Matters .....	In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, interest on the Series 2013A Bonds (i) is included in gross income for Federal income tax purposes pursuant the Code, and (ii) is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “TAX MATTERS” herein.
Ratings .....	The Series 2013A Bonds are rated AAA by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and Aaa by Moody’s Investors Service, Inc. (“Moody’s”).
Authority Contact.....	Office of the Treasurer, New York State Energy Research and Development Authority, 17 Columbia Circle, Albany, New York 12203

## OFFICIAL STATEMENT

**\$24,300,000**

**NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY  
Residential Energy Efficiency Financing Revenue Bonds, Series 2013A  
(Federally Taxable)**

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### INTRODUCTORY STATEMENT

This Official Statement (the “Official Statement”) sets forth certain information with respect to \$24,300,000 Residential Energy Efficiency Financing Revenue Bonds, Series 2013A (the “Series 2013A Bonds”) to be issued by New York State Energy Research and Development Authority (the “Authority”). The Series 2013A Bonds are being issued by the Authority to (i) finance and refinance loans made by the Authority to fund energy efficiency improvements in one-to-four family residential structures for eligible applicants as a part of the Authority’s Green Jobs – Green New York Program (the “GJGNY Program”) and (ii) pay the costs of issuance. For a more complete description of the entire GJGNY Program, see “GREEN JOBS-GREEN NEW YORK PROGRAM”. See also “THE PORTFOLIO LOANS”.

The Series 2013A Bonds will be issued under an Indenture of Trust, to be dated as of August 1, 2013 between the Authority and The Bank of New York Mellon, as trustee (the “Trustee”) as supplemented by the First Supplemental Series Indenture dated as of August 1, 2013 (the “Indenture”). The Bank of New York Mellon also acts as the registrar and paying agent (the “Registrar and Paying Agent”) under the Indenture. Additional series of bonds may be issued under the Indenture (“Additional Bonds” and, with the Series 2013A Bonds, the “Bonds”) as described herein.

The Bonds will be limited obligations of the Authority, payable solely from and secured by money held by the Trustee under the Indenture and payments to the Trustee under the Series 2013A Guarantee. The Authority will pledge and assign to the Trustee in respect of the Bonds all its right, title and interest in and to the Pledged Revenues; that is, all Pledged Loan Payments and Pledged Interest Subsidies and all money, revenues and receipts to be received under the Indenture, subject to certain exceptions set forth in Appendix A. The New York State Energy Research and Development Authority Act, Title 9 of Article 8 of the Public Authorities Law of the State of New York, as amended (the “Act”), provides that any pledge made by the Authority shall be valid and binding from the time when the pledge is made, that the moneys so pledged and thereafter received by the Authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and that the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. Under the Act, no instrument by which a pledge is created need be recorded.

Concurrently with the issuance of the Series 2013A Bonds, the Authority will cause to be delivered to the Trustee a Guarantee Agreement dated as of August 1, 2013 (the “Series 2013A Guarantee”) issued by the New York State Environmental Facilities Corporation (the “Guarantor”) guaranteeing the payment when due of the principal of, interest on and redemption premium, if any, on the Series 2013A Bonds. The Guarantor is a public benefit corporation created by the New York State Environmental Facilities Corporation Act, Title 12 of Article 5 of the Public Authorities Law of the State of New York, as amended. The Series 2013A Guarantee is not a general obligation of the Guarantor or a charge against the Guarantor’s general credit. The Series 2013A Guarantee is not a debt of the State and the Guarantor has no taxing power. See “GUARANTOR AND THE SERIES 2013A GUARANTEE” and “APPENDIX B–CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE” for a description of the sources of payment of the Series 2013A Guarantee.

Aside from the Series 2013A Guarantee, there are no significant assets or sources of funds available to pay the Series 2013A Bonds other than the Pledged Revenues. The Series 2013A Bonds will not be guaranteed by the State. Consequently, the Holders of the Series 2013A Bonds must rely for repayment solely upon collection of the Pledged Revenues and the accounts held by the Trustee pursuant to the Indenture, the Authority’s covenant that it will pledge additional loan revenues or moneys available in the Green Jobs-Green New York Revolving Loan Fund (“GJGNY Revolving Fund”) as necessary to meet debt service on the Series 2013A Bonds and satisfy the Coverage Test and amounts paid under the Series 2013A Guarantee.

The Series 2013A Bonds will be designated as “qualified energy conservation bonds” under the provisions of Section 54(A)(d)(1)(C) and 54D of the Internal Revenue Code of 1986, as amended, the interest on which is included in gross income for purposes of federal income taxation. See “TAX MATTERS” herein. The Authority expects to receive a direct subsidy reimbursement from the United States Treasury for a substantial portion of the interest costs on the Series 2013A Bonds. The direct subsidy, if any, received by the Authority will constitute Pledged Revenues pursuant to the Indenture and will be applied in accordance with the terms of the Indenture. Owners of the Series 2013A Bonds are not entitled to receive a credit against tax imposed by the Code with respect to Series 2013A Bonds.

The factors affecting the GJGNY Program, the Bonds and the Series 2013A Guarantee described throughout this Official Statement are complex and are not intended to be fully described in the preceding Summary of Terms or this Introduction. This Official Statement should be read in its entirety. Brief descriptions of the Authority, the GJGNY Program, the Bonds, the Indenture, the Series 2013A Guarantee, the Guarantor and certain related agreements are included in this Official Statement. The descriptions of such documents contained herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the entire text of such documents, and references herein to the Series 2013A Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture and the information with respect thereto included in such documents, all of which are available for inspection at the principal corporate trust office of the Trustee in New York, New York. Summaries of the Indenture and the Series 2013A Guarantee together with defined terms used therein and in this Official Statement are contained in APPENDIX A – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE” and “APPENDIX B – CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE.”

All such descriptions are further qualified in their entirety by the application of bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws and laws and principles of equity relating to or affecting generally the enforcement of creditors’ rights. Copies of forms of the Indenture and the Series 2013A Guarantee may be obtained at the principal offices of the Trustee in New York, New York.

## **THE AUTHORITY**

The Authority is constituted pursuant to Title 9 of Article 8 of the Public Authorities Law of the State of New York, as amended (known as the New York State Energy Research and Development Authority Act and herein referred to as the “Act”).

The purposes of the Authority include the development and implementation of new energy technologies consistent with economic, social and environmental objectives and the development and encouragement of energy conservation technologies. The Authority administers energy efficiency and renewable energy programs funded by charges imposed on electric and gas ratepayers, proceeds from the auction of carbon allowances, and Federal grants. It also administers a Renewable Energy Portfolio Standard Program that provides incentives for the construction of new renewable energy electric generating systems. The Authority’s staff also directs programs in research, development and the demonstration of new energy technologies in such areas as energy conservation, efficiency, storage and transmission, new sources of energy and conversion of or improvement in fossil fuel technologies. The Authority’s Energy Analysis program provides information to government leaders and stakeholders to enable informed energy-related decision-making. This program also evaluates the Authority’s energy efficiency deployment and research and development programs and provides evaluation reports to senior management and other stakeholders.

The Authority also holds title to two properties on behalf of the State of New York. One, the Western New York Nuclear Service Center, is the site of a demonstration and remediation program being conducted by the United States Department of Energy and the Authority. The other, located in the Town of Malta, now known as the Saratoga Technology + Energy Park, is the subject of Authority plans to develop a campus for clean energy technology companies.

The Authority is authorized to finance projects suitable for or related to: the furnishing, generation, production, exploration, transmission, distribution, conservation, conversion or storage of energy or energy resources; the conversion of oil-burning facilities to alternate fuels; or the acquisition, extraction, conversion, transportation, storage, loading, unloading or reprocessing of fuel of any kind for industrial, manufacturing, warehousing, commercial, storage, research, recreational, educational, dormitory, health, mental hygiene or multi-family housing facilities or purposes, including, but not limited to, those projects which employ new energy technologies.

The Authority is further empowered to issue bonds, notes and other obligations, the proceeds of which are used to promote its purposes, to otherwise borrow money to promote its purposes, including for the purposes of refunding outstanding Authority bonds and notes and paying costs related thereto, and to enter into contracts with respect thereto.

Pursuant to such authorization, the Authority currently has \$3.4 billion of conduit revenue bonds outstanding that were issued for the benefit of certain investor owned utilities in the State for pollution control and local furnishing of energy purposes. Each such utility is the primary obligor on its respective separately secured Authority revenue bond issue and none of the loan payments made by any such utility to service and secure such outstanding Authority indebtedness are available to pay the debt service on the Bonds. Such conduit revenue bonds issued for the benefit of investor owned utilities are not general obligations of the Authority and do not constitute an indebtedness of or a charge against the general credit of the Authority or give rise to any pecuniary liability of the Authority. They are limited obligations of the Authority payable solely from and secured by payments made by such investor owned utilities for their respective revenue bond issues.

The Authority may also issue additional bonds, notes and other obligations, the proceeds of which are used to promote its purposes including for the benefit of New York State's investor-owned utilities, or otherwise borrow money to promote its purposes, including the purposes of refunding outstanding Authority bonds and notes and paying costs related thereto, and to enter into contracts with respect thereto; including loans from bond proceeds for the construction, acquisition, installation, reconstruction, improvement, maintenance, equipping, furnishing or leasing of any special energy project or for the reimbursement of costs incurred in connection with a special energy project completed or not completed at the time of such loan. Energy efficiency improvements financed through the GJGNY Program are special energy projects.

In his January 2013 State of the State address, Governor Andrew Cuomo announced the formation of a New York Green Bank within the Authority to alleviate financial market barriers that currently impede the flow of private capital to clean energy projects. The issuance of the Series 2013A Bonds is one of the first programmatic undertakings of the New York Green Bank.

Under the Act, the membership of the Authority consists of the Commissioner of the New York State Department of Transportation, the Commissioner of the New York State Department of Environmental Conservation, the Chair of the New York State Public Service Commission and the Chair of the Power Authority of the State of New York, all of whom serve ex officio, and nine persons appointed by the Governor of the State of New York with the advice and consent of the Senate of the State. The Chair of the Authority is appointed by the Governor of the State from among the members of the Authority. The present members of the Authority and certain Executive Staff of the Authority are listed on the inside cover page of this Official Statement.

Neither the members of the Authority nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Pursuant to the Act, the property of the Authority and its income and operations are exempt from State taxation.

The Authority is not eligible for protection from its creditors pursuant to Title 11 (the "Bankruptcy Code") of the United States Code.

See also "INVESTMENT CONSIDERATIONS - Legislative and Regulatory Investment Considerations."

## **GREEN JOBS-GREEN NEW YORK PROGRAM**

### **Legislative Authorization**

The Authority's GJGNY Program was authorized by Title 9-A of Article 8 of the Public Authorities Law of the State of New York, as amended (known as the Green Jobs – Green New York Act of 2009 and hereinafter referred to as the "GJGNY Act") to establish a program to provide funding to support sustainable community development, create opportunities for green jobs, and establish a revolving loan fund to finance energy audits and energy efficiency retrofits or improvements for the owners or occupants of residential, multifamily, small business, and not-for-profit structures. The GJGNY Act allocated \$112 million from the proceeds of selling CO<sub>2</sub> allowances under the Regional Greenhouse Gas Initiative ("RGGI") to promote energy efficiency and the installation of clean technologies to reduce energy costs and greenhouse gas emissions.

Sections 1 through 11 Chapter 388 of the Laws of 2011, as amended by Part DD of Chapter 58 of the Laws of 2012 (hereinafter referred to as the “PNY Act”) established an on-bill recovery mechanism for loans issued by the Authority pursuant to the GJGNY Act. The PNY Act directed and authorized the Authority to establish an on-bill recovery mechanism for repayment of loans for the performance of qualified energy efficiency services for eligible projects through electric and gas corporations with annual revenues in excess of \$200 million and the Long Island Power Authority. The participating utilities are Central Hudson Gas and Electric, Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York State Electric and Gas Corporation, Niagara Mohawk Power Corporation (doing business as National Grid), Orange and Rockland, and Rochester Gas and Electric Corporation (each, a “utility”). The PNY Act initially limits the number of customers who may participate to no more than one half of one percent of each utility’s total customers, provided that prior to reaching such limit, the Authority shall petition the New York State Public Service Commission (“PSC”) to review said limit, and the PSC shall increase such limit provided that it finds that the program has not caused significant harm to the utility or its ratepayers. The PSC may suspend such an electric and gas corporation’s offering of the on-bill recovery charge provided that the PSC, after conducting a hearing, makes a finding that there is a significant increase in arrears or utility service disconnections that the PSC determines is directly related to the on-bill recovery charge, or a finding of other good cause.

The PNY Act directed the Authority to: make available on a *pro rata* basis, based on the number of electric customers within the utility service territory, up to \$500,000 to defray costs directly associated with changing or upgrading billing systems to accommodate on-bill recovery charges; to pay a fee of \$100 per loan to the utility in whose service territory such customer is located to help defray the costs that are directly associated with implementing the program; and to pay a servicing fee of 1% of the loan amount to the utility in whose service territory such customer is located to help defray the costs that are directly associated with the program.

The PNY Act provides that unless fully satisfied prior to the sale or transfer of the property, the loan repayment shall survive such transfer and the remaining installments due shall be billed to the purchaser through their utility bill. The PNY Act requires that a seller must notify a prospective purchaser in writing and provide certain information about the obligation prior to accepting a sale for the property. Furthermore, the PNY Act requires the Authority to record, pursuant to article nine of the real property law, in the office of the appropriate recording officer, a declaration with respect to the property improved by such services of the existence of the loan and stating the total amount of the loan, the term of the loan, and that the loan is being repaid through a charge on an electric or gas meter associated with the property. The declaration shall further state that it is being filed pursuant to the PNY Act and, unless fully satisfied prior to sale or transfer of the property, the loan repayment utility meter charge shall survive changes in ownership, tenancy, or meter account responsibility and, until fully satisfied, shall constitute the obligation of the person responsible for the meter account. Such declaration shall not constitute a mortgage and shall not create any security interest or lien on the property. Upon satisfaction of the loan, the Authority shall file a declaration of repayment pursuant to article nine of the real property law.

The PNY Act requires that schedules for the collection and billing of on-bill recovery charges provide that:

- billing and collection services shall be available to all customers who have met the standards established by the Authority for participation and have executed an agreement for the performance of qualified energy efficiency services;
- for residential properties any such customer must hold primary ownership or represent the primary owner or owners of the premises and hold primary meter account responsibility or represent the primary holder or holders of meter account responsibility for all meters to which such on-bill recovery charges will apply;
- the responsibilities of such electric and gas corporation are limited to providing billing and collection services for on-bill recovery charges as directed by the Authority;
- the rights and responsibilities of residential customers paying on-bill recovery charges shall be governed by the provisions of Article 2 of the Public Service Law;
- unless fully satisfied prior to sale or transfer, the on-bill recovery charges for any services provided at the customer’s premises shall survive changes in ownership, tenancy or meter account responsibility, and arrears in on-bill recovery charges at the time of account closure or meter transfer shall remain the responsibility of the incurring customer, unless expressly assumed by a subsequent purchaser of the property subject to such charges;
- not less than forty-five days after closure of an account that is subject to an on-bill recovery charge, and provided that the customer does not re-establish service with such utility, it shall be the responsibility of the Authority and not the utility to collect any arrears that are due and owing;

- a customer remitting less than the total amount due for electric and/or gas services and on-bill recovery charges shall have such partial payment first applied as payment for electric and/or gas services and any remaining amount will be applied to the on-bill recovery charge;
- billing and collection services shall be available without regard to whether the energy or fuel delivered by the utility is the customer's primary energy source; and
- the on-bill recovery charge shall be collected on the bill from the customer's electric utility unless the qualified energy efficiency services at that customer's premises result in more projected energy savings on the customer's gas bill than the electric bill, in which case such charge shall be collected on the customer's gas utility bill.

The PNY Act also provides that the rights and responsibilities of residential customers participating in GJGNY Program on-bill recovery shall be substantially comparable to those of electric and gas customers not participating in on-bill recovery, and charges for on-bill recovery shall be treated as charges for utility service for the purpose of the PNY Act, provided that:

- all determinations and safeguards related to the termination and reconnection of service shall apply to on-bill recovery charges billed by a utility;
- in the event that the responsibility for making utility payments has been assumed by occupants of a multiple dwelling or by occupants of a two-family dwelling, such occupants shall not be billed for any arrears of on-bill recovery charges or any prospective on-bill recovery charges, which shall remain the responsibility of the incurring customer;
- deferred payment agreements shall be available to customers participating in on-bill recovery on the same terms as other customers, and the utility shall retain the same discretion to defer termination of service as for any other delinquent customer;
- where a customer has a budget billing plan or levelized payment plan, the utility shall recalculate the payments under such plan to reflect the projected effects of installing energy efficiency measures as soon as practicable after receipt of information on the energy audit and qualified energy efficiency services selected;
- late payment charges on unpaid on-bill recovery charges shall be determined as provided in the Public Service Law or, or as otherwise consented to by the customer in the agreement and any such charges shall be remitted to the Authority;
- when a complaint is related solely to work performed under the GJGNY Program or to the appropriate amount of on-bill recovery charges, the utility shall only be required to inform the customer of the complaint handling procedures of the Authority, which shall retain responsibility for handling such complaints, and such complaints shall not be deemed to be complaints about utility service in any other PSC action or proceeding;
- billing information shall include information on the on-bill recovery charges, including the basis for such charges, and any information or inserts provided by the Authority related thereto; and
- at least annually the Authority shall provide the utility with information for inclusion or insertion in the customer's bill that sets forth the amount and duration of remaining on-bill recovery charges and the Authority's contact information and procedures for resolving customer complaints with such charges.

## **Regulatory Approvals**

The PNY Act directed the PSC to make a determination establishing the billing and collection procedures for the on-bill recovery charges. Each of the six major electric and gas corporations were directed to file tariff amendments to be effective January 1, 2012, in compliance with the provisions of the amended statute. The PSC issued an Order effective December 15, 2011 approving the tariff filings. On April 19, 2012 the PSC issued an Order amending the tariffs to remove late payment charges on unpaid loan installment charges to avoid the pyramiding of late fees and ensure compliance with federal banking regulations (12 CFR, Part 226).

## **GJGNY Program**

The Authority is responsible for administering the GJGNY Program to provide financing for residential energy efficiency improvement loans in the State for owners of residential 1-4 family buildings, and owners, tenants or managers of buildings occupied by small businesses (100 employees or less) and not-for-profit corporations, or multifamily (5+ unit) buildings. The GJGNY Program was funded by the State with \$112 million RGGI of which about \$42.5 million has been allocated for a GJGNY Revolving Fund (the balance of funding is used for workforce development initiatives, outreach

and marketing, energy audit subsidies, and program administration, implementation and evaluation costs). The authorizing legislation limits the amount of energy efficiency loans to not more than \$13,000 for residential homes or \$26,000 for small businesses/not-for-profits (these limits are increased to \$25,000 and \$50,000, respectively, for projects with a payback of 15 years or less), and the Authority program standards limit the loan amount for multifamily buildings at not more than \$500,000 per building. The seed money from the RGGI funds is supplemented with an \$18.6 million grant award from the U.S. Department of Energy, of which about \$8,512,581 has been approved for loan loss and debt service reserves to support loans issued through the GJGNY Program and to leverage private capital. Consistent with such purpose, such funds will be pledged under a Reimbursement Agreement dated as of August 1, 2013 between the Authority and the Guarantor (the "Reimbursement Agreement") to reimburse the Guarantor for payments made under the Series 2013A Guarantee. The amount so pledged is not available to pay the Series 2013A Bonds and will decline as the principal of the Series 2013A Bonds is retired by the Authority.

The GJGNY Program financing for small businesses, not-for-profit corporations, and multifamily buildings is offered through a participation lending arrangement. Through a Participation Agreement with participating lenders, lenders make loans to finance qualifying energy efficiency improvements with the Authority providing up to 50% of the loan amount, subject to a maximum of \$50,000 for small business/not-for-profit loans and the lesser for \$5,000 per residential unit or \$500,000 per building for loans for multifamily buildings, at zero percent interest, and the lender charges its customary interest rate on its share of the loan. The participating lender is responsible for originating the loan using its customary standards, and the lender and the Authority share on a pro-rata basis on any loan defaults. The participating lender services the loan and remits the Authority's fixed monthly principal payment, once collected from the borrower, to the Authority's Servicer, who tracks repayments on the Authority's share of the loans and sends monthly statement billings to the participating lender. The GJGNY Program financing for residential 1-4 family buildings is described below.

Following is a summary of activity in the GJGNY Revolving Fund since inception of the program through June 30, 2013:

Sector	Revolving Loan Fund		Principal Repaid	Interest & Fees	Expenses	Revolving Loan Fund Balance	Outstanding Loan Principal Balance
	Allocation	Loans Issued					
Residential Small	\$26,652,533	(\$34,268,334)	\$3,259,666	\$949,694	(\$2,073,822)	(\$5,480,263)	\$31,008,668
Commercial/NFP	\$7,774,917	(\$89,849)	\$15,118		(\$196,071)	\$7,504,115	\$74,731
Multifamily	\$8,073,630	(\$1,806,221)	\$144,881		(\$130,001)	\$6,282,289	\$1,661,340
Total	\$42,501,080	(\$36,164,404)	\$3,419,665	\$949,694	(\$2,399,894)	\$8,306,141	\$32,744,739

Under the Authority's Investment Guidelines, the Revolving Fund Balance may be invested in: (1) obligations of the United States and obligations the principal and interest of which are unconditionally guaranteed by the United States, provided that the term of each shall not exceed five years; (2) obligations of the State and obligations the principal and interest of which are guaranteed by the State, provided that the term of each shall not exceed five years; (3) certificates of deposit of a bank, trust company, or national banking association approved by the Commissioner of Taxation and Finance doing business through offices located within the State, provided that the term of each shall not exceed five years and shall be fully collateralized for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage; (4) Repurchase Agreements, provided that the term of each shall not exceed sixty days and that no more than 40% of the Authority's investments shall be invested in Repurchase Agreements at the time of purchase; and (5) Money market funds shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, registered under the Securities Act of 1933, whose investments are limited to the authorized investments described above and whose objective is to maintain a constant share value of \$1.00, provided that: no more than 5% of the total amount of the Authority's investments shall be invested in money market funds for more than thirty consecutive business days; and no more than 10% of the total amount of the Authority's investments shall be invested in money market funds at any time.

## THE AUTHORITY'S RESIDENTIAL ENERGY EFFICIENCY LOAN PROGRAM

### General

Through the GJGNY Act and the PNY Act, the Authority offers two reduced-interest rate loan products to finance qualified residential energy efficiency improvements. The GJGNY financing program was launched in November 2010 with an unsecured consumer loan product, hereinafter referred to as "Direct Bill Loans". In January 2012, the



Authority began offering loans repayable through an installment charge on the obligor's participating electric and gas utility bill, hereinafter referred to as "On-Bill Loans." Both loans are issued by the Authority's Originator using loan underwriting criteria set by the Authority. The Authority purchases conforming Direct Bill Loans and funds On-Bill Loans and pays the lender an origination fee. The Direct Bill Loans are serviced directly by the Servicer. The Servicer services the On-Bill Loans, with initial billing and collections performed by the respective utility.

In connection with the GJGNY residential energy efficiency loan program, services are delivered through the Authority's Home Performance with ENERGY STAR® program, which identifies and installs cost-effective measures to reduce energy consumption in New York State's one-to-four family residential structures. Contractors perform a comprehensive home energy assessment (audit), including health and safety testing, prior to performing work, and also a "test out" of the house after work is complete to ensure a safe and healthy environment after installation of energy-efficiency measures. The GJGNY Program offers low-interest financing and homeowner cash-back incentives to encourage comprehensive work scopes, including a higher incentive level for those households qualifying for the Assisted Home Performance with ENERGY STAR® program. Energy efficiency improvements through this program include building shell measures, high-efficiency heating and cooling measures, ENERGY STAR® appliances and lighting.

Energy audits and energy services for GJGNY are delivered by participating Home Performance with ENERGY STAR® contractors which have entered into agreements with the Authority. Contractors delivering audits and performing services must be accredited by the Building Performance Institute ("BPI"). BPI accreditation includes a review of certain business standards and practices, in addition to technical certification requirements. The Authority performs quality assurance inspections on approximately 15 percent of projects to ensure contractor work meets program standards. In addition, BPI performs quality assurance inspections to ensure work meets BPI's technical standards. If projects fail to meet standards, BPI and/or the Authority follow up with the contractor to ensure remediation takes place. Failure to meet BPI and program standards may result in probation, suspension, loss of accreditation and/or removal from the Home Performance with ENERGY STAR® program, in accordance with BPI and the Authority's processes. Consumers select a participating contractor providing services in their area from a list of about 220 participating contractors available on the Authority's website.

## **Sales and Marketing**

The GJGNY Program is marketed through contractor marketing and outreach, outreach by sixteen constituency-based organizations competitively selected by the Authority for outreach and marketing, and a statewide marketing and outreach media plan (primarily print and social media) carried out by the Authority.

## **Underwriting – Loan Approval Process**

Both Direct Bill Loans and On-Bill Loans are originated by Wisconsin Energy Conservation Corporation, doing business as Energy Finance Solutions ("EFS"), a not-for-profit corporation created in 1996 (the "Originator"), which administers energy efficiency financing programs in approximately 14 states and which was competitively selected by the Authority. Applicants submit a credit application to EFS on-line, by telephone, or by fax. The credit application requires the applicant to document income stated on the credit application by providing copies of relevant income supporting documentation for each source of income or by providing a copy or transcript of the prior year's federal income tax return. The Originator reviews loan applications and originates loans pursuant to loan underwriting criteria established by the Authority. The Originator is paid an origination fee of \$175 per originated Direct Bill Loan and \$225 per originated On-Bill Loan; the Originator charges a fee of \$150 to the loan applicant for either loan, which may be included in the amount financed. The Authority's underwriting standards for most loans require compliance with traditional underwriting standards for unsecured consumer loans, including:

- FICO score of at least 640 (680 if self employed two or more years; 720 if self employed less than two years);
- Debt-to-income ratio not greater than 50%;
- No bankruptcies, foreclosures, or repossessions within the last seven years; and
- No combined outstanding collections, judgments or tax liens greater than \$2,500.

Loans meeting these criteria are referred to as "Tier 1" loans. Consistent with provisions in the GJGNY Act and the legislation authorizing on-bill recovery financing which directed the Authority to use its best efforts to broaden access to financing by consumers, the Authority developed alternative underwriting standards for approval of certain loans. These loans, referred to as "Tier 2" loans, attempt to broaden those that qualify by eliminating credit score requirements and substituting satisfactory energy bill and mortgage payment history, allowing for a higher level of debt-to-income, and

requiring a shorter period for any prior bankruptcies. Tier 2 loans are funded from the GJGNY Revolving Loan Fund and will be held until their demonstrated payment performance history allows them to be included in a future bond issuance. Payments from Tier 2 loans issued to date are not pledged to support the Series 2013A Bonds. Only payments from Tier 1 Direct Bill Loans and On Bill Loans are pledged to support the Series 2013A Bonds.

The Originator prepares loan documents to be signed by the borrower(s) and disburses the loan proceeds to the contractor upon submission of a certification of completion signed by the contractor and the borrower(s). On a weekly basis, the Originator submits completed loans to the Authority's competitively selected master loan servicer, Concord Servicing Corporation (the "Servicer") for servicing of the loans. The Servicer determines conformance with the Authority's loan underwriting standards based on a sample of 15% of the loans issued by the Originator. Once accepted by the Servicer, the Authority reimburses the Originator for the loan disbursement from the Revolving Loan Fund. The Servicer is responsible for borrower billing and collections.

### **Underwriting – Pricing and Credit Scoring**

The Originator procures a credit report for each applicant. The loans are offered to consumers at fixed interest rates established by the Authority. There is no change in interest rate based on the credit score or other attributes of the applicant.

### **Servicer**

The Authority has a servicing agreement with the Servicer to service the Portfolio Loans (defined and described more fully under "THE PORTFOLIO LOANS" below). Established in 1988, the Servicer provides billing, payment processing, reporting, and delinquency collections for installment loans and receivables, including portfolios involving many different types of consumer receivables – secured or unsecured – including timeshare, land, debt consolidation, camp resort receivables, membership programs, tax liens, and condo association fees. The Servicer is one of the largest independent financial service provider in the timeshare industry for clients throughout the United States, the Caribbean, and Mexico. Its corporate offices and servicing center are located in Scottsdale, Arizona. The Servicer has approximately 163 employees and services approximately 610,000 active receivable accounts across multiple client portfolios.

The Servicer receives a weekly data file from the Originator posted through a secure File Transfer Protocol (FTP) site, containing information about loans for which it disbursed loan proceeds. The Originator also sends the original loan documents, and copies of loan application, credit report and other information supporting the credit approval for the weekly batch of new loans to the Servicer via overnight delivery. The Servicer reviews the data file to determine that formatting requirements are met. Once the file has been reviewed, the Servicer imports the data into its servicing system. The loans are validated through a setup program in the servicing system. The Servicer then reviews a sample of 15 new loans to determine that the loan approval complies with the Authority's loan underwriting standards, by reviewing the supplied credit application and supporting information. Exceptions are reported to the Authority and the Originator for resolution. Once the data validation and loan standards validation is complete, the Servicer posts the new loans into the active loan servicing system and provides balancing reports by email to the Authority for review.

On a weekly basis, the Servicer posts an Authority Loan Establishment file on its secure FTP site for any On-Bill loans issued to customers for each utility to initiate billing of the Authority loan installments on the customer's utility bill. Under the terms of the Billing Services Agreement between each utility and the Authority, the utility agrees to commence the billing in the customer's bill no later than the second billing cycle commencing after the date the Servicer provides the new account file.

Once processed by the utility, on a weekly basis, the utility posts a utility Account Opening File on the Servicer's secure FTP site confirming its establishment of the Authority loan installment charge on the customer's bill, provides the customer's next scheduled meter reading date (which provides an indication of the billing cycle in which the installment charge is expected to commence). The file also reports any rejections of processing, which the Servicer reviews and follows up as appropriate.

Procedures for payment processing vary based on the type of loan. For each, payments collected by the Servicer are held in an account in the name of the Issuer and will be transferred to the Trustee on a monthly basis on the first business day after each calendar month.

## **On-Bill Servicing Parameters**

On-Bill Loans are billed and collected by the participating utility pursuant to a Billing Services Agreement with the Authority. Each utility other than the Long Island Power Authority serves and bills its customers according to the general rules of its rate schedules, as filed with and approved by the New York State Public Service Commission as the same may be modified or superseded from time to time, the Public Service Law, the Commission's regulations in Title 16 of the Codes, Rules and Regulations of the State of New York, the utility's business procedures, and the utility's Vendor Agreement with New York State Office of Temporary and Disability Assistance, and local Department(s) of Social Services within its service territory. The Long Island Power Authority serves and bills its customers according to the general rules of the Authority's Tariff for Electric Service, as the same may be modified or superseded from time to time, the Public Service Law and its business procedures.

Pursuant to the Billing and Services Agreement, each utility is obligated to:

- configure and upgrade its customer billing system to accommodate on-bill recovery of the Authority's loan installments;
- accept loan installment information from the Authority and commence billing, collecting, and remitting the Authority loan installments in accordance with the provisions of a Process Document, which details the procedures to be followed by them in fulfilling their statutory and related duties with respect to the On-Bill Recovery ("OBR") Program, including a description of the mechanisms and requirements for the exchange of OBR Program-related information between the parties and their designated agents;
- remit to the Authority on the 15<sup>th</sup> day of the month all amounts paid by customers for the Authority loan installments during the preceding month to the Authority or its designated agent by electronic (ACH) payment using account information provided in writing by the Authority; provide accurate information to the Authority in the files and by the methods defined and according to the due dates stated in the data exchange protocols, as the same may be amended from time to time;
- provide to customers with On-Bill Loans any bill inserts required by law, including the Authority's On-Bill Recovery Mechanism Process for Submission and Resolution of Customer Complaints ("Customer Dispute Resolution Procedure");
- advise the Authority of successor customers following the closing of the utility account for the premises' electric and/or gas utility meter(s) where the previous customer was being billed by a utility for the Authority loan installments; and
- apply customer payments to its electric and/or gas charges before applying payments to the Authority loan installments and comply with specific rules for the application of partial payments, payment in excess of the amount due and public assistance and Home Energy Assistance Program payments.

The utility shall not be responsible for billing or collection of any Authority loan installments for a customer while the Authority is billing such customer directly ("Authority Direct Billing") and the utility will not accept for collection any arrears due to Authority Direct Billing or any arrears transferred to the Authority for collection.

The Authority's responsibilities under the Billing and Services Agreement are to:

- ensure that all customers for whom it transmits to the utility OBR Program loan establishment information have entered into valid, enforceable contractual obligations to repay loans for qualified energy efficiency services for eligible projects;
- on a monthly basis, report to each utility the number of loan applications in process, the number of loans outstanding, and the maximum number of accounts eligible for the utility OBR Program in the utility's service territory;
- provide each utility accurate information in a timely manner for: (i) use in the identification of customers with Authority installment loans, (ii) the billing and collection of Authority loan installments, and (iii) to calculate the fees due from the Authority to the utility and to provide information to each utility in the files and by the methods defined and according to the due dates stated in the Data Exchange Protocols, as the same may be amended from time to time;
- resolve directly with utility's customers any disputes related to the Authority loan installments or the utility OBR Program;
- notify initial borrowers subsequent to the closing of their loans that the Authority loan installments will be appearing on their utility bills;

- notify successor customers of their obligation to pay the Authority loan installments as part of their monthly utility bills and of the terms of payment and consequences of non-payment;
- requests by the Authority or its contractor for utility to provide the Authority or its contractor with customer account billing and payment history information in connection with the utility OBR Program shall be based on written customer consent given to the Authority or its contractor, evidence of which the Authority or its contractor shall retain for a minimum of six years; and
- annually provide the utility in both paper and electronic formats acceptable to the utility copies of its bill insert describing its Customer Dispute Resolution Procedures and, at other times as may be required, any other bill insert required by law.

The utility billing function responsibilities include:

- no earlier than the first bill for a billing period beginning on or after June 1, 2012, and no later than the second billing cycle after the utility receives from the Authority a valid customer account number, monthly the Authority loan installment amount and number of the Authority loan installments to be billed, the utility shall issue to each customer so designated, in accordance with its normal business practices, bills for electric and/or gas service that include the monthly the Authority loan installment amount;
- billing of the Authority loan installment shall continue until the number of loan installments billed equals the number of loan installments to be billed or the loan is satisfied, whichever occurs first, unless billing of Authority loan installments is stopped earlier for any reason described in the Process Document; a customer receiving electric and/or gas utility bills on a bi-monthly basis will be billed for two Authority loan installment amounts on each utility bill;
- utility's cancellation of a customer's previously billed electric and/or gas service charges will not result in the cancellation of Authority loan installment amounts previously billed;
- the utility shall apply the same due dates to Authority loan installment amounts as applicable to other utility charges;
- customers with unpaid Authority loan installment amounts will be subject to the applicable provisions of the Governing Utility Service Documents regarding charges for collection, reconnection and dishonored payments, deferred payment agreements; and termination/disconnection and reconnection of service;
- the utility shall not bill occupants of a multiple dwelling or two-family dwelling, who pay utility charges otherwise due from the customer responsible for the premises in order to avoid termination of service to the entire premises or to restore service that was terminated, for any arrears of Authority loan installment amounts or any prospective Authority loan installment amounts, which shall be the responsibility of the incurring customer;
- the utility will not bill post-petition accounts opened for customers in bankruptcy unless the loan is assumed by the trustee in bankruptcy or not discharged in the judgment and the Authority notifies the utility that Authority loan installments should be billed;
- the utility's bills to customers with Authority installment loans will include a line item entitled "Authority Loan Installment" and will include the Authority's contact information for questions related to Authority loan installment or the OBR Program; and
- at least once annually, the utility shall provide notice to customers with Authority installment loans, for such payment installments that remain subject to on-bill recovery, the dollar amount of remaining unbilled loan installments and the number of unbilled Authority loan installments remaining.

#### **Payment Application: Direct billing – pay by check**

Approximately 10% of Pledged Loan Payments are anticipated to be processed by check payment by the customer. For loans setup for payment by check with statement billing, the Servicer mails a statement to the borrower 21 days in advance of the due date reporting the upcoming installment amount due and any unpaid prior balance. The statement includes a coupon with the customer loan number to be returned with payment made payable to the Authority. On a daily basis, payments are received at the Servicer's office. Payments are sorted for input by a services coordinator and delivered to the assigned account representative. Batches are input into the servicing system and ascertained through secondary entry of the payment amount. Once the batch has been ascertained and balanced, payments are systematically applied to consumer accounts, system assigned payment application is reviewed, updated as needed, and posted.

The account representative sorts the batch by a system assigned sequence number, which identifies the Demand Deposit Account (DDA). System generated deposit slips are printed in duplicate (one deposit slip is attached to the deposit and one is forwarded to the Treasury Management department). The account representative places completed deposits in a fireproof file cabinet for pickup by bank courier or overnight delivery. The Servicer performs client specific procedures for

unidentified payments from consumers or payments that cannot be processed. Payments that cannot be processed are held in a secure file cabinet. Payments received on Portfolio Loans (based on a Developer/Project/Lender code structure used in the Servicer's servicing system) are deposited to a segregated bank account in the Authority's name which the Servicer can access to review transactional history, but for which it does not have access to initiate withdrawals. At the end of the month, an automated transfer of the bank account balance in excess of \$1,000 will be processed to transfer payment to the Trustee.

#### **Payment Application: Direct billing – ACH payment**

Approximately 56% of Pledged Loan Payment processing is anticipated to be through automated clearing house (ACH) debit from the consumer's checking or savings account. ACH authorizations can be received as part of the loan application process or periodically from consumers. The signed authorization request includes a voided check or deposit slip to obtain the necessary information to debit the consumer's bank account. These authorizations are kept on file. Servicer personnel notify the consumer's bank prior to the first debit date to verify the accuracy of the account information. The Servicer mails the consumer a letter confirming the customers' intentions to make ACH payments. This letter will include a portion of the banking information the customer intends to use, the payment amount that will be debited and the date of the first debit. If the customer does not send in the authorization form, this letter must be mailed to confirm the setup.

On a daily basis, the servicing system automatically generates a report identifying the next due date for ACH consumers. This report is verified for accuracy by the Servicer's Treasury Management department. An electronic ACH file is created from the Servicer's servicing system and transmitted to the bank via FTP. Concurrently, an ACH Transmission report is generated. The dollar amounts and item counts are ascertained by telephone with the bank to determine a complete and accurate transmission. An edit report reflecting payments is generated and compared to the ACH Transmission report. Once the ACH payment information is determined to be accurate, payments are applied to loan accounts, system assigned payment application is reviewed, updated as needed, and posted. ACH return items are processed by way of an electronic file from the bank. The return item file includes the account number, amount, original processing date, and return reason. The return item file is usually received one to two days after the ACH file original post date. The file is imported to the servicing system and reviewed for accuracy prior to updating the consumer payment history. ACH payments received on loans (based on a Developer/Project/Lender code structure used in the servicing system) are deposited to a segregated bank account in the Authority's name which the Servicer has access to review transactional history, but which it does not have access to initiate withdrawals. At the end of the month, an automated transfer of the bank account balance in excess of \$1,000 will be processed to transfer payment to the Trustee.

#### **Payment Application: On-bill recovery loans**

By the fifteenth day of each calendar month, each utility is responsible for initiating an ACH payment to a segregated bank account in the Authority's name representing the aggregate amount of collections of Authority loan installments for the preceding month. By the same date, the utility must also post a detail file to the Servicer's secure FTP site with the remittance payment details. The Servicer processes the payment detail file and posts the payments received to loan account balances in its servicing system. At the end of the month, an automated transfer of the bank account balance in excess of \$1,000 will be processed to transfer payment to the Trustee.

#### **Account Closure Provisions for On-Bill Recovery Loans**

The On-Bill Loans have provisions allowing for the transferability of the loan installment obligation upon sale or transfer of the property unless the obligation is satisfied prior to sale or transfer. On a weekly basis, the utility posts a Utility Account Closing file to the Servicer's secure FTP site indicating that a utility account has been closed (which could occur due to voluntary closure or temporary suspension of service by the customer, or involuntarily through termination of service by the utility for nonpayment). The utility also posts a Utility Successor Account File to report a customer who has established utility service at an address for which there was an On-Bill Loan obligation where there were remaining loan installments not yet billed.

In the case of outstanding arrears on an Authority loan installment that exist when an account is closed, if the customer does not re-establish service with such utility within 45 days, it will be the responsibility of the Authority, and not the utility, to collect any arrears that are due and owing, regardless of whether or not the customer subsequently re-establishes service with the utility. On a weekly basis, the utility posts to the Servicer's secure FTP site any arrears balance remaining after 45 days without the customer re-establishing service with such utility through a Utility Transfer of

Uncollected Payment File. Upon notification of an uncollectible balance from the utility through the utility Transfer of Uncollected Payment File, the Servicer commences statement billing of the arrears balance.

Upon notification of any account closure or temporary suspension of utility service by the utility, if a successor customer does not establish service within 60 days of such notice, the Servicer commences direct statement billing to the current property owner pursuant to the terms of the loan agreement. The Servicer requests the Authority's program title company to perform a last owner search within this 60-day period, which shall be reported by the title company to the Servicer for direct billing. This direct billing shall continue until a successor customer establishes service, or the existing customer re-establishes service, at the property address, at which time the billing will return to on-bill recovery billing through the successor account establishment process. Any amounts directly billed shall be collected by the Authority or its Loan Servicer and shall not be subsequently transferred to the utility for billing and/or collection.

### **Account Transfer Provisions for On-Bill Recovery Loans**

When utility service is opened or re-opened for a metered property that had a previous Authority loan installment charge, the utility notifies the Servicer via a Successor Accounts file posted on the Servicer's secure FTP site. The account owner may be a new owner (a purchaser or tenant of the property) or may be the prior account owner (in the case of account closure through termination, or suspension of utility service for a seasonal customer). Upon receipt of the Successor Accounts File, the Servicer determines if the name of the successor customer is different from the current borrower of record in the Servicer's system. If the name is different, the Servicer establishes a new loan number for the new customer for the remaining unbilled loan installments on the loan account; if there is no change in the name on the account, the loan number will remain the same. Once this determination is made, the Servicer will request the utility to establish an Authority loan installment charge on the successor customer's bill through the Authority Loan Establishment File as previously described. The utility will establish the Authority loan installment charge on the customer account, and report back to the Servicer via posting a Utility Account Openings File on the secure FTP site; the Servicer reviews any exceptions or denials noted through this process. The Servicer will notify the customer of record via US mail that their utility bill will include an Authority Loan Installment charge. This notification includes the Authority Loan Installment monthly (or bimonthly) amount and the loan term in number of payments. The customer will be directed to contact the Authority/Loan Servicer if they have any questions.

### **Other Unique Servicing Provisions of On-Bill Loans**

On-Bill Loans include other unique provisions related to servicing, including:

- the obligor's payment obligation is not a fixed monthly due date – the Note provides that the obligor's loan installment will be billed by the utility no later than the second billing cycle commencing after notification is submitted by the Servicer to the utility;
- the obligor's billing cycle does not end on the same date of each month, and varies from month to month based on the utility's meter reading and billing cycles;
- the installment charge is only included in a full billing cycle and no more than 12 installments shall be billed per year - if the utility subsequently changes the obligor's billing cycle, one short billing cycle will result and this billing cycle will not include billing of the installment charge; and
- the obligor has the right to prepay the obligation, in whole or in part, without penalty, but must arrange for prepayment directly with the Servicer – an obligor who pays more than the amount billed through the utility billing process will be deemed to have prepaid their utility service charges

### **Collection Procedures**

Accounts are past due if any amount is unpaid by the date upon which payment is due pursuant to the Note. For Direct Bill Loans, the Servicer is responsible for performing delinquency collections on accounts once they are 15 days past due and until they are 90 days past due. Under a collection plan set by the Authority, the Servicer calls or sends written notices to obligors every 15 days. The Servicer charges a transactional fee for these delinquency collection efforts that are included in its portfolio servicing fees. Once an account is 90 days past due, it is referred to Blackwell Recovery for default collection on a contingency basis. Recoveries received from delinquency collections and default collections are netted against the remaining principal balance to report charge offs on a net basis. The Servicer performs no delinquency collection activities on On-Bill Loans – these activities are performed by the respective utility.

## **Collection/Delinquency**

Collection activities are governed by the servicing and fee agreements between the Servicer and the Authority. The Servicer maintains errors and omissions insurance coverage for this service.

The Servicer is licensed or registered for collections in states as required or deemed necessary under state regulations. The Servicer is a standing member of the American Collectors Association (ACA) and adheres to the collection standards outlined within the FDCPA. The collection and customer service personnel are required to attend an internal FDCPA training class and pass a FDCPA test. On-going FDCPA training is also conducted at least quarterly in the weekly collection and customer service department training meetings.

Each collector or customer service representative is also required to answer a random Fair Debt Collection Practices Act question prior to logging into the servicing system. The answers to these random questions are reported to management for ongoing follow-up training with each employee.

### **Collection/Delinquency: Assessment of Late Charges**

Late charges are assessed on Direct Bill Loans when a customer's payment is not received by the due date, which is written into the Note signed by the customer at time of purchase. No late charges are assessed on late payment of the on-bill recovery loan installment charges collected by the utilities through their billing and collection systems.

### **Collection/Delinquency: Telephone Collection Efforts and Written Late Notices**

The Servicer late notices are automatically generated based on the collection plan established between the Servicer and the Authority, which includes not more than ten phone calls and three written notices occurring approximately every 15 days commencing once the account is 15 days past due and concluding when such collection activities do not result in payment and the account is 90 days past due. The written notices advise the consumer of the payment due date and total amount past due. The late notice will automatically include a payment remittance form preprinted with the lockbox address, account number, and scan line. If appropriate and as determined within the FDCPA and specific state compliance regulations, the late notice will also include the required 30-day "Validation Notice". This notice validates that the customer is not currently disputing the contractual obligation or the validity of the debt the Servicer is collecting. This notice extends the consumer a 30-day opportunity to notify the Servicer with written notice of any contractual dispute. Upon receipt of the written notice, the Servicer will then follow FDCPA requirements to validate the debt with the Authority.

The Servicer collections are performed within a module that allows the collection personnel to easily move from account to account. This module is designed specifically for the collections environment and limits access according to ID profile. The collection accounts of each portfolio are selected and segregated each evening automatically. The collection programs are set up and monitored by senior management.

### **Default Collections**

The Servicer has established a unit doing business as Blackwell Recovery to perform default collection. Blackwell Recovery specializes in the collection of receivables that are more than 90 days past due and is compensated on a contingency fee basis. Collection programs are outlined in the servicing and fees and collections agreement with the Authority.

### **Charge-offs**

The Authority charges off accounts once they are 120 days past due.

### **Extensions and Workouts**

In performing delinquency collections, the Servicer is authorized to waive late payment charges but may not modify the terms of the loan without the Authority's consent. In performing default collections, Blackwell may offer to settle with the obligor under terms agreed to by the Authority.

## **Backup Servicer**

First Associates Loan Servicer LLC (“the Backup Servicer” and together with the Servicer, the “Servicers”) will provide backup services for the Portfolio Loans. The services will include “warm backup” services including provisions for the Backup Servicer to assume primary portfolio servicing responsibilities within 45 days’ written notice by the Authority. The Backup Servicer receives and reviews a monthly report provided by the Servicer and determines that the report is complete. The Backup Servicer verifies the aggregate outstanding principal balance of Portfolio Loans at the beginning of the related calendar month, verifies the number and principal balance of delinquent and defaulted Portfolio Loans at the close of the related calendar month, and verifies the aggregate outstanding principal balance of Portfolio Loans at the close of the related calendar month. The Backup Servicer will receive a complete month end servicing data file sent over via a secure FTP site and housed at Backup Servicer.

## **THE PORTFOLIO LOANS**

### **General**

The Authority owns a pool of Tier 1 loans purchased or funded by the Authority to finance energy efficiency improvements in residential 1-4 family dwellings. On the date of issuance of the Series 2013A Bonds (the “Closing Date”), the Authority will pledge payments of principal and interest on this existing pool of loans (the “Initial Portfolio Loans”) issued and outstanding as of June 30, 2013 (the “Cutoff Date”) to the Trustee pursuant to the Indenture. During the prefunding period commencing July 1, 2013 and ending December 31, 2013 (the “Prefunding Period”), on one or more dates subsequent to the Cutoff Date (each a “Subsequent Cutoff Date”), the Authority will add additional loan payments as Pledged Loan Payments and reimburse itself for the related loans (the “Subsequent Portfolio Loans”) using the amount in the Prefunding Account. Such additional Pledged Loan Payments will be pledged to the Trustee pursuant to the Indenture on the related date or dates on which moneys are withdrawn from the Prefunding Account. Any amounts remaining in the Prefunding Account at the end of the Prefunding Period will be deposited in the Debt Service Fund as described under “DESCRIPTION OF THE INDENTURE--Debt Service Fund” The Initial Portfolio Loans and the Subsequent Portfolio Loans are collectively referred to as the “Portfolio Loans”. No expenses incurred in connection with the selection and acquisition of the Portfolio Loans will be payable from the proceeds of the issuance of the Series 2013A Bonds.

Other than the Trustee, as secured party under the Indenture, no party will have any material direct or contingent claim on any Pledged Loan Payments.

### **Eligibility Criteria**

Each loan whose loan payment is to be pledged by the Authority to the Trustee on the Closing Date or subsequently during the Prefunding Period will satisfy each of the following criteria as of the Cutoff Date in the case of Initial Portfolio Loans or as of a Subsequent Cutoff Date in the case of Subsequent Portfolio Loans:

- no Portfolio Loan was subject to a prior perfected lien;
- each Portfolio Loan had an original maturity of not more than 180 months and a remaining maturity of at least three months and not more than 180 months;
- each Portfolio Loan had a remaining Principal Balance of at least \$100 and not more than \$26,000;
- each Portfolio Loan has a Contract Rate of at least 2.99% and not more than 3.99%;
- each Portfolio Loan provides for level scheduled monthly payments that fully amortize the amount financed over its original term to maturity;
- each Portfolio Loan was originated in the United States/State of New York and was not identified on the records of the servicer as being subject to any pending bankruptcy proceeding;
- each Portfolio Loan arose under a contract with respect to which the Authority has performed all obligations required to be performed by it thereunder;
- each Portfolio Loan was originated and has been serviced in compliance with all applicable laws;
- no Subsequent Portfolio Loan will cause the weighted average FICO<sup>®</sup> score (based upon the Principal Balance of the Subsequent Portfolio Loans as of their respective Subsequent Cutoff Dates) of all such Portfolio Loans to be less than 650;
- no Subsequent Portfolio Loan will cause the weighted average original maturity (based upon the Principal Balance of the Portfolio Loans as of their respective Cutoff Dates) of all such Portfolio Loans to be greater than 175 months; and



- no Subsequent Portfolio Loan will cause the weighted average remaining maturity (based upon the Principal Balance of the Portfolio Loans as of their respective Cutoff Dates) of all such Portfolio Loans to be greater than 153 months.

#### **Characteristics of the Initial Portfolio Loans**

The following tables set forth information with respect to the Portfolio Loans as of the close of business on the Cutoff Date. The percentages below are calculated based on the Cutoff Date pool balance. Additional Loans are expected to be originated subsequent to the Cutoff Date. The characteristics of such Subsequent Portfolio Loans will vary somewhat from those of the Initial Portfolio Loans. While the characteristics of the Portfolio Loans at the end of the Prefunding Period will differ somewhat from the information set forth in these tables, the Authority anticipates that the variations will not be significant.

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**Composition of the Initial Portfolio Loans  
as of the Cutoff Date**

	On-Bill Loans	Direct Bill Loans	Total
Aggregate Principal Balance	\$8,706,602.26	\$19,040,970.85	\$27,747,573.11
Percentage of Pool Balance	31.4%	68.6%	100.0%
Number of Initial Portfolio Loans	829	2,287	3,116
Average Principal Balance	\$10,502.54	\$8,325.74	\$8,904.87
Average APR	3.35%	4.01%	3.83%
Average Coupon Rate	3.05%	3.58%	3.44%
Coupon Rate (Range)	2.99%-3.49%	3.49%-3.99%	2.99%-3.99%
Average Original Term (months)	173.9	145.0	152.7
Original Term (Range) (months)	60-180 months	60-180 months	60-180 months
Average Remaining Term (months)	170.4	129.8	140.6
Remaining Term (Range)	50-180 months	13-180 months	13-180 months
Average FICO <sup>®</sup> Score <sup>(1)</sup>	752	751	751

- <sup>(1)</sup> FICO<sup>®</sup> is a federally registered service mark of Fair Isaac Corporation. FICO<sup>®</sup> scores generated by credit reporting agencies. The Originator utilizes TransUnion, Equifax or Experian credit reports depending on location of the obligor. FICO<sup>®</sup> scores were unavailable for some obligors at the time of application of the related Portfolio Loan. A FICO<sup>®</sup> score is a measurement determined by Fair Isaac Corporation using information collected by the major credit bureaus to assess credit risk. Data from an independent credit reporting agency, such as a FICO<sup>®</sup> score, is one of several factors that may be used by the Authority in its credit scoring system to assess the credit risk associated with each applicant. See “THE AUTHORITY’S RESIDENTIAL ENERGY EFFICIENCY LOAN PROGRAM—*Underwriting—Pricing and Credit Scoring*”. FICO<sup>®</sup> scores are intended to show the likelihood that an individual might default on a debt based on past credit history. An individual’s credit history may not reliably predict his or her future creditworthiness. Additionally, the reliability of the credit scoring the FICO<sup>®</sup> scores provide is limited by the accuracy of the data contained within the credit bureau files. Accordingly, FICO<sup>®</sup> scores should not necessarily be relied upon as a meaningful predictor of the performance of the Portfolio Loans.

**Distribution of the Initial Portfolio Loans by FICO® Score  
as of the Cutoff Date**

<b>FICO® Score Range</b>	<b>Number of Initial Portfolio Loans</b>	<b>Percentage of Total Number of Initial Portfolio Loans<sup>(1)</sup></b>	<b>Principal Balance as of the Cutoff Date</b>	<b>Percentage of Cutoff Date Pool Balance<sup>(1)</sup></b>
640 - 649 .....	51	1.6%	\$ 404,042.84	1.5%
650 - 674 .....	189	6.1	1,884,434.36	6.8
675 - 699 .....	260	8.3	2,336,764.50	8.4
700 - 724 .....	355	11.4	3,171,519.22	11.4
725 - 749 .....	430	13.8	3,952,515.29	14.2
750 - 774 .....	599	19.2	5,396,676.56	19.4
775 - 799 .....	915	29.4	7,861,775.44	28.3
800 - 824 .....	316	10.1	2,736,517.50	9.9
825 - 849 .....	1	0.0	3,327.40	0.0
<b>Total.....</b>	<b>3,116</b>	<b>100.0%</b>	<b>\$27,747,573.11</b>	<b>100.0%</b>

**Distribution of the Initial Portfolio Loans by Original Term to Maturity  
as of the Cutoff Date**

<b>Original Term Range (months)</b>	<b>Number of Initial Portfolio Loans</b>	<b>Percentage of Total Number of Initial Portfolio Loans<sup>(1)</sup></b>	<b>Principal Balance as of the Cutoff Date</b>	<b>Percentage of Cutoff Date Pool Balance<sup>(1)</sup></b>
60	378	12.1%	\$ 1,912,895.57	6.9%
120	663	21.3	4,938,014.71	17.8
180	2,075	66.6	20,896,662.83	75.3
<b>Total.....</b>	<b>3,116</b>	<b>100.0%</b>	<b>\$27,747,573.11</b>	<b>100.0%</b>

<sup>(1)</sup> Percentages may not add up to 100.00% due to rounding.

**Distribution of the Initial Portfolio Loans by Remaining Term to Maturity  
as of the Cutoff Date**

<b>Remaining Term Range (Months)</b>	<b>Number of Initial Portfolio Loans</b>	<b>Percentage of Total Number of Initial Portfolio Loans<sup>(1)</sup></b>	<b>Principal Balance as of the Cutoff Date</b>	<b>Percentage of Cutoff Date Pool Balance<sup>(1)</sup></b>
13-24	9	0.3	\$ 15,732.86	0.1
25-36	63	2.0	233,085.41	0.8
37-48	179	5.7	906,775.83	3.3
49-60	134	4.3	775,856.26	2.8
61-72	7	0.2	35,844.07	0.1
73-84	11	0.4	55,576.29	0.2
85-96	128	4.1	791,136.18	2.9
97-108	324	10.4	2,475,364.28	8.9
109-120	202	6.5	1,631,746.93	5.9
121-132	9	0.3	60,920.45	0.2
133-144	18	0.6	142,353.06	0.5
145-156	163	5.2	1,326,681.03	4.8
157-168	489	15.7	5,089,384.23	18.3
169-180	1,380	44.3	14,207,116.23	51.2
<b>Total</b>	<b>3,116</b>	<b>100.0%</b>	<b>\$27,747,573.11</b>	<b>100.0%</b>

**Distribution of the Initial Portfolio Loans by Year of Origination  
as of the Cutoff Date**

<b>Year of Origination</b>	<b>Number of Initial Portfolio Loans</b>	<b>Percentage of Total Number of Initial Portfolio Loans<sup>(1)</sup></b>	<b>Principal Balance as of the Cutoff Date</b>	<b>Percentage of Cutoff Date Pool Balance<sup>(1)</sup></b>
2010.....	9	0.3%	\$ 65,351.14	0.2%
2011.....	793	25.4	5,881,539.71	21.2
2012.....	1,388	44.5	12,896,672.54	46.5
2013.....	926	29.7	8,904,009.72	32.1
<b>Total.....</b>	<b>3,116</b>	<b>100.0%</b>	<b>\$27,747,573.11</b>	<b>100.0%</b>

**Distribution of the Initial Portfolio Loans by Payment Method  
as of the Cutoff Date**

<b>Payment Method</b>	<b>Number of Initial Portfolio Loans</b>	<b>Percentage of Total Number of Initial Portfolio Loans<sup>(1)</sup></b>	<b>Principal Balance as of the Cutoff Date</b>	<b>Percentage of Cutoff Date Pool Balance<sup>(1)</sup></b>
Direct Loan – Check.....	396	12.7%	\$ 2,817,421.36	10.2%
Direct Loan – ACH .....	1,891	60.7	16,223,549.49	58.5
On-Bill .....	829	26.6	8,706,602.26	31.4
<b>Total.....</b>	<b>3,116</b>	<b>100.0</b>	<b>\$27,747,573.11</b>	<b>100.0</b>

<sup>(1)</sup> Percentages may not add up to 100.00% due to rounding.

**Distribution of the Initial Portfolio Loans by Coupon Rate  
as of the Cutoff Date**

Contract Rate Range (%)	Number of Initial Portfolio Loans	Percentage of Total Number of Initial Portfolio Loans <sup>(1)</sup>	Principal Balance as of the Cutoff Date	Percentage of Cutoff Date Pool Balance <sup>(1)</sup>
2.99	736	23.6%	\$ 7,733,300.33	27.9%
3.49	1,985	63.7	17,198,620.62	62.0
3.99	395	12.7	2,815,652.16	10.1
Total.....	3,116	100.0%	\$27,747,573.11	100.0%

**Distribution of the Initial Portfolio Loans by Original Principal Balance**

Original Principal Balance Range	Number of Initial Portfolio Loans	Percentage of Total Number of Initial Portfolio Loans <sup>(1)</sup>	Original Principal Balance	Percentage of Total <sup>(1)</sup>
\$701 - \$2,000	13	0.4%	\$22,222.20	0.1%
\$2,000.01 - \$4,000.00	325	10.4	1,068,637.22	3.6
\$4,000.01 - \$6,000.00	585	18.8	2,908,267.77	9.7
\$6,000.01 - \$8,000.00	514	16.5	3,614,297.85	12.1
\$8,000.01 - \$10,000.00	427	13.7	3,824,273.28	12.8
\$10,000.01 - \$12,000.00	389	12.5	4,272,119.74	14.3
\$12,000.01 - \$14,000.00	338	10.8	4,361,024.08	14.5
\$14,000.01 - \$16,000.00	152	4.9	2,273,278.14	7.6
\$16,000.01 - \$18,000.00	110	3.5	1,865,248.08	6.2
\$18,000.01 - \$20,000.00	82	2.6	1,560,734.05	5.2
\$20,000.01 - \$22,000.00	58	1.9	1,218,896.87	4.1
\$22,000.01 - \$24,000.00	34	1.1	777,579.10	2.6
\$24,000.01 - \$26,000.00	89	2.9	2,211,606.79	7.4
Total.....	3,116	100.0%	\$29,978,185.17	100.0%

<sup>(1)</sup> Percentages may not add up to 100.00% due to rounding.

**Distribution of the Initial Portfolio Loans by Current Principal Balance  
as of the Cutoff Date**

Current Principal Balance Range	Number of Initial Portfolio Loans	Percentage of Total Number of Initial Portfolio Loans <sup>(1)</sup>	Principal Balance as of the Cutoff Date	Percentage of Cutoff Date Pool Balance <sup>(1)</sup>
\$495.14 - \$2,000.00.....	41	1.3%	\$ 64,324.49	0.2%
\$2,000.01 - \$4,000.00.....	465	14.9	1,482,165.31	5.3
\$4,000.01 - \$6,000.00.....	576	18.5	2,856,157.78	10.3
\$6,000.01 - \$8,000.00.....	514	16.5	3,579,015.85	12.9
\$8,000.01 - \$10,000.00.....	442	14.2	3,964,266.61	14.3
\$10,000.01 - \$12,000.00.....	390	12.5	4,277,914.23	15.4
\$12,000.01 - \$14,000.00.....	222	7.1	2,863,005.97	10.3
\$14,000.01 - \$16,000.00.....	141	4.5	2,113,696.15	7.6
\$16,000.01 - \$18,000.00.....	90	2.9	1,514,911.06	5.5
\$18,000.01 - \$20,000.00.....	77	2.5	1,450,748.17	5.2
\$20,000.01 - \$22,000.00.....	64	2.1	1,348,150.14	4.9
\$22,000.01 - \$24,000.00.....	51	1.6	1,176,886.90	4.2
\$24,000.01 - \$26,000.00.....	43	1.4	1,056,330.45	3.8
Total.....	3,116	100.0%	\$27,747,573.11	100.0%

(1) Percentages may not add up to 100.00% due to rounding.

**Distribution of the Initial Portfolio Loans by County of Obligor  
as of the Cutoff Date**

County of Obligor	Number of Initial Portfolio Loans	Percentage of Total Number of Initial Portfolio Loans <sup>(1)</sup>	Principal Balance as of the Cutoff Date	Percentage of Cutoff Date Pool Balance <sup>(1)</sup>
Westchester	213	6.8%	\$ 2,647,257.48	9.5%
Monroe	299	9.6	2,351,019.12	8.5
Onondaga	320	10.3	2,272,523.71	8.2
Suffolk	230	7.4	2,232,872.68	8.0
Erie	256	8.2	1,717,255.17	6.2
Nassau	110	3.5	1,188,659.61	4.3
Oneida	147	4.7	1,162,400.58	4.2
Broome	113	3.6	1,012,680.74	3.6
Tompkins	104	3.3	959,182.53	3.5
Albany	97	3.1	867,005.18	3.1
Other <sup>(2)</sup>	1,227	40.9	11,336,716.31	40.9
Total	3,116	100.0%	\$27,747,573.11	100.0%

(1) Percentages may not add up to 100.00% due to rounding.

(2) Each Initial Portfolio Loan included in the "Other" category accounted for less than 3% of the Cutoff Date Pool Balance.

**Distribution of the Initial Portfolio Loans by Number of Payments Made  
as of the Cutoff Date**

Number of Payments Made	Number of Initial Portfolio Loans	Percentage of Total Number of Initial Portfolio Loans <sup>(1)</sup>	Principal Balance as of the Cutoff Date	Percentage of Cutoff Date Pool Balance <sup>(1)</sup>
0 – 12 .....	1,770	56.8%	\$17,123,107.31	61.7%
13 – 24 .....	985	31.6	8,364,707.41	30.1
25 – 35 .....	295	9.5	1,896,867.34	6.8
37 – 48 .....	35	1.1	210,850.25	0.8
49 – 60 .....	13	0.4	86,100.65	0.3
61 – 72 .....	4	0.1	10,990.45	0.0
73 – 84 .....	4	0.1	18,889.38	0.1
85 – 96 .....	2	0.1	8,790.45	0.0
97 - 108	2	0.1	1,480.43	0.0
109 - 120	3	0.1	12,881.93	0.0
121 - 132	3	0.1	12,907.51	0.0
<b>Total</b>	<b>3,116</b>	<b>100.0%</b>	<b>\$27,747,573.11</b>	<b>100.0%</b>

<sup>(1)</sup> Percentages may not add up to 100.00% due to rounding.

**Distribution of the Initial Portfolio Loans by debt-to-income (DTI)<sup>(1)</sup>  
as of the Cutoff Date**

DTI Range <sup>(1)</sup>	Number of Initial Portfolio Loans	Percentage of Total Number of Initial Portfolio Loans <sup>(2)</sup>	Principal Balance as of the Cutoff Date	Percentage of Cutoff Date Pool Balance <sup>(2)</sup>
0 – 10.00% .....	227	7.3%	\$1,908,206.66	6.9%
10.01% – 20.00% .....	387	12.4%	\$3,493,253.97	12.6%
20.01% – 30.00% .....	704	22.6%	\$6,351,661.05	22.9%
30.01% – 40.00% .....	917	29.4%	\$8,021,208.77	28.9%
40.01% – 50.00% .....	881	28.3%	\$7,973,242.66	28.7%
<b>Total</b> .....	<b>3,116</b>	<b>100.0%</b>	<b>\$27,747,573.11</b>	<b>100.0%</b>

<sup>(1)</sup> DTI is calculated by dividing the customer's total regular monthly income by the sum of the minimum monthly payments listed on the customer's credit report plus the monthly payment due on the Direct Bill or On-Bill Loan.

<sup>(2)</sup> Percentages may not add up to 100.00% due to rounding.

## Delinquency and Loss Information

Set forth below is delinquency and credit loss information relating to the Authority's Initial Portfolio Loans. The Authority's delinquency and credit loss performance may vary from period to period based on average age or seasoning of the portfolio, seasonality within the calendar year, as well as general economic factors.

The following statistics include Initial Portfolio Loans as of the Cutoff Date with a variety of payment and other characteristics that may not correspond to the Portfolio Loans owned or to be owned by the Authority including Loans issued during the Prefunding Period. As a result, there can be no assurance that the delinquency and credit loss experience with respect to the Portfolio Loans owned or to be owned by the Authority will correspond to the delinquency and credit loss experience of the total portfolio of Loans set forth in the following tables. The percentages in these tables may not add up to 100% due to rounding.

### Delinquency Experience

	June 30, 2013		December 31, 2012		December 31, 2011	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Principal Amount of Outstanding Loans <sup>(1)</sup>	\$27,747,573		\$21,902,557		\$7,507,270	
Delinquencies <sup>(2)</sup> :						
31-60 days	94,656	.34%	114,499	.52%	48,981	.65%
61-90 days	136,553	.49	42,711	.20	8,638	.12
91 days or more	59,669	.22	29,516	.13	9,600	.13
Total 31+ Delinquencies <sup>(3)</sup>	290,878	1.05	186,726	.85	67,219	.90
Total 61+ Delinquencies <sup>(3)</sup>	196,221	.71	72,227	.33	18,238	.24

<sup>(1)</sup> All amounts and percentages are based on the principal balances of the Loans.

<sup>(2)</sup> Delinquencies include bankruptcies and repossessions.

<sup>(3)</sup> The sum of the delinquencies may not equal the Total 31+ Delinquencies and Total 61+ Delinquencies due to rounding.

### Net Loss Experience

	Year Ended		
	Six Months Ended June 30, 2013	December 31, 2012	December 31, 2011
Period-End Principal Outstanding <sup>(1)</sup>	\$27,747,573	\$21,902,557	\$7,574,489
Average Month End Amount Outstanding During the Period <sup>(1)</sup>	\$23,325,065	\$14,738,523	\$3,787,245
Net Charge-Offs <sup>(2)</sup>	\$72,848	\$27,944	\$4,382
Net Charge-Offs as a Percentage of Period-End Principal Outstanding	.26%	.13%	0.6%
Net Charge-Offs as a Percentage of Average Month-End Amount Outstanding	.31%	.19%	.12%

<sup>(1)</sup> All amounts and percentages are based on the principal balances of the Loans.

<sup>(2)</sup> Net charge-offs represent the net principal balance of Loans determined to be uncollectible in the period less default recoveries collected in the period.

### PLEGDED INTEREST SUBSIDIES

The Authority has designated the Series 2013A Bonds as Qualified Energy Conservation Bonds ("QECBs") as defined in Section 54D of the Code and will irrevocably elect under Section 6431(f) of the Code to receive a direct subsidy payment, nominally a refundable tax credit, from the United States Treasury equal to the lesser of (i) the amount of interest



payable on the QECBs on an interest payment date, or (ii) 70 percent of the amount of interest which would have been payable if the interest were based on the applicable credit rate. Under Code Section 54A(b)(3), the applicable credit rate is determined as of the first day on which there is a binding, written contract for the sale of the QECBs and takes account of the yields on outstanding bonds from market sectors selected by the Treasury Department in its discretion that have an investment grade rating between “A” and “BBB”. The Bureau of Public Debt publishes both the applicable credit rate and the maximum permitted maturity for a given date. Amounts received by the Authority as a direct subsidy relating to the Series 2013A Bonds are Pledged Interest Subsidies that constitute Pledged Revenues securing the Bonds. Owners of the Series 2013A Bonds are not entitled to receive a credit against taxes imposed by the Code with respect to Series 2013A Bonds.

The requirements for qualified tax credit bonds under Code Section 54A apply to QECBs. These requirements pertain, among others, to the expenditure of proceeds, information reporting, arbitrage investment restrictions, maturity limitations, and prohibition against financial conflicts of interest. Provisions specific to QECBs, including most particularly rules relating to bonds issued to implement green community programs, are contained in Code Section 54D. The Authority expects to comply with such requirements, but no assurance can be given that it will be able to do so. The Authority is obligated to make all payments of the principal of and interest on the Series 2013A Bonds whether or not the direct subsidy payments are received.

To receive the direct subsidy payment, the Authority is required to make certain filings with the Internal Revenue Service not less than 45 days or more than 90 days before each interest payment date on the Series 2013A Bonds.

Pursuant to the Budget Control Act of 2011 and the Sequestration Transparency Act of 2012, cuts in certain categories of federal spending were made for the fiscal year ending September 30, 2013, and may be made with respect to future fiscal years. These cuts included reductions equal to 8.7% of the amount that had been budgeted for the direct subsidy payments under Code Section 6431(f) for the fiscal year ending September 30, 2013.

#### USE OF PROCEEDS

The Series 2013A Bonds are the first issue of Bonds to (i) finance or refinance loans made by the Authority to fund energy audits and energy efficiency improvements for eligible applicants pursuant to the Authority’s Green Jobs – Green New York program for one to four family residential structures and (ii) pay the costs of issuance.

#### SOURCES AND USES

Sources of Funds	
Par Amount of Series 2013A Bonds	\$24,300,000.00
Authority Contributions	5,939,297.81
<i>Total Sources of Funds</i>	\$30,239,297.81
Uses of Funds	
Funds Used to Finance or Refinance Loans	\$29,228,032.11
Costs of Issuance <sup>(1)</sup>	1,011,265.70
<i>Total Uses of Funds</i>	\$30,239,297.81

<sup>(1)</sup> Cost of issuance includes legal fees, underwriters’ compensation, State bond issuance fees, ratings fees and certain other expenses related to the issuance of the Series 2013A Bonds.

#### SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A BONDS

The Bonds will be limited obligations of the Authority, payable solely from and secured by money held by the Trustee under the Indenture and payments to the Trustee under the Series 2013A Guarantee.

**The Series 2013A Bonds will not be general obligations of the Authority. The Series 2013A Bonds will not constitute an indebtedness of or a charge against the general credit of the Authority. The Series 2013A Bonds will not constitute a debt of the State of New York, and the State of New York will not be liable on the Series 2013A**

**Bonds. No owner of any Series 2013A Bonds will have the right to demand payment of the principal of, or premium, if any, or interest on, the Series 2013A Bonds out of any funds to be raised by taxation.**

The Authority will pledge and assign to the Trustee in respect of the Series 2013A Bonds all its right, title and interest in and to the Pledged Revenues; that is, all Pledged Loan Payments and Pledged Interest Subsidies and all money, revenues and receipts to be received thereunder, subject to certain exceptions set forth in Appendix A.

Specifically, the Pledged Loan Payments will include loan payments derived from the loans identified as the source of Pledged Loan Payments. See “THE PORTFOLIO LOANS” for a description of the (i) Initial Portfolio Loans consisting of approximately 3,116 Tier 1 Loans issued and outstanding as of June 30, 2013 with a remaining principal balance of \$27,747,573.11 and (ii) Subsequent Portfolio Loans which will consist of Tier 1 Loans to be issued through the Prefunding Period ending December 31, 2013 in a principal amount not to exceed \$1,480,000. (Such \$1,480,000 will be pledged as cash until loans are originated). Loans are not pledged, only loan repayments. In addition, in the event that Pledged Loan Payments and other moneys available under the Indenture (not including moneys available under the Series 2013A Guarantee) are not sufficient to make any required payments of debt service on the Series 2013A Bonds, the Authority has covenanted to use any moneys in the GJGNY Revolving Loan Fund available for such purpose to make such payments as and when due. The Authority expects that if necessary it will use any available moneys in the GJGNY Revolving Fund to finance any defaulted loans which are a source of Pledged Loan Payments which have been financed with the proceeds of the Series 2013A Bonds by depositing funds with the Trustee in an amount equal to the outstanding principal amount thereof, together with any accrued and unpaid interest thereon. The Authority may use moneys in the GJGNY Revolving Loan Fund for any eligible purposes as described above under GREEN JOBS-GREEN NEW YORK PROGRAM. Since State Law specifies the permitted purposes of the GJGNY Revolving Fund, they could be changed by the enactment of State Law. There is no requirement in the Indenture that the Authority retain any amounts in the GJGNY Revolving Loan Fund or the Green Jobs Green New York Loan Loss Reserve Fund for such purpose.

Payments of principal and interest on the Series 2013A Bonds will be made *first* from collections of Pledged Loan Payments and Pledged Interest Subsidies, *second* from payments made by the Authority from amounts available in the GJGNY Revolving Fund for such purpose and *third* by the Guarantor under the Series 2013A Guarantee.

Following is summary of projected Debt Service Coverage:

**PROJECTED DEBT SERVICE COVERAGE**

Bond Year Ended	Pledged Loan Payments <sup>1</sup>	Pledged Interest Subsidies <sup>2</sup>	Total Pledged Revenues	Administrative Expenses <sup>3</sup>	Scheduled Credit Facility Fees	Net Pledged Revenues	Annual Debt Service <sup>4</sup>	Debt Service Coverage
6/30/2014	\$3,188,408	\$453,737	\$3,642,146	\$216,100	\$60,750	\$3,365,296	\$2,717,841	1.24%
6/30/2015	3,220,454	506,651	3,727,104	217,777	55,263	3,454,065	2,664,213	1.30
6/30/2016	3,192,566	496,206	3,688,772	216,542	50,063	3,422,167	2,677,773	1.28
6/30/2017	2,998,354	476,449	3,474,803	208,907	44,800	3,221,096	2,481,134	1.30
6/30/2018	2,770,038	447,886	3,217,924	199,367	39,975	2,978,581	2,294,848	1.30
6/30/2019	2,643,826	415,944	3,059,771	193,926	35,538	2,830,308	2,239,863	1.26
6/30/2020	2,630,281	377,937	3,008,218	193,230	31,150	2,783,838	2,243,235	1.24
6/30/2021	2,599,444	332,382	2,931,827	191,095	26,650	2,714,082	2,173,339	1.25
6/30/2022	2,350,144	283,856	2,634,000	175,945	22,200	2,435,855	1,930,188	1.26
6/30/2023	2,076,774	237,315	2,314,089	159,985	18,225	2,135,879	1,734,212	1.23
6/30/2024	1,940,741	192,380	2,133,121	151,852	14,613	1,966,657	1,624,996	1.21
6/30/2025	1,920,420	146,795	2,067,215	150,516	11,150	1,905,548	1,533,128	1.24
6/30/2026	1,883,044	102,361	1,985,405	147,616	7,775	1,830,014	1,502,697	1.22
6/30/2027	1,593,963	57,105	1,651,068	127,986	4,338	1,518,744	1,146,239	1.32
6/30/2028	902,259	21,723	923,982	83,676	1,650	838,656	687,100	1.22
	\$35,910,716	\$4,548,729	\$40,459,445	\$2,634,520	\$424,138	\$37,400,788	\$29,650,805	

<sup>1</sup> Does not take into account estimates of loan prepayments or defaults. Actual loan prepayments and loan defaults will affect debt service coverage.

<sup>2</sup> The Budget Contract Act of 2011 and the Sequestration Transparency Act of 2012 reduced by 8.7% the amounts payable for direct subsidy payments for Qualified Energy Conservation Bonds for the federal fiscal year ending September 30, 2013. The Pledged Interest Subsidies shown assume continuation of the 8.7% reduction in direct subsidy payments for all Bond Years.

<sup>3</sup> Includes estimated fees for Servicer, Backup Servicer, and Trustee.

<sup>4</sup> For purposes of determining Debt Service Coverage, principal and interest due on each July 1 is assumed to accrue on the preceding June 30.

## GUARANTOR AND THE SERIES 2013A GUARANTEE

### *Guarantor*

The Guarantor is a public benefit corporation of the State of New York created by Title 12 of Article 5 of the Public Authorities Law of the State of New York, as amended (the “EFC Act”). The Guarantor is empowered by State law to administer and finance state revolving funds (the “SRF”) established by the State as set forth in the EFC Act pursuant to the federal Water Quality Act of 1987 and the federal Safe Drinking Water Act Amendments of 1996.

The Guarantor issues SRF indebtedness in two programs: under its existing New York City Municipal Water Finance Authority financing program (“NYCMWFA Program”), and under the 2010 Master Financing Indenture, dated as of June 1, 2010 (“2010 MFI” and “2010 MFI Program”). The Guarantor previously issued, but will no longer issue bonds under an earlier Master Financing Indenture, amended and restated as of July 1, 2005, originally dated as of May 15, 1991 (“1991 MFI” and “1991 MFI Program”). The 2010 MFI Program, NYCMWFA Program and 1991 MFI Program are hereinafter referred to as “SRF Financing Programs” and any bonds issued to fund any of the SRF Financing Programs are hereinafter referred to as “SRF Bonds.” SRF Bonds issued pursuant to the NYCMWFA are referred to herein as “NYCMWFA Bonds”; SRF Bonds issued pursuant to the 1991 MFI Program are referred to herein as “1991 MFI Bonds”; and SRF Bonds issued under the 2010 MFI Program are referred to herein as “2010 MFI Bonds”. See “APPENDIX B – CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE” under the headings “STATE REVOLVING FUND PROGRAMS” and “2010 MFI PROGRAM.”

In addition to being secured by the financing indenture under which they are issued, all of the SRF Bonds issued under the SRF Financing Programs are also secured by certain provisions in the Amended and Restated Master Trust Agreement (“MTA”) dated as of July 1, 2005, as supplemented and amended, between the Guarantor and Manufacturers and Traders Trust Company, as trustee (the “MTA Trustee”), which establishes certain accounts and funds into which certain SRF moneys are deposited and held and governs the use and administration of certain SRF moneys.

Under the 2010 MFI, the Guarantor also may provide guarantees (“2010 MFI guarantees”) of bonds, notes or other obligations issued by eligible parties for any purpose which the Guarantor is authorized to provide such guarantee under the EFC Act and the clean water SRF or drinking water SRF, as the case may be. Neither the EFC Act nor the 2010 MFI limits the total amount of 2010 MFI guarantees that the Guarantor may provide. The Series 2013A Guarantee constitutes a 2010 MFI guarantee. See “APPENDIX B – CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE” under the heading “SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS.”

### *The Series 2013A Guarantee*

**General.** Pursuant to the Series 2013A Guarantee, the Guarantor will irrevocably and unconditionally guarantee to the Trustee for the benefit of the owners from time to time of the Series 2013A Bonds, the full and timely payment of (i) all scheduled payments of principal of and interest on the Series 2013A Bonds (including payments of principal and interest by reason of mandatory sinking fund redemption) when and as the same shall become due and (ii) payments of principal of, interest on and redemption premium, if any, on the Series 2013A Bonds by reason of optional redemption of the Series 2013A Bonds when such optional redemption is consented to in writing by the Guarantor pursuant to the Indenture. Such guaranteed payments are hereinafter collectively referred to as the “Guaranteed Payments.” Guaranteed Payments shall not include any additional amounts owed by the Authority solely as a result of (a) the failure by the Authority to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Authority by reason of such failure, or (b) any acceleration of the Series 2013A Bonds.

As used herein, the term “owner” shall mean the registered owner of any Series 2013A Bond as indicated in the books maintained by the Trustee, the Authority or any designee of the Authority for such purpose. The term owner shall not include the Authority or any party whose agreement with the Authority constitutes the underlying security for the Series 2013A Bonds.

**Security and Source of Payment for the Series 2013A Guarantee.** The Series 2013A Guarantee shall constitute a “Guarantee” as defined in and for all purposes of the 2010 MFI. The Series 2013A Guarantee is being issued

pursuant to, and secured by, the 2010 MFI. Notwithstanding anything in the Series 2013A Guarantee to the contrary, the obligations of the Guarantor under the Series 2013A Guarantee are payable solely from the following sources (collectively, the "Specified Guarantee Sources"): (i) Available De-Allocated Reserve Account Release Payments (as defined in 2010 MFI); (ii) any Guarantee Support Payments (as defined in the 2010 MFI) available therefore in accordance with the 2010 MFI; and (iii) any other amounts available for the payment of the Series 2013A Guarantee as a Subordinated 2010 MFI Obligation (as defined in the 2010 MFI). The Guarantor may from time to time determine the order of priority of the use of the Specified Guarantee Sources, subject to the obligation of the Guarantor to satisfy its obligation under the Series 2013A Guarantee with moneys which are available from such sources on a timely basis. In the case of Specified Guarantee Sources described in clause (i) and (ii) above, Guaranteed Payments shall be paid first from the moneys held within the Clean Water SRF (as defined in the 2010 MFI) to the extent sufficient moneys are available therein and then from moneys held in the Drinking Water SRF (as defined in the 2010 MFI). The Series 2013A Guarantee constitutes a Subordinated 2010 MFI Obligation for all purposes of the 2010 MFI. For further description of, and information relating to, Available De-Allocated Reserve Account Release Payments, Guarantee Support Payments and Subordinated 2010 MFI Obligations, see "APPENDIX B – CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE" under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A GUARANTEE."

Nothing in the Series 2013A Guarantee shall be deemed to create a lien on the Specified Guarantee Sources or to restrict or limit the ability of the Guarantor to guarantee any other obligations or to grant any lien on any of the Specified Guarantee Sources for any purpose whatsoever and in any amount either prior to or on a parity with any claim or right of the Trustee with respect to the Guaranteed Payments or apply the Specified Guarantee Sources to any lawful purpose or create any obligation to maintain Specified Guarantee Sources in any particular amount. Without limiting the generality of the foregoing, the Guarantor may issue additional Bonds, Subordinated Bonds or 2010 MFI Obligations (each as defined in the MTA) or any other obligations, without limitation. All rights to payment created under the Series 2013A Guarantee shall be subject to the rights of any holders of any obligations of the Guarantor entitled to the benefit of any lien on the Specified Guarantee Sources, whether existing or hereafter created.

**The Series 2013A Guarantee will not be a general obligation of the Guarantor. The Series 2013A Guarantee will not constitute an indebtedness of or a charge against the general credit of the Guarantor. Neither the Series 2013A Bonds nor the Series 2013A Guarantee will constitute a debt of the State of New York, and the State of New York will not be liable on the Series 2013A Bonds or the Series 2013A Guarantee. No owner of any Series 2013A Bonds will have the right to demand payment of the principal of, or premium, if any, or interest on, the Series 2013A Bonds or any payment due under the Series 2013A Guarantee out of any funds to be raised by taxation.**

See also, APPENDIX B – "CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE."

#### *The Reimbursement Agreement*

The following descriptive statements summarize certain provisions of the Reimbursement Agreement pursuant to which the Series 2013A Guarantee will be issued. This summary is not intended to be a complete recital of the terms of the Reimbursement Agreement and reference should be made to the Reimbursement Agreement for a complete description of the terms and conditions contained therein. Capitalized terms used under this heading which are not otherwise defined in the Official Statement shall have the meanings ascribed thereto in the Reimbursement Agreement.

**General.** The Authority has entered into the Reimbursement Agreement with the Guarantor. The Reimbursement Agreement (i) sets the terms and conditions whereby (a) the Authority is required to repay to the Guarantor any amounts drawn by the Trustee under the Series 2013A Guarantee, and (b) the Guarantor is subrogated to the rights of the owners of the Series 2013A Bonds under the Indenture, and (ii) requires the Authority to grant to the Guarantor a lien on the amounts on deposit in the Collateral Reserve Account to secure the Authority's obligations to the Guarantor under the Reimbursement Agreement.

The Reimbursement Agreement and the other documents, agreements or instruments which have been executed by the Authority and which secure the Authority's obligations to the Guarantor, and the liens granted thereby do not secure or otherwise provide any collateral for the Trustee, the Holders of the Series 2013A Bonds or the Series 2013A Bonds.

Amendments may be made at any time to the Reimbursement Agreement by the Authority and Guarantor without the consent of the Trustee, the Holders of the Series 2013A Bonds or any other person.

**Fees and Expenses.** Pursuant to the Reimbursement Agreement, the Authority has also agreed to pay to the Guarantor certain fees relating to the Series 2013A Guarantee. All costs and expenses incurred by the Guarantor in connection with the preparation and issuance of the Series 2013A Guarantee and the Reimbursement Agreement, and the administration and enforcement of the Series 2013A Guarantee and the Reimbursement Agreement, are also to be paid by the Authority.

**Certain Covenants.** Pursuant to the Reimbursement Agreement, the Authority covenants to, among other things, keep proper books and records with respect to the Series 2013A Bonds and the GJGNY Program and to permit the Guarantor to examine such books and records; comply with certain financial tests; make such filings with the Internal Revenue Service as are required to receive the federal interest subsidy with respect to the Series 2013A Bonds; submit to the Guarantor various financial reports and information; to limit the substitution of Pledged Loans; and to refrain from taking certain actions relating to the incurrence of additional indebtedness secured by the Pledged Revenues, selling non-pledged Loans, and removing excess funds from Indenture accounts.

**Events of Default under the Reimbursement Agreement.** The Reimbursement Agreement sets forth a number of events of default, including but not limited to the following: non-reimbursement of Guaranteed Payments or nonpayment of fees or other amounts when due under the Reimbursement Agreement; violation of covenants (subject to certain cure periods); material inaccuracy of representations and warranties; and voluntary and involuntary insolvency proceedings of the Authority. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Reimbursement Agreement to which reference is hereby made.

If an event of default under the Reimbursement Agreement occurs and is continuing, then the Guarantor may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Reimbursement Agreement or any related instrument, and enforce any obligation, agreement or covenant of the Authority under the Reimbursement Agreement; provided, however, that the Guarantor may not take any action to accelerate the maturity of the Series 2013A Bonds or adversely affect the rights under the Indenture of the Trustee, the Owners of the Series 2013A Bonds or any other beneficiary of the lien of the Indenture. All rights and remedies of the Guarantor under the Reimbursement Agreement are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

**Certain Guarantor Notices Resulting in an Event of Default Under the Indenture.** Pursuant to the Indenture, there shall be an Event of Default thereunder in the event the Guarantor delivers a notice to the Trustee that an “event of default” has occurred under the Reimbursement Agreement. See APPENDIX A – “CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE.” The Guarantor may deliver any of the notices referred to at any time that an “event of default” under the Reimbursement Agreement has occurred and is continuing.

## **THE SERIES 2013A BONDS**

The following is a summary of certain provisions of the Series 2013A Bonds. Reference is hereby made to the Indenture and the Series 2013A Bonds in their entirety for the detailed provisions thereof. The Series 2013A Bonds will be issued in the aggregate principal amount shown on the cover page of this Official Statement.

### **General**

The Series 2013A Bonds will be issued initially in the form of one fully registered bond, without coupons, in a denomination equal to the aggregate principal amount of the Series 2013A Bonds and will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2013A Bonds. See “Securities Depository” below. Beneficial interests in the Series 2013A Bonds may be purchased in book-entry-only form, in denominations of \$5,000 or any integral multiple thereof.

Payment of the principal of, and interest on, the Series 2013A Bonds at maturity shall be made upon the presentation and surrender of the Series 2013A Bonds as hereinafter described. All payments of interest (other than on the Stated Maturity) and premium, if any, on, and of principal upon redemption of, the Series 2013A Bonds prior to maturity shall be paid, except as set forth below under “Securities Depository,” through the securities depository (together with any

successor securities depository, the “Securities Depository”) in accordance with its normal procedures, which now provide for payment by the Securities Depository to its participants in same-day funds.

In accordance with DTC procedures, conveyance of notices and other communications are to be made by the Trustee to DTC and by DTC to Direct Participants (as defined herein), by Direct Participants to Indirect Participants (as defined herein), and by Direct and Indirect Participants to beneficial owners. Cede & Co. is the registered owner for all purposes under the Bond documents, including for the purposes of granting consents and for changes of the Bond documents. Beneficial owners may wish to take steps to ensure the transmission to them of notices of significant events with respect to the Series 2013A Bonds, such as redemptions, tenders, tender offers, defaults, and proposed amendments to the Bond documents. Each beneficial owner of Series 2013A Bonds must make arrangements with its participant to receive notices and payments with respect to the Series 2013A Bonds.

### **Securities Depository**

The information contained in the following paragraphs of this subsection “Securities Depository” has been extracted from a schedule prepared by DTC entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE.” The Authority, the Guarantor and the Underwriters make no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC, New York, New York, will act as Securities Depository for the Series 2013A Bonds. The Series 2013A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co., a nominee of DTC, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Series 2013A Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17 A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. The users of its regulated subsidiaries own DTCC. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission (“SEC”). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org) (it being understood that information available at these websites is not incorporated herein by reference).

Purchases of Series 2013A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“beneficial owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the Series 2013A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in Series 2013A Bonds, except in the event that use of the book-entry-only system for the Series 2013A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the

actual beneficial owners of the Series 2013A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the beneficial owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of Series 2013A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2013A Bond documents. For example, beneficial owners of the Series 2013A Bonds may wish to ascertain that the nominee holding the Series 2013A Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners. In the alternative, beneficial owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2013A Bond to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2013A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Authority or the Trustee, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the beneficial owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2013A Bonds are required to be printed and delivered and thereafter, transfer, exchange and replacement of Bonds would be governed by the applicable terms of the Indenture.

The Authority may decide to discontinue use of the system of book entry transfers through DTC (or a successor depository). In that event, certificates for the Series 2013A Bonds will be printed and delivered.

The above information concerning DTC and DTC's book-entry-only system has been obtained from sources that the Authority, the Guarantor and the Underwriters believe to be reliable, but none of the Authority, the Guarantor or the Underwriters take responsibility for the accuracy thereof.

THE AUTHORITY, THE GUARANTOR, THE TRUSTEE, THE REGISTRAR AND PAYING AGENT AND THE UNDERWRITERS HAVE NO RESPONSIBILITY WITH RESPECT TO (I) THE ACCURACY OF THE RECORDS OF THE SECURITIES DEPOSITORY OR ANY PARTICIPANT AS TO THE BENEFICIAL OWNERSHIP OF THE SERIES 2013A BONDS; (II) THE DELIVERY OF EITHER NOTICES OR PAYMENT TO ANY PARTY OTHER THAN THE SECURITIES DEPOSITORY OR ITS NOMINEE AS REGISTERED OWNER OF THE SERIES 2013A BONDS; (III) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY THE SECURITIES DEPOSITORY OR ITS NOMINEE AS THE OWNER OF RECORD OF ALL ISSUED AND OUTSTANDING SERIES 2013A BONDS; OR (IV) THE SELECTION BY THE SECURITIES DEPOSITORY OR ANY PARTICIPANTS OR ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF SERIES 2013A BONDS.

## Interest

Interest will be computed on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Series 2013A Bonds will be payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2014 (each, an “Interest Payment Date”). The record date for payment of interest on the Series 2013A Bonds is the fifteenth day of the calendar month immediately preceding the interest payment date.

## Redemption

*Mandatory Redemption.* The Series 2013A Bonds maturing on July 1, 2028 are subject to mandatory sinking fund redemption, in part by lot in such manner as the Trustee may reasonably determine, at a redemption price equal to the principal amount thereof on each of the dates and in the respective principal amounts set forth below, upon notice and in the manner and subject to the provisions of the Indenture:

<u>Date (July 1)</u>	<u>Sinking Fund Payment</u>
2024	\$1,385,000
2025	1,350,000
2026	1,375,000
2027	1,075,000
2028 <sup>†</sup>	660,000

<sup>†</sup> Final Maturity

The Authority may from time to time direct the Trustee to purchase Series 2013A Bonds with moneys in the Debt Service Fund, at a price not greater than par, plus accrued interest to the date of such purchase, and apply such Series 2013A Bonds so purchased as a credit, at 100% of the principal amount thereof, against and in fulfillment of the immediately succeeding mandatory sinking fund payment for such Series 2013A Bonds. The Authority may also purchase or redeem Series 2013A Bonds prior to maturity with other moneys available to do so, and apply such Series 2013A Bonds so purchased or redeemed against any future mandatory sinking fund payment for such Series 2013A Bonds.

*Optional Redemption.* Subject to certain conditions set forth in the Indenture, including the written consent of the Guarantor, the Series 2013A Bonds are subject to redemption prior to maturity at the option of the Authority in whole or in part on any date, at a redemption price (the “Make-Whole Redemption Price”) equal to the greater of:

- (1) the issue price (but not less than 100%) of the principal amount of the Series 2013A Bonds to be redeemed; or
- (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2013A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2013A Bonds are to be redeemed, discounted to the date on which the Series 2013A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as described below) plus 10 basis points;

plus, in each case, accrued and unpaid interest on the Series 2013A Bonds to be redeemed on the redemption date. As used herein, “Treasury Rate” means, with respect to any redemption date for a particular Series 2013A Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 30 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2013A Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Subject to certain conditions set forth in the Indenture including the written consent of the Guarantor, the Series 2013A Bonds maturing on July 1, 2028 are also subject to redemption prior to maturity at the option of the Authority in whole or in part at any time on or after July 1, 2023 at a redemption price equal to 100% of the principal amount of such



Series 2013A Bonds or portions thereof to be redeemed, together with accrued and unpaid interest to the date fixed for redemption.

In the event of a partial optional redemption of any Series 2013A Bonds which are subject to mandatory sinking fund redemption, the mandatory sinking fund installment payments for any unrefunded portion of such Series 2013A Bonds shall be adjusted as nearly *pro rata* as practicable and the remaining mandatory sinking fund installments shall be specified by an Officer's Certificate delivered to the Trustee.

*Selection of Bonds to be Redeemed.* In the case of redemptions of the Series 2013A Bonds at the option of the Authority, the Authority will select the maturities of the Series 2013A Bonds to be redeemed.

If the Series 2013A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the Series 2013A Bonds shall be effected by the Trustee among owners on a *pro rata* basis subject to minimum authorized denominations of \$5,000 principal amounts or integral multiples thereof. The particular Series 2013A Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate.

If the Series 2013A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2013A Bonds, if less than all of the Series 2013A Bonds of a maturity are called for prior redemption, the particular Series 2013A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Series 2013A Bonds are held in book-entry form, the selection for redemption of such Series 2013A Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Trustee pursuant to DTC operational arrangements. If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Series 2013A Bonds will be selected for redemption in accordance with DTC procedures by lot.

It is the Authority's intent with respect to the Series 2013A Bonds that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Authority and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Authority can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2013A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Series 2013A Bonds will be selected for redemption in accordance with DTC procedures by lot.

*Notice of Redemption; Redemption Conditional.* Except as otherwise set forth in the Indenture, notice of redemption shall be given by the Trustee by mailing a copy of the redemption notice by first-class mail at least 20 days prior to the date fixed for redemption to the registered owners of the Series 2013A Bonds to be redeemed at the addresses shown on the books of registry maintained by the Registrar and Paying Agent. Any redemption notice may state that such redemption is conditional on the receipt by the Registrar and Paying Agent of money required to pay the redemption price on the redemption date.

*Effect of Redemption.* If the Series 2013A Bonds (or portions thereto) have been duly called for redemption and notice of the redemption thereof has been duly given or provided for and if moneys for the payment of such Series 2013A Bonds (or the principal amount thereof to be redeemed) and the premium (if any) and interest thereon to the date fixed for redemption have been paid or are held by the Trustee, then such Series 2013A Bonds (or the principal amount of such Series 2013A Bonds called for redemption) shall on the redemption date become due and payable and interest on such Series 2013A Bonds (or the principal amount thereof to be redeemed) shall cease to accrue from the redemption date and the registered owner shall have no rights under the Indenture as the registered owner of such Series 2013A Bonds (or the principal amount thereof to be redeemed) except to receive the principal amount thereof and premium, if any, and interest thereon to the redemption date.

## **DESCRIPTION OF THE INDENTURE**

The following is a brief summary of certain provisions of the Indenture. For a more detailed description, see APPENDIX A – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE". Neither the following brief summary nor such Appendix A, however, are to be considered a full statement of the terms of the Indenture and, accordingly, both are qualified by reference thereto and are subject to the full text thereof. Capitalized terms not otherwise previously defined in this Official Statement or defined below have the meaning set forth in Appendix A hereto.

Funds and Accounts. Each of the following funds and accounts are established under and governed by the terms of the Indenture:

- (1) Cost of Issuance Fund;
- (2) Debt Service Fund;
- (3) Revenue Fund; and
- (4) Loan Fund and the Prefunding Account therein.

All such funds and accounts are held by the Trustee.

The Authority covenants in the Indenture to cause all Pledged Revenues to be paid to the Trustee for deposit in the Revenue Fund. The Trustee is obligated to deposit all Pledged Revenues in the Revenue Fund upon receipt by the Trustee.

Application of Pledged Revenues held in the Revenue Fund. The Indenture provides that on the last Business Day of each month and any other date on which Debt Service is due, the Trustee shall pay or transfer all Pledged Revenues held in the Revenue Fund to the funds and accounts or for the purposes set forth below in the following amounts in the following order of priority:

FIRST: to the Servicer, the Backup Servicer, the Trustee and any Paying Agent, any amount then due and owing as an Administrative Expense;

SECOND: To any Credit Facility Issuer, any Scheduled Credit Facility Fee;

THIRD: To the Debt Service Fund, the amount, if any, required so that the balance therein shall equal the sum of (i) amount of Bond Debt Service accrued and unpaid as of such day and to accrue thereafter through the end of the next succeeding calendar month and (ii) the amount accrued and unpaid under any Parity Reimbursement Obligation, excluding Scheduled Credit Facility Fees, as of such day and to accrue thereafter through the end of the next succeeding calendar month; and

FOURTH: to the Collateral Agent, the amount, if any, necessary so that the amount therein is equal to the related Collateral Requirement, calculated as of such Business Day and as confirmed to the Trustee by the Authority; and

FIFTH: to each Debt Service Reserve Fund, the amount, if any, necessary so that the amount therein is equal to the applicable Debt Service Reserve Fund Requirement, calculated as of such Business Day and as confirmed to the Trustee by the Authority.

On each date on which an Officer's Certificate (as defined in the Indenture) is delivered pursuant to provisions of the Indenture described below, all or any portion of moneys in the Revenue Fund determined by the Authority to be excess as shown in such Officer's Certificate shall be transferred to or at the direction of the Authority.

Coverage Test; Additional Pledged Revenues. The Indenture provides that the Authority shall on or before each January 15, April 15, July 15 and October 15, commencing October 15, 2013, prepare a projection of Pledged Revenues, Administrative Expenses, Debt Service, and Projected Net Revenues for each Bond Year during which Bonds are then expected to be Outstanding (as defined in the Indenture). Such projection shall be based on Pledged Loan Payments as of the close of the preceding month. As and to the extent that such projection does not show compliance with the Coverage Test, by no later than 30 days following the delivery of such projection, the Authority is required to either (i) cause additional payments on Loans to be included as Pledged Loan Payments under the Indenture so that Projected Net Revenues, together with amounts held in the Revenue Fund and Debt Service Fund, will at least equal 110% of projected Maximum Annual Debt Service requirements in each Bond Year or (ii) make provision by the deposit or application of moneys held under this Indenture for the payment of Debt Service and Scheduled Credit Facility Fees such that the Pledged Loan Payments will be sufficient to comply with the Coverage Test. "Coverage Test" means that Projected Net Revenues, together with amounts held in the Revenue Fund and Debt Service Fund, are expected to be available when

necessary to pay all projected Debt Service, Scheduled Credit Facility Fees and Administrative Expenses in each Bond Year as and when due and such Projected Net Revenues, together with amounts held in the Revenue Fund and Debt Service Fund, in the aggregate in any Bond Year, are expected to be at least equal to 110% of projected Maximum Annual Debt Service, all as determined by the Authority and evidenced by an Officer's Certificate. For purposes of applying the Coverage Test, principal and interest on the Bonds due on each July 1 shall be assumed to accrue on the preceding June 30.

Release of Pledged Revenues from Lien of the Indenture. Subject to compliance with the Coverage Test and certain other limitations, the Authority may release specific Pledged Revenues (including without limitation, Pledged Loan Payments) from the lien created by the Indenture or substitute and add Pledged Revenues to the lien by providing and filing with the Trustee, (1) a certificate or a revised schedule describing the specific Pledged Revenues to be released and, if applicable, substituted therefor or added thereto, and (2) an Officer's Certificate confirming compliance with the Coverage Test in each year the Bonds are scheduled to be Outstanding and confirming that all additional or substituted Pledged Loan Payments derive from Loans to Borrowers who the Authority has determined meet the following underwriting criteria (the "Eligibility Criteria"): (a) a FICO score of at least 640 (680 if self employed two or more years; 720 if self employed less than two years), (b) a debt-to-income ratio not greater than 50%, (c) no bankruptcies, foreclosures, or repossessions within the last seven years, and (d) no combined outstanding collections, judgments or tax liens greater than \$2,500. To the extent that Available GJGNY Moneys are made available by the Authority described above under "Debt Service", any future Pledged Loan Payments derived from defaulted or non-performing Loans which are no longer taken into account in such Loan Payments Officer's Certificate as Projected Pledged Revenues will to the extent so directed by the Authority be released from the lien of the Indenture.

Debt Service Fund. The Trustee is required to deposit the following amounts as received in the Debt Service Fund:

- (1) The amount, if any, of the proceeds of any series of Bonds, required by the Indenture to be deposited in the Debt Service Fund in respect of interest.
- (2) All amounts required to be transferred to the Debt Service Fund pursuant to the provisions described above in "THIRD" under the subheading "Application of Pledged Revenues held in the Revenue Fund."
- (3) Any amounts transferred to the Debt Service Fund from a Debt Service Reserve Fund which amounts shall be applied solely to pay the related Series of Bonds (there is no Debt Service Reserve Fund for the Series 2013A Bonds).
- (4) Unless the Guarantor otherwise agrees, all amounts remaining in the Prefunding Account as of December 31, 2013 shall be transferred to the Debt Service Fund and applied in accordance with a written direction of the Authority.
- (5) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by the Authority, including without limitation any Available GJGNY Moneys as described below.

The Indenture provides that by no later than 1:00 P.M. on the third Business Day next preceding any Debt Service Payment Date, to the extent that there is a deficiency in available moneys in the Debt Service Fund to pay a Debt Service payment due on such Debt Service Payment Date, including any Debt Service amounts which are overdue, and there are insufficient moneys available to address such deficiency from the sources described in clauses (1) through (3) in the preceding paragraph, the Trustee shall so advise the Authority of the remaining portion of the deficiency and the Authority shall transfer to the Trustee Available GJGNY Moneys in the amount of the remaining portion of such deficiency, or, if less, the amount then available as Available GJGNY Moneys and shall continue to make such transfers from Available GJGNY Moneys as they become available until such deficiency is satisfied. To the extent so directed by the Authority in connection with transfers of Available GJGNY Moneys to the Trustee, future Loan Payments derived from non-performing or defaulted Loans shall be released from Pledged Loan Payments, subject to compliance with the Coverage Test.

Claims upon the Guarantee and Payments by and to the Guarantor. The Indenture provides that if, on the third Business Day prior to the related Debt Service Payment Date there is not on deposit with the Trustee, after making all

transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2013A Bonds due on such Debt Service Payment Date, the Trustee shall give notice to the Guarantor by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Debt Service Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2013A Bonds due on such Debt Service Payment Date, the Trustee shall make a claim under the Series 2013A Guarantee and give notice to the Guarantor by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2013A Bonds and the amount required to pay principal of the Series 2013A Bonds, confirmed in writing to the Guarantor by 12:00 noon, New York City time, on such second Business Day by filling in the form of Demand Certificate set forth in the Series 2013A Guarantee delivered with the Series 2013A Guarantee.

Disposition of the Proceeds of Sale or Redemption of Loans which are expected to be a source of Pledged Loan Payments. Subject to the provisions described above under “Release of Pledged Revenues from Lien of the Indenture,” in the event any Loan which is expected to be a source of Pledged Loan Payments shall be sold by the Authority, or redeemed, the Authority shall deposit the proceeds of such sale or redemption allocable to such Pledged Loan Payments, except an amount thereof net of the costs and expenses of the Authority in effecting the sale, into the Revenue Fund.

Enforcement of Loan Agreements which are expected to be a source of Pledged Loan Payments. The Authority covenants to diligently enforce or cause to be enforced, and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Loan Agreements which are expected to be the source of Pledged Loan Payments, to the extent necessary to assure the sufficiency of Pledged Revenues to pay Debt Service on all Bonds as and when due, including prompt collection of such Pledged Loan Payments. Enforcement of the Loan Agreements by the Servicer shall be deemed to be enforcement by the Authority for purposes of this covenants.

Servicing Agreement. The Authority also covenants to cause a Servicer to be appointed and to be acting as master servicer for all Loans which are the expected source of Pledged Loan Payments and to diligently enforce the obligations of the Servicer thereunder.

## **INVESTMENT CONSIDERATIONS**

*Investors should consider the following investment considerations in deciding whether to purchase any of the Series 2013A Bonds. The following investment considerations describe various risk factors of an investment in the Series 2013A Bonds. In the event of a shortfall of Pledged Revenues and a failure of the Guarantor under the Series 2013A Guarantee to make payments when due, material delays in payments of principal or interest, or losses, on the Series 2013A Bonds could result and could materially reduce the value of the Series 2013A Bonds. Investors should also evaluate the investment considerations below which describe various additional risk factors of an investment in the Series 2013A Bonds.*

### **Considerations Relating to the Pledged Revenues**

#### *Limited Sources of Payment*

The Series 2013A Bonds will be limited obligations of the Authority, payable solely from Pledged Loan Payments and Pledged Interest Subsidies received by the Trustee under the Indenture, and payments to the Trustee under the Series 2013A Guarantee. The Authority will pledge and assign to the Trustee in respect of the Series 2013A Bonds all its right, title and interest in and to the Pledged Revenues; that is, the Pledged Loan Payments, Pledged Interest Subsidies and all money, revenues and receipts to be received thereunder, subject to certain exceptions to be set forth in the Indenture. No assurances can be given that Pledged Revenues will be sufficient to make payments on the Series 2013A Bonds or that any monies on deposit in the GJGNY Revolving Fund may be available to make payments on the Series 2013A Bonds if Pledged Revenues are not sufficient.

Except with respect to the Guarantor, the Series 2013A Bonds will not be insured or guaranteed by the Originator, the Servicer, any of their respective affiliates or, any other person or entity. Other than the Series 2013A Guarantee, there will be no significant assets or sources of funds available to pay the Series 2013A Bonds other than Pledged Revenues and any Available GJGNY Fund Moneys. If these sources of funds are insufficient, owners of any Series 2013A Bonds will suffer losses.

The Series 2013A Bonds will not be general obligations of the Authority. The Series 2013A Bonds will not constitute an indebtedness of or a charge against the general credit of the Authority. The Series 2013A Bonds will not constitute a debt of the State, and the State will not be liable on the Series 2013A Bonds. No owner of any Series 2013A Bonds will have the right to demand payment of the principal of, or interest on, the Series 2013A Bonds out of any funds to be raised by taxation.

In the event that for whatever reason, the Guarantor failed to make any Guaranteed Payments under the Series 2013A Guarantee upon receipt of a demand by the Trustee, or failed to observe or perform any of the other covenants, conditions or agreements under for a period of sixty (60) days after notice, specifying such failure and requesting that it be remedied, given by the Trustee to the Guarantor (each, a “Guarantee Default”), there can be no assurance that Pledged Loan Payments and Pledged Interest Subsidies would be sufficient to make payments of principal of, or interest on, the Series 2013A Bonds.

#### *The Trustee Has No Right To Sell Portfolio Loans*

The Trustee has no right to sell Portfolio Loans which are the source of the Pledged Revenues and apply the proceeds thereof to pay the owners of the Series 2013A Bonds, even if an Event of Default under the Indenture has occurred.

#### *Limited History of Portfolio Loans and Collection of Pledged Loan Payments*

The Portfolio Loans have an average age of only 10.9 months and an average original term of 149.8 months, so the default history and collection history is based on limited experience. The limited history of the Portfolio Loans was supplemented with loss history obtained from other energy efficiency loan portfolios. In some cases, this loss history was also limited. The Series 2013A Bonds have been structured so that Net Pledged Revenues are expected to be approximately 126% of maximum annual debt service. Based on projected loss rates and loan prepayment rates, Net Pledged Revenues are expected to provide sufficient cash flows to meet all bond debt service payments.

#### *On-Bill Collections*

The On-Bill Loans have a limited history. In addition, the terms of the On-Bill Loans and the State Public Service Law allow obligors of an On-Bill Loan who do not fully pay their utility bill to enter into a deferred payment arrangement with the utility, which would affect repayment. In addition, On-Bill Loans include unique terms regarding the ability of the Loan to be transferred to a new obligor upon the sale or transfer of the related property. The new obligor may have a different credit profile than the original obligor that could affect repayment of the Loan. Although the Power NY Act of 2011 requires prospective sellers to notify a prospective purchaser prior to accepting an offer for the sale or transfer of the property, and also requires the filing of program declaration in the city or county recording office in an effort to ensure that a prospective purchaser has notice of the existence of the obligation, there is no guarantee that a prospective purchaser has received notice from the seller or obtained and understood the recorded declaration.

#### *Performance of the Portfolio Loans is Uncertain*

The performance of the Portfolio Loans will depend on a number of factors, including general economic conditions, unemployment levels, the circumstances of individual obligors, the underwriting standards of the Authority at origination and the success of the servicing and collection strategies of the Servicer and also of the utilities who act as subservicers for the Authority pursuant to a separate contract directly with the Authority. Consequently, no accurate prediction can be made of how the Portfolio Loans will perform based on FICO<sup>®</sup> scores or other similar measures.

#### *Losses on the Portfolio Loans May Be Affected Disproportionately Because of Geographic Concentration*

As of the Cutoff Date, all of the Portfolio Loans relate to obligors with mailing addresses in the State of New York. The Authority’s records indicate that five counties (Westchester, Monroe, Onondaga, Suffolk, and Erie) each have an aggregate principal balance of Loans related to obligors with mailing addresses in these counties that accounted for more than 5% of the aggregate principal balance of the Portfolio Loans (refer to Distribution of the Portfolio Loans by

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\* FICO<sup>®</sup> is a federally registered trademark of Fair Isaac Corporation.

County of Obligor). If the State generally, or these counties, specifically, experience adverse economic changes, such as an increase in the unemployment rate, an increase in interest rates or an increase in the rate of inflation, obligors in the State or in those counties may be unable to make timely payments on their Portfolio Loans and owners of any Series 2013A Bonds may experience payment delays or losses on the Series 2013A Bonds. The Authority cannot predict whether adverse economic changes or other adverse events will occur or to what extent those events would affect the Portfolio Loans or repayment of the Series 2013A Bonds.

*Market Factors May Reduce the Value of the Improved Real Estate Which Could Result in Increased Losses on the Portfolio Loans*

A decrease in demand for real estate of the kinds improved by the Portfolio Loans may adversely affect the resale value thereof, which could result in increased losses on the related Portfolio Loans.

*Owners of Any Series 2013A Bonds May Not Rely on Availability of GJGNY Revolving Fund Monies*

There are no restrictions in the Indenture as to the use of moneys in the GJGNY Revolving Fund or as to the types of loans that can be financed with moneys in the GJGNY Revolving Fund. Moneys and Loans held in the GJGNY Revolving Fund are not pledged as security for the payment of the Series 2013A Bonds. There is also no requirement under the Indenture to maintain any minimum balance of Loans in the GJGNY Revolving Fund which are not pledged to secure other debt or to maintain any minimum cash balance available in the GJGNY Revolving Fund. The uses of moneys in the GJGNY Revolving Fund are governed by State law which could be changed by later enacted State legislation to allow or require such moneys to be used for different purposes or to be invested in other types of investments than those currently set forth in State law. Accordingly there can be no assurances that any monies will be available in the GJGNY Revolving Fund to make payments to the Trustee in the event that the Pledged Revenues are not sufficient to make payments of Debt Service on the Series 2013A Bonds (or that loans held in the GJGNY Revolving Fund will meet the requirements of the Indenture relating to Pledged Loan Payments).

*Interests of Other Persons in the Portfolio Loans Could Reduce the Funds Available to Make Payments on the Series 2013A Bonds*

If a third party successfully establishes (i) a claim to any of the underlying Portfolio Loans which are the source of the Pledged Loan Payments or (ii) otherwise acquires an interest in Pledged Loan Payments superior to the Trustee's interest, some or all of the expected collections of revenue may not be available to make payment on the Series 2013A Bonds.

*Technological Change Might Make the Improvements Less Valuable in the Future*

Technological developments might result in the introduction of economically attractive alternatives to the energy-efficiency improvements which could increase the difficulty of collecting Pledged Revenues.

**Investment Characteristics**

*So Long as There is No Guarantee Default, Owners May Not Exercise Any Voting Rights*

So long as the Series 2013A Guarantee is in full force and effect and payment on the Series 2013A Guarantee is not in default thereunder, then the Guarantor shall be deemed to be the sole Owner of the Series 2013A Bonds when the approval, consent or action of the Owners of the Series 2013A Bonds is required or may be exercised under the Indenture, except for certain limited purposes with respect to modifications and amendments only with the consent of particular Owners of Series 2013A Bonds, and with respect to such modifications and amendments, the consent of the Series 2013A Bonds shall be required in addition to the consent of Owners of the applicable Series 2013A Bonds. The provisions of the immediately preceding sentence requiring the consent of particular Owners of the Series 2013A Bonds in addition to the consent of the Guarantor may not be waived by the Guarantor or amended by agreement between the Guarantor and the Authority and, if applicable, the Trustee or the Paying Agent. No provision of the Indenture expressly recognizing or granting rights in or to the Guarantor may be amended without the prior written consent of the Guarantor.

*The Series 2013A Bonds May Not Be Accelerated*

The Series 2013A Bonds may not be accelerated following an Event of Default under the Indenture.

*Prepayments and Defaults on Portfolio Loans With Higher Interest Rates May Adversely Affect the Series 2013A Bonds*

Interest collections that are in excess of interest payments on the Series 2013A Bonds and servicing fees could be used to cover losses on defaulted Portfolio Loans. Interest collections will depend among other things on the annual percentage rates of the Portfolio Loan. The Portfolio Loans will have a range of annual percentage rates. Excessive prepayments and defaults on the Portfolio Loans with relatively higher annual percentage rates may adversely affect the Series 2013A Bonds by reducing such available interest collections in the future.

*Risks associated with Non-origination; Characteristics of Subsequent or Substitute Portfolio Loans May Differ From the Characteristics of the Portfolio Loans as of the Closing Date.*

To the extent that Portfolio Loans are not originated during the Prefunding Period, unexpended Series 2013A Bond proceeds might be invested at a rate significantly lower than the interest rate on the Series 2013A Bonds.

The subsequent Portfolio Loans sold to the Authority during the Prefunding Period, or any Substitute Portfolio Loans that are substituted for one or more existing Portfolio Loans, may have characteristics that differ somewhat from the characteristics of the Portfolio Loans as of the Closing Date. The characteristics of the subsequent Portfolio Loans and the Substitute Portfolio Loans as of their related transfer dates are not expected to differ materially from the characteristics of the Portfolio Loans as of the Closing Date, and all such subsequent Portfolio Loans and Substitute Portfolio Loans must satisfy the eligibility criteria described herein. Investors should not assume that the characteristics of the subsequent Portfolio Loans or Substitute Portfolio Loans will be identical to the characteristics of the Portfolio Loans as of the Closing Date.

*The Authority May Issue Additional Series of Residential Energy Efficiency Financing Revenue Bonds*

After the Closing Date, the Authority may issue one or more additional series of residential energy efficiency financing revenue bonds, provided that certain tests in the Indenture have been satisfied, without the prior review or approval of Owners. While the Guarantor must consent to the issuance of any such additional bonds and any new series may include terms and provisions that would be unique to that particular series, that series may be secured by Pledged Revenues. There can be no assurances that a new series or issuance would not cause reductions or delays in payments on the Series 2013A Bonds. In the event of a Guarantee Default following the issuance of any such new bonds, there can be no assurances that the Pledged Revenues will be sufficient to pay interest and principal on the Series 2013A Bonds.

*Ratings on the Series 2013A Bonds reflect the Series 2013A Guarantee*

The Series 2013A Bonds will be rated by AAA and Aaa by S&P and Moody's, respectively, based upon the Series 2013A Guarantee provided by the Guarantor. A reduction or withdrawal of the rating is likely to have an adverse effect on the marketability of the Series 2013A Bonds.

**General Market Considerations**

*Storm Damage in the State Could Impair Payment of the Series 2013A Bonds*

Superstorm Sandy caused moderate to severe damage to many buildings in the State. No information can be provided as to the number of Portfolio Loans with obligors who were directly or indirectly affected by Superstorm Sandy.

Future storms could have similar or more drastic effects. There could be longer-lasting weather-related adverse effects on residential and commercial development and economic activity in the State, which could cause payment delinquencies. Legislative action adverse to the Holders might be taken in response, and such legislation, if challenged as violating the State Pledge, might be defended on the basis of public necessity.

## **Legislative and Regulatory Investment Considerations**

### *Federal Action Might Preempt the Act Without Full Compensation*

New York law may not protect holders of the Bonds against an adverse effect on their investment pursuant to a federal law enacted under the powers of the United States Congress, such as the war power or the power to regulate interstate commerce.

In the past, bills have been introduced in Congress that would prohibit the recovery of all or some types of stranded costs, but none of those bills was enacted. Congress could, however, pass a law or adopt a rule or regulation negating the ability of the Authority to collect On-Bill Loan repayments.

If federal legislation attempting to preempt the Act is enacted, there is no assurance that the courts would consider it a “taking” under the United States Constitution for which the government would be required to pay just compensation or, if it is considered a “taking”, that any amount provided as compensation would be sufficient to pay the full amount of principal of and interest on the transition bonds or to pay these amounts on a timely basis.

### *QECCB Risks*

Receipt of the Pledged Interest Subsidies depends upon, among other things, compliance with various requirements imposed by the Code. The Authority expects to comply with such requirements, but no assurance can be given that it will be able to do so. Under current Federal law, the amount of money available to pay the Pledged Interest Subsidies is being “sequestered” (*i.e.*, reduced) in the current Fiscal Year and may be reduced in future years. Accordingly it is likely that the Authority will not receive the full amount of the direct subsidy contemplated by Section 54D of the Code and it is possible that it will not receive any of such subsidy, which could affect the ability of the Authority to make payments on the Series 2013A Bonds.

### *Consumer Protection Laws May Reduce Payments on the Series 2013A Bonds*

Federal and State consumer protection laws and related regulations impose requirements upon originators, lenders and servicers involved in consumer finance. Some of these laws and regulations impose penalties or other consequences upon originators, lenders and servicers who fail to comply with their provisions. In some cases, such penalties or other consequences could affect the ability of the Authority to enforce consumer finance contracts such as the Portfolio Loans, which could reduce Pledged Loan Payments available to make payments on the Series 2013A Bonds.

### *Future State Action Might Reduce the Value of the Series 2013A Bonds*

From time to time, bills are introduced into the Legislature of the State that, if enacted into law, would affect the Authority, the Guarantor and their respective operations, including the GJGNY Program. Such bills may be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities (including the Authority and the Guarantor) and their financing programs. Any of such studies could result in legislation adversely affecting the Authority’s operations, as well as the Guarantor’s. Under the State Constitution as currently in effect, the Act cannot be amended or repealed by direct action of the electorate of the State.

The Indenture will include the State’s pledge to and agreement with the holders of the Bonds that the State will not limit or alter the rights and powers vested in the Authority by the Act to fulfill the terms of any contract made by the Authority with such holders, or in any way impair the rights and remedies of such holders until the Series 2013A Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

It might be possible for the State legislature to repeal or amend the Act notwithstanding the State’s pledge if the legislature acts in order to serve a significant and legitimate public purpose. Any such action, as well as the litigation that likely would ensue, might adversely affect the price and liquidity, the dates of payment of interest and principal and the weighted average lives of the Series 2013A Bonds. The enforcement of any rights against the State under its pledge may be subject to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State. The outcome of any litigation cannot be predicted.



If an action of the State legislature adversely affecting the Holders were considered a “taking” under the United States or State Constitution, the State might be obligated to pay compensation for the taking. Even in that event, there is no assurance that any amount provided as compensation would be sufficient for Holders to fully recover their investment in the Series 2013A Bonds or to offset interest lost pending such recovery.

*The Authority is not Obligated to Indemnify holders of the Bonds for Changes in Law*

The Authority will not indemnify owners of the Series 2013A Bonds for any changes in the law, including any federal preemption or repeal or amendment of the Act that may affect the value of the Series 2013A Bonds.

**Servicer Investment Considerations**

*Performance of the Servicer’s Duties is Essential*

Concord Servicing Corporation, as initial Servicer, will be responsible for, among other things, billing, monitoring the Portfolio Loans and taking actions in the event of non-payment of Portfolio Loans. The Trustee’s receipt of collections, which will be used to make payments on the Series 2013A Bonds, will depend in part on the skill and diligence of the Servicer in performing these functions. If the Servicer fails to make collections for any reason, or to timely remit collections to the Trustee, then the Servicer’s payments to the Trustee in respect of the Loans, and payments on the Series 2013A Bonds, might be delayed or reduced.

*The Servicer May Commingle Collections on the Portfolio Loans With its Own Funds*

The Servicer will be required to deposit Pledged Loan Payments into a segregated collection account within two business days of receipt. Despite this requirement, the Servicer might fail to pay the full amount of the Pledged Loan Payments into the collection account or might fail to do so on a timely basis. If the Servicer fails to meet its contractual obligations to deposit Pledged Loan Payments in a segregated collection account and commingles Pledged Loan Payments with its own funds, in a bankruptcy of the Servicer, a bankruptcy court might decline to recognize the Trustee’s right to Pledged Loan Payments that are commingled with other funds of the Servicer as of the date of bankruptcy. If so, Pledged Loan Payments held by the Servicer as of the date of bankruptcy would not be immediately available to pay amounts owing on the Series 2013A Bonds. If these amounts were ultimately determined to not be available, holders of the Bonds would have only a general unsecured claim against the Servicer for those amounts.

*If the Initial Servicer Ceases to Act, Difficulties May Arise*

If Concord Servicing Corporation resigns or is removed as Servicer, the Authority expects to appoint the Backup Servicer as Servicer, but it might be difficult to find a successor Backup Servicer. A successor Backup Servicer might have less experience and ability than the initial Servicer or Backup Servicer and might experience difficulties in collecting the Pledged Revenues, and servicing fees, billing and payment arrangements may change, resulting in delays or disruptions of collections. A successor Backup Servicer might charge fees that are substantially higher than the fees paid to the initial Servicer. In the event of the commencement of a case by or against the Servicer under the United States Bankruptcy Code or similar laws, the Servicer and the Trustee might be prevented from effecting a transfer of servicing. Any of these factors and others might delay the timing of payments and may reduce the value of the Series 2013A Bonds.

*Paying the Servicer a Fee Based on a Percentage of the Aggregate Principal Balance of the Portfolio Loans May Result in the Inability to Obtain a Successor Servicer*

Because the Servicer will be paid its base servicing fee based on a percentage of the aggregate principal balance of the Portfolio Loans, the fee the Servicer receives each month will be reduced as the Portfolio Loans amortize over time. If the need should arise to obtain a successor Servicer, the fee that such successor Servicer would earn might not be sufficient to induce a potential successor Servicer to agree to assume the duties of the Servicer with respect to the remaining Portfolio Loans. If there is a delay in obtaining a successor Servicer, it is possible that normal servicing activities could be disrupted during this period which could delay payments and reports to holders of the Bonds, adversely affect collections and ultimately lead to losses or delays in payments on the Series 2013A Bonds.

*A Servicer Default May Result in Additional Costs or a Diminution in Servicing Performance, Which May Adversely Affect the Series 2013A Bonds*

If a Servicer Termination Event occurs, so long as no Guarantee Default has occurred, the Guarantor may remove the Servicer. If, however, a Guarantee Default has occurred, the Servicer may be removed by the holders of a majority of the outstanding principal amount of the Series 2013A Bonds, or the Trustee acting on their behalf. In the event of the removal of the Servicer and an appointment of a successor Servicer, the Authority cannot predict:

- the cost of the transfer of servicing to such successor; or
- the ability of such successor to perform the obligations and duties of the Servicer under the Servicing Agreement.

Furthermore, the Trustee or the related holders of the Bonds may experience difficulties in appointing a successor Servicer and during any transition phase it is possible that normal servicing activities could be disrupted.

*The Servicer's Indemnification Obligations to the Authority Are Limited and Do Not Extend to the Owners of the Series 2013A Bonds*

The Servicer will be obligated under the Servicing Agreement to indemnify the Authority only as a result of the Servicer's negligence in the performance of the Servicing Agreement. The Servicer's indemnification obligations to the Authority do not extend to the owners of the Series 2013A Bonds. The owners of the Series 2013A Bonds do not have any right to terminate the Servicing Agreement.

*Reliance on Utilities to Collect Pledged Loan Payments*

Pursuant to a contract directly with the Authority and not with the Servicer, utilities will act as subservicers in connection with collecting upon the On-Bill Loans. Each such utility will utilize its own customary billing and collecting procedures in connection with collecting and administering the related Portfolio Loans.

On-Bill Pledged Loan Payments will be subordinated to payment in full of electric and/or gas services. Each subservicing agreement provides that the related utility will be required to remit payments in respect of the related Portfolio Loans received during a month to the Authority on the 15<sup>th</sup> day of the following month. Until such time, Pledged Loan Payments will not be required to be segregated from the general funds of the related utility subservicer. A subservicer nevertheless might fail to remit the full amount of Pledged Loan Payments owed to the Servicer or might fail to do so on a timely basis. This failure, whether voluntary or involuntary, might materially reduce the amount of Pledged Loan Payments available on the next Payment Date to make timely payments on the Series 2013A Bonds. Additionally, in a bankruptcy of a utility subservicer, a bankruptcy court might decline to recognize the Trustee's right to Pledged Revenues that are commingled with other funds of such subservicer as of the date of bankruptcy and such Pledged Revenues held by the subservicer as of the date of bankruptcy would not be immediately available to pay amounts owing on the Series 2013A Bonds. If these amounts were ultimately determined to not be available, holders of the Bonds would have only a general unsecured claim against the subservicer for those amounts. If a Guarantee Default were to exist at this time, this decision could cause material delays in payments of principal or interest, or losses, on the Series 2013A Bonds and could materially reduce the value of the Series 2013A Bonds.

The subservicing agreements require the utility subservicers to perform billing and collection arrangements with customers in accordance with regulations filed with and approved by the PSC (or in the case of the Long Island Power Authority, as approved by its Trustees), the Public Service Law, the PSC's regulations in Title 16 of the Codes, Rules and Regulations of the State of New York, the utility's business practices, and the utility's Vendor Agreement with the New York State Office of Temporary and Disability Assistance. Changes could be made to these laws, regulations, agreements and practices to change billing and collection practices, which might adversely affect the timing and amount of customer payments and might reduce On-Bill collections, thereby reducing the ability to make scheduled payments on the Series 2013A Bonds.

The utility subservicers will be obligated under the related subservicing agreements to indemnify the Authority only for negligent acts or omissions, willful misconduct or a failure to comply with the obligations of the related subservicing agreements. The subservicers' indemnification obligations to the Authority do not extend to the owners of the

Series 2013A Bonds. The owners of the Series 2013A Bonds do not have any right to terminate the Authority's contracts with any of the subservicers.

*Limits on Rights to Terminate Service Might Make it More Difficult to Collect Pledged Loan Payments*

Pursuant to the Servicing Agreement and the subservicing agreements, each of the subservicers may disconnect the obligor's utility electricity/gas service for nonpayment of On-Bill Loans, subject to provisions of the New York Public Service Law and regulations adopted by the PSC. Continuing service to non-paying customers would adversely affect the ability of subservicers to remit Pledged Loan Payments to the Servicer.

**STATE PLEDGE AND AGREEMENT**

The Indenture will include the State's pledge to and agreement with the holders of the Bonds that the State will not limit or alter the rights and powers vested in the Authority by the Act to fulfill the terms of any contract made by the Authority with such holders, or in any way impair the rights and remedies of such holders until such Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

**LEGALITY FOR INVESTMENT AND DEPOSIT**

The bonds and notes of the Authority are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks, savings associations, including savings and loan associations and building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who may be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them. Notwithstanding any other provisions of law, the bonds and notes of the Authority are also hereby made securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State may be authorized.

**UNDERWRITING**

The Underwriters have agreed, jointly and severally, subject to certain conditions to purchase the Series 2013A Bonds from the Authority at an aggregate purchase price of \$24,039,629.30 (representing the principal amount of the Series 2013A Bonds less an Underwriter's discount of \$260,370.70). The Underwriters have agreed to purchase all Series 2013A Bonds if any are purchased.

The Underwriters may offer and sell Series 2013A Bonds to certain dealers (including dealers depositing Series 2013A Bonds into investment trusts) and others at prices lower than the offering price stated on the cover page of this Official Statement. After the initial public offering, the Underwriters may change the price at which the Underwriters offer the Series 2013A Bonds for sale from time to time.

In connection with the offering, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series 2013A Bonds. Specifically, the Underwriters may over allot the offering, creating a syndicate short position. The Underwriters may bid for and purchase Series 2013A Bonds in the open market to cover such syndicate short position or to stabilize the price of Series 2013A Bonds. Those activities may stabilize or maintain the market price of such Series 2013A Bonds above independent market levels. The Underwriters are not required to engage in these activities and may end any of these activities at any time.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2013A Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Citigroup Global Markets Inc. may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2013A Bonds.

## LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2013A Bonds or questioning or affecting the validity of the Series 2013A Bonds or the proceedings and authority under which they are issued; (ii) contesting the creation, organization or existence of the Authority, or the title of the directors or officers of the Authority to their respective offices; (iii) questioning the right of the Authority to enter into the Indenture or the Reimbursement Agreement and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Indenture in the manner and to the extent provided in the Indenture.

## RATINGS

The Series 2013A Bonds are rated AAA by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and Aaa by Moody's Investors Service, Inc. ("Moody's"). Such rating reflects only the view of each such rating agency from which an explanation of the significance of such rating may be obtained. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the Series 2013A Bonds.

## CONTINUING DISCLOSURE UNDERTAKINGS OF THE AUTHORITY

To the extent that Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), requires underwriters (as defined in the Rule) to determine, as a condition to purchasing the securities, that the Authority will make such covenants, the Authority will covenant as follows:

The Authority shall provide:

(a) within 120 days after the end of each Fiscal Year, to the Electronic Municipal Market Access system ("EMMA") (<http://emma.msrb.org>) established by the Municipal Securities Rulemaking Board (the "MSRB"), audited financial statements of the Authority, Debt Service Coverage information (both actual results and projections of future bond years), and other annual financial information generally of the types found in the tables on pages 16-22 hereof under "Characteristics of the Initial Portfolio Loans", in the tables on page 23 hereof under "Delinquency and Loss Information", and the table on page 25 hereof under "Projected Debt Service Coverage"; and

(b) in a timely manner not in excess of 10 Business Days after the occurrence of the event notice to EMMA, notice of any of the following events with respect to the Series 2013A Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2013A Bonds, or other material events affecting the tax status of the Series 2013A Bonds;
7. modifications to rights of security holders, if material;
8. bond calls, if material, and tender offers;
9. defeasances;

10. release, substitution, or sale of property securing repayment of the Series 2013A Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Authority; which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;
13. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee, if material; and
15. failure by the Authority to comply with clause (a) above.

The Authority will not undertake to provide any notice with respect to (1) credit enhancement if the credit enhancement is added after the primary offering of the Series 2013A Bonds, the Authority does not apply for or participate in obtaining the enhancement and the enhancement is not described in the applicable Official Statement; (2) a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if (a) the terms, dates and amounts of redemption are set forth in detail in the applicable offering circular, (b) the only open issue is which securities will be redeemed in the case of a partial redemption, (c) notice of redemption is given to the Holders as required under the terms of the Indenture and (d) public notice of the redemption is given pursuant to Release No. 23856 of the SEC under the Exchange Act, even if the originally scheduled amounts may be reduced by prior optional redemptions or purchases; or (3) tax exemption other than pursuant to the Act or Section 103 of the Code.

The Authority is not eligible for protection from its creditors pursuant to the Bankruptcy Code.

No Holder may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the continuing disclosure undertaking (the “Undertaking”) or for any remedy for breach thereof, unless such Holder shall have filed with the Authority evidence of ownership and a written notice of and request to cure such breach, the Authority shall have refused to comply within a reasonable time and such Holder stipulates that (a) no challenge is made to the adequacy of any information provided in accordance with the Undertaking and (b) no remedy is sought other than substantial performance of the Undertaking. All Proceedings shall be instituted only as described herein, in the federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

An amendment to the Undertaking may only take effect if:

(a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of award of a series of bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Holders of Bonds, as determined by parties unaffiliated with the Authority (such as, but without limitation, the Authority’s financial advisor or bond counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the “impact” (as that word is used in the letter from the SEC staff to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC on the date of the Undertaking ceases to be in effect for any reason, and the Authority elects that the Undertaking shall be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a bond includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such bond, subject to certain exceptions as set forth in the Undertaking. Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described above.

The Authority has complied, in all material respects, with its continuing disclosure undertakings pursuant to the Rule.

A failure by the Authority to comply with the Disclosure Undertaking will not constitute an Event of Default under the Indenture and beneficial owners of the Series 2013A Bonds are limited to the remedies described in the Disclosure Undertaking. A failure by the Authority to comply with the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of Series 2013A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability, market price and marketability of the New Bonds in the secondary market.

The Authority is not responsible for any failure by EMMA or any nationally recognized municipal securities information repository to timely post disclosure submitted to it by the Authority or any failure to associate such submitted disclosure to all related CUSIPs.

#### **CONTINUING DISCLOSURE UNDERTAKINGS OF THE GUARANTOR**

For a copy of the form of the Continuing Disclosure Agreement to be executed by the Guarantor, see EXHIBIT A to “APPENDIX B – “CERTAIN INFORMATION RELATING TO THE NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION AND THE SERIES 2013A GUARANTEE.” The Continuing Disclosure Agreement, however, may be amended or modified without the consent of the owners of the Series 2013A Bonds under certain circumstances. Pursuant to the Continuing Disclosure Agreement, the Guarantor agreed to provide certain financial information and operating data by no later than nine months following the end of its fiscal year (March 31) commencing with the 2013/2014 fiscal year. That annual information is to include, among other things, portions of the information contained herein and in Appendix B hereto. The Guarantor’s annual audited financial statements prepared in accordance with generally accepted accounting principles will be delivered, or if unavailable, unaudited financial statements will be delivered until audited statements become available. The Guarantor has undertaken to file that information with EMMA. The Guarantor has not in the previous five years failed to comply, in any material respect, with any previous undertakings pursuant to the Rule.

#### **TAX MATTERS**

##### **Series 2013A Bonds**

In the opinion of Bond Counsel to the Authority, interest on the Series 2013A Bonds (i) is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Series 2013A Bonds by original purchasers of the Series 2013A Bonds who are “U.S. Holders”, as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2013A Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2013A Bonds as a position in a “hedge” or “straddle”, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Series 2013A Bonds in the

secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Series 2013A Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2013A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

### **Disposition and Defeasance**

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2013A Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Series 2013A Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2013A Bonds to be deemed to be no longer outstanding under the Indenture of the Series 2013A Bonds (a "defeasance"). (See "APPENDIX A – CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE."). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2013A Bonds subsequent to any such defeasance could also be affected.

### **Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to non-corporate holders of the Series 2013A Bonds with respect to payments of principal and payments of interest on a Series 2013A Bond and the proceeds of the sale of a Series 2013A Bond before maturity within the United States. Backup withholding may apply to holders of Series 2013A Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

### **U.S. Holders**

The term "U.S. Holder" means a beneficial owner of a Series 2013A Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

### **IRS Circular 230 Disclosure**

The advice under the caption, "Series 2013A Bonds", concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2013A Bonds, was written to support the marketing of the Series 2013A Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Series 2013A Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the Authority is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder's particular circumstances from an independent tax advisor.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2013A Bonds under state law and could affect the market price or marketability of the Series 2013A Bonds.

Prospective purchasers of the Series 2013A Bonds should consult their own tax advisors regarding the foregoing matters.

#### **FINANCIAL ADVISORS**

Lamont Financial Services Corporation and First Infrastructure, Inc. have served as financial advisors to the Authority with respect to the sale of the Series 2013A Bonds.

#### **APPROVALS**

The Act provides that (a) the sale of Series 2013A Bonds to the Underwriters and the terms of such sale are subject to the approval of the Comptroller of the State, (b) the proceedings authorizing the issuance of the Series 2013A Bonds are subject to the approval of the Governor of the State and (c) certain provisions of the Indenture are also subject to the approval of the Commissioner of Taxation and Finance of the State. Pursuant to Section 51 of the Public Authorities Law of the State, as amended, the Authority may not make any commitment, enter into any agreement or incur any indebtedness for the purpose of acquiring, constructing or financing any project without the prior approval of the Public Authorities Control Board of the State.

#### **LEGAL OPINIONS**

Legal matters incident to the authorization, issuance and sale of the Series 2013A Bonds will be subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. The approving Opinion of Bond Counsel is expected to be in substantially the form included in this Official Statement as Appendix C. Certain other legal matters will be passed upon for the Authority by Hal Brodie, its General Counsel. Certain legal matters relating to the Series 2013A Guarantee will be passed upon for the Guarantor by James R. Levine, its General Counsel and by Fulbright & Jaworski LLP, New York, New York, a member of Norton Rose Fulbright, special counsel to the Guarantor. Certain other legal matters will be passed upon for the Underwriters by Sidley Austin LLP, New York, New York, counsel to the Underwriters.



This Official Statement has been duly executed and delivered by the Authority.

**NEW YORK STATE ENERGY RESEARCH  
AND DEVELOPMENT AUTHORITY**

By                     /s/ Francis J. Murray                      
President and CEO

**CERTAIN DEFINITIONS AND SUMMARY OF THE INDENTURE**

**THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE AND REFERENCE SHOULD BE MADE TO THE INDENTURE FOR A FULL AND COMPLETE STATEMENT OF SUCH DOCUMENT AND ALL PROVISIONS THEREIN.**

**Certain Definitions**

The following terms have the meanings herein specified in the following summary of the Indenture.

*Act* means the New York State Energy Research and Development Authority Act, Title 9 of Article 8 of the Public Authorities Law of the State of New York, as from time to time amended and supplemented.

*Administrative Expenses* means any fees and expenses payable to the Trustee and any Paying Agent under the Indenture and any Servicing Fee.

*Authority* means New York State Energy Research and Development Authority, the public benefit corporation created by the Act, and its successors and assigns.

*Authorized Officer* means the Chair, Vice-Chair, President, Vice President, Treasurer, Assistant Treasurer or Secretary of the Authority.

*Available GJGNY Moneys* means moneys, if any, which are on deposit in the GJGNY Revolving Fund or the Green Jobs–Green New York Loan Loss Reserve Fund (excluding amounts held in the Collateral Reserve Account established under the Reimbursement Agreement and held by the Collateral Agent under the Custody Agreement) which are legally available for the purpose of making any payment due to the Trustee under the Indenture.

*Backup Servicer* means First Associates Loan Servicing LLC, and its successors and assigns as backup servicer for the Loans.

*Backup Servicing Agreement* means the Backup Servicing Agreement by and between the Authority and the Backup Servicer, as the same may be amended and supplemented and any similar agreement with any successor as Backup Servicer.

*Bond* or *Bonds* means any bond or bonds of the Authority executed, authenticated and delivered under the Indenture.

*Bond Counsel* means Hawkins Delafield & Wood LLP or other counsel selected by the Authority and satisfactory to the Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

*Bond Register* means the Bond Register maintained and kept by the bond registrar at the Corporate Trust Office pursuant to the Indenture.

*Bond Year* means any period commencing on and including July 1 of any year and ending on and including June 30 of the next succeeding calendar year.

*Borrower* or *Borrowers* means any Person eligible to receive a Loan under the Program as specified in an Officer's Certificate delivered to the Trustee and their respective successors and assigns.

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

*Code* means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

*Collateral* means, initially, funds provided by the Authority to the Collateral Agent pursuant to the Reimbursement Agreement, and thereafter any additional funds transferred by the Trustee to the Collateral Agent pursuant to the Indenture to satisfy the Collateral Requirement and investments of such funds.

*Collateral Agent* means The Bank of New York Mellon, or any other independent third party acceptable to the Guarantor and the Issuer that the Guarantor may appoint as its agent to hold the Collateral.

*Collateral Requirement* has the meaning set forth in the Reimbursement Agreement.

*Collateral Reserve Account* means the account established under the Reimbursement Agreement for the purposes described therein.

*Corporate Trust Office* means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located at 101 Barclay Street - 7W, New York, New York 10286.

*Cost of Issuance Fund* means the Cost of Issuance Fund established pursuant to the Indenture.

*Coverage Test* as of any date of calculation, means that Projected Net Revenues, together with amounts held in the Revenue Fund and Debt Service Fund, are expected to be available when necessary to pay all projected Debt Service and Scheduled Credit Facility Fees in each Bond Year as and when due and such Projected Net Revenues, together with amounts held in the Revenue Fund and Debt Service Fund, in the aggregate in any Bond Year, are expected to be at least equal to 110% of projected Maximum Annual Debt Service, all as determined by the Authority and evidenced by an Officer's Certificate. For purposes of applying the Coverage Test, principal and interest on the Bonds due on each July 1 is assumed to have accrued on the preceding June 30.

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

*Credit Facility Issuer* has the meaning set forth in the caption "Credit Facilities."

*Custody Agreement* means a Custody Agreement between the Issuer and the Collateral Agent and accepted and agreed to by the Guarantor.

*Debt Service* means, as of any date, and for any Bond Year, with respect to the Bonds then Outstanding, the aggregate amount of principal and interest scheduled to become due (either at maturity or by mandatory redemption) and sinking fund payments required to be paid on the Bonds, as calculated by the Authority in accordance with this definition. For purposes of calculating Debt Service, the following assumptions are to be used to calculate the principal and interest becoming due in any Bond Year:

(i) in determining the principal amount due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such principal, including any minimum sinking fund account payments; and

(ii) if Bonds of any Series bear interest at a variable interest rate, the interest rate on such Bonds shall be determined in accordance with the related Supplemental Series Indenture, and

(iii) if the Bonds are Subsidized Bonds, the interest on such Bonds shall not be reduced by the amount of any subsidy.

Such interest and principal and sinking fund installment shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each principal and sinking fund installment on the due date thereof.

*Debt Service Fund* means the Debt Service Fund established pursuant to the Indenture

*Debt Service Payment Date* means a date on which principal, redemption price or interest is due on the Bonds.

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

*Debt Service Reserve Fund Requirement*, with respect to any Series of Bonds, means the amount, if any, determined in accordance with the related Supplemental Series Indenture.

*Eligible Project* shall have the meaning given to that term in the Green Jobs–Green New York Act.

*Event of Default* means any event of default specified in the Indenture as described under the caption “Defaults and Remedies—Events of Default”.

*Eligibility Criteria* has the meaning set forth in the Indenture, as described under the caption “Release of Pledged Revenues from Lien of the Indenture; Pledge of Additional Pledged Revenues.”

*Green Jobs–Green New York Act* means the Green Jobs–Green New York Act of 2009 (Chapter 487 of the Laws of 2009), as from time to time amended and supplemented.

*Green Jobs–Green New York Revolving Loan Fund* or *GJGNY Revolving Fund* means the revolving fund established by the State pursuant to the Green Jobs–Green New York Act, which fund is to be used for the purposes described therein.

*Guarantor* means New York State Environmental Facilities Corporation, and its successors and assigns.

*Interest Payment Date* means the date on which any installment of interest on such Series of Bonds is due other than by reason of acceleration or redemption.

*Loan* means any loan made by the Authority to a Borrower to finance Eligible Projects with moneys available under the Green Jobs–Green New York Program, including, without limitation, any loans made or refinanced, in whole or in part, with the proceeds of Bonds or which is a source of Pledged Loan Payments.

*Loan Agreement* means any agreement providing for a Loan to be made available to a Borrower or refinanced by the Authority in whole or in part with the proceeds of the Bonds or which is a source of Pledged Loan Payments between a Borrower and the Authority, including any promissory notes or other evidences of indebtedness executed pursuant thereto, in each case as amended and supplemented in accordance with its terms from time to time.

*Loan Fund* means the Loan Fund established pursuant to the Indenture.

*Loan Payments* means the amounts payable by a Borrower under a Loan Agreement.

*Maximum Annual Debt Service* means as of any date of calculation the maximum annual Debt Service due in the current or any future Bond Year.

*Moody’s* means Moody’s Investors Service, Inc., or its successors and assigns, or if there is no such successor or assign, shall mean another rating service selected by the Authority and approved by each Credit Facility Issuer.

*Officer’s Certificate* means a certificate signed by an Authorized Officer of the Authority.

*Outstanding* means, as of any particular date, the aggregate of all the Bonds, authenticated and delivered under the Indenture, except:

- (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;
- (b) Bonds for the payment or redemption of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Owners of such Bonds, provided that if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;
- (c) Bonds paid or deemed to be paid as provided in the Indenture; and
- (d) Bonds paid or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture, unless proof satisfactory to the Trustee shall be presented that any such Bonds shall be held by a bona fide purchaser (as such term is defined in the Uniform Commercial Code of the State of New York).

*Owner or Bondowner* means the Registered Owner of any Bond.

*Parity Reimbursement Obligation* has the meaning set forth below under the caption “Credit Facilities.”

*Paying Agent* means any paying agent for the Bonds of a Series and any successor or successors as paying agent appointed pursuant to the Indenture.

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

*Pledged Interest Subsidies* means any cash subsidy received by the Authority from the United States Treasury with respect to the Bonds by reason of the Bonds being issued as Qualified Energy Conservation Bonds as defined in Section 54 of the Code.

*Pledged Loan Payments* means payments of principal of, premium, if any, and interest on a Loan which are assigned and pledged as security for the benefit of the Bonds, excluding any Released Loan Payments.

*Pledged Revenues* means (i) all Pledged Loan Payments and (ii) Pledged Interest Subsidies.

*Principal Installment* means, as of any date of calculation and (i) the principal amount of the Bonds due by their terms on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for the Bonds, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of the Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, plus such applicable redemption premiums, if any.

*Program* means the program established, administered by the Authority and created pursuant to the Green Jobs-Green New York Act to provide funding, through Green Jobs-Green New York Loans, for the performance of energy audits and energy efficiency improvements for one to four family residential structures, multifamily buildings of over five dwelling units, and structures used or occupied by a small businesses of one hundred employees or less or not-for-profit corporations.

*Projected Net Revenues* as of any date of calculation means the amount projected to be received as Pledged Revenues less projected Administrative Expenses and Scheduled Credit Facility Fees, as calculated by the Authority and evidenced by an Officer’s Certificate.

*Rating* means any rating then assigned to the Bonds by a nationally recognized rating agency.

*Rebate Amount* means any amount payable as “rebate” or a yield reduction payment with respect to any Series of Bonds.

*Rebate Fund* means any Rebate Fund established pursuant to the Indenture.

*Registered Owner* means the person or persons in whose name or names a particular Bond shall be registered on the Bond Register.

*Reimbursement Agreement* means the Reimbursement Agreement dated as of August 1, 2013 between the Guarantor and the Authority.

*Released Loan Payments* means each Loan Payment formerly treated as a Pledged Loan Payment which has been released from the lien of the Indenture and a related Supplemental Series Indenture.

*Revenue Fund* means the Revenue Fund established pursuant to the Indenture.

*S&P* means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or its successors and assigns, or if there is no such successor or assign, shall mean another rating service selected by the Authority and approved by each Credit Facility Issuer.

*Scheduled Credit Facility Fee* means any regularly scheduled payments under a Parity Reimbursement Obligations, identified as such in a Supplemental Series Indenture.

*Securities Depository* means a Bondowner acting as a central securities depository for a Series of Bonds as provided in the Indenture.

*Series* means any series of Bonds authorized pursuant to a Supplemental Series Indenture.

*Servicer* means Concord Servicing Corporation, in its capacity as master servicer of the Loan Agreements, and its successors in such capacity.

*Servicing Agreement* shall mean the Agreement dated as of the 3rd day of November, 2010 between the Servicer and the Authority, as the same has been and may be amended and supplemented and any similar agreement with any successor as Servicer.

*Servicing Fee* means fees payable to the Servicer under the Servicing Agreement in connection with its duties as Servicer of the Loans which are the source of Pledged Loan Payments and to the Backup Servicer under the Backup Servicing Agreement.

*Sinking Fund Installment* means, with respect to a Series of Bonds, an amount so designated pursuant to the related Supplemental Series Indenture.

*State* means the State of New York.

*Subsidized Bonds* shall mean any Bonds with respect to which the Authority has irrevocably elected, pursuant to Section 54AA(g) of the Code or any other similar federal program creating subsidies for municipal borrowers, for which the Authority qualifies, to receive cash subsidy payments from the United States Treasury or another entity equal to a portion of the interest payable on such Bonds.

*Supplemental Indenture* means any indenture supplementary to or amendatory of the Indenture now or hereafter duly executed and delivered in accordance with the provisions hereof.

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

*Tax Compliance Document* means a use of proceeds certificate or other similar document setting forth such provisions as are determined necessary or desirable by the Authority to assure compliance with requirements imposed by

the Code as conditions to the eligibility of the Bonds to be treated as a Qualified Energy Conservation Bond, between the Authority and the Trustee, as the same may be amended or supplemented.

*Trustee* means The Bank of New York Mellon, a corporation organized and existing under the laws of the State of New York, having its principal office in New York, New York, and a paying agency office in the Borough of Manhattan in The City of New York, New York, in its capacity as trustee under the Indenture, and its successor or successors as trustee under the Indenture.

### **Liability under the Bonds**

The Bonds are not general obligations of the Authority, and do not constitute an indebtedness of or a charge against the general credit of the Authority. The liability of the Authority under the Bonds is enforceable only to the extent provided in the Indenture, and the Bonds are payable solely from the Pledged Revenues and any other funds held by the Trustee under the Indenture which are available for such payment. The Bonds are not a debt of the State of New York or any Borrower and neither the State of New York nor any Borrower is liable thereon. No owner of any Bonds will have the right to demand payment of the principal of, or premium, if any, or interest on the Bonds out of any funds raised by taxation.

### **Security for Bonds; Issuance of Bonds; Release of Excluded Loan Payments**

*Security for the Bonds.* Pledge and assignment effected by the Indenture; the Indenture equally and ratably secured; option of Authority to assign certain further rights and remedies to Trustee. The Indenture provides that all Bonds issued and to be issued under the Indenture are, to the extent provided in and subject to the Indenture, equally and ratably secured by the Indenture without preference, priority or distinction on account of the actual time or times of the authentication or delivery or maturity or redemption or prepayment of the Bonds, or any of them. All Bonds issued and to be issued under the Indenture are to the extent provided in the Indenture, equally and ratably secured by the Indenture with like effect as if they had all been executed, authenticated and delivered simultaneously.

As security for the payment of the principal of, and premium, if any, and interest on the Bonds and for the performance of each other obligation of the Authority under the Indenture, the Authority may pledge and assign to the Trustee any portion of the Authority's estate, right, title and interest and claim in, to and under any Loan Agreement and the right to make all related waivers and agreements in the name and on behalf of the Authority, as agent and attorney-in-fact, and to perform all other related acts which are necessary and appropriate under the Loan Agreements, subject to the following conditions: (i) that the owners of the Bonds will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions thereof to be performed by the Authority and (ii) that, unless and until the Trustee has, in its discretion when an Event of Default has occurred and is continuing, so elect, by instrument in writing delivered to the Authority (and then only to the extent that the Trustee elects), the Trustee will not be responsible or liable in any manner or to any extent for the performance of any of the covenants or provisions contained in any Loan Agreement to be performed by the Authority (except to the extent of actions undertaken by the Trustee in the course of its performance of any such covenant or provision); the Authority, however, will remain obligated to observe and perform all the conditions and covenants in the Loan Agreements provided to be observed and performed by it, notwithstanding any such pledge and assignment.

*Issuance of Bonds.* Bonds may be issued from time to time under the Indenture for the purpose of financing and refinancing Loans, subject to certain conditions. The Bonds of any series shall be issued only upon the receipt by the Trustee of proceeds (including accrued interest, if any) of sale of such series of Bonds. The aggregate principal amount of Bonds which may be executed and delivered by the Authority secured by the Indenture is not limited except as is or may be provided in the Indenture or as may be limited by law. On or before the authentication and delivery of the Bonds of each series, the Trustee must also receive, among other documents, the following:

A copy of the resolutions adopted by the Authority authorizing the execution and delivery of the Indenture and the related Supplemental Indenture and any related Parity Reimbursement Obligation and the issuance, sale, execution and delivery of the Bonds of such Series, certified by an Authorized Officer of the Authority to have been duly adopted by the Authority and to be in full force and effect on the date of such certification;

An original executed counterpart or a copy, certified by the Authority, of the Servicing Agreement, the Indenture and the related Supplemental Indenture authorizing such Series of Bonds;

An Officer's Certificate specifying the Loans and certifying that the Authority has entered into and fully disbursed the Loan Agreements which are to be the source of the Pledged Loan Payments unless the related Supplemental Series Indenture requires that such certification be a condition to the disbursement of all or a portion of the proceeds of the Series of Bonds to be issued pursuant thereto and, in such event, such Supplemental Series Indenture shall specify that any of the conditions set forth herein which relate to any Borrowers and any Loan not satisfied at the time of the issuance of such Series of Bonds shall be conditions to disbursement of such Bond proceeds to any Borrower or for any Loan as to which such condition shall not have been so satisfied.

An Officer's Certificate evidencing that the Coverage Test is expected to be satisfied after all proceeds of the Bonds of such Series are disbursed as provided in the related Supplemental Series Indenture together with evidence confirming that the Ratings applicable to any outstanding Bonds will not be lowered or suspended or withdrawn by reason of the issuance of such Bonds.

An opinion of Bond Counsel to the effect that the Bonds of such Series have been duly authorized, that all conditions precedent to the issuance thereof have been fulfilled and, that the Bonds of such Series are valid and legally binding special obligations of the Authority, secured by the Indenture, and are payable as to principal, premium, if any, and interest from, and are secured by a valid lien on and pledge of, the Pledged Revenues and moneys held by the Trustee under the Indenture and available therefor under the terms of the Indenture, all in the manner provided in the Indenture, together with a letter to the effect that the Trustee may rely on such opinion as if it were addressed to it;

A written order and authorization to the Trustee on behalf of the Authority, signed by an Authorized Officer to authenticate and deliver the Bonds to or upon the order of the purchaser or purchasers therein identified upon payment to the Trustee of the purchase price (including accrued interest, if any) of the Bonds; and

A written order signed by an Authorized Officer of the Authority specifying how the proceeds of the Bonds are to be deposited and disbursed.

**Credit Facilities.** (a) In connection with the issuance of any Series of Bonds hereunder, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, redemption price or interest due or to become due on such Bonds. In connection therewith the Authority may enter into such agreements with the issuer of such Credit Facility (the "Credit Facility Issuer") providing for, inter alia: (i) the payment of fees and expenses to such Credit Facility Issuer; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; (iii) the security, if any, to be provided for the issuance of such Credit Facility; and (iv) such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the related Supplemental Series Indenture.

(b) The Authority may also in an agreement with such Credit Facility Issuer agree to reimburse such Credit Facility Issuer for amounts paid by such Credit Facility Issuer under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation, including any Parity Reimbursement Obligation (as defined below), shall be created, for purposes of the Indenture, until the related purchase price or redemption price of or principal or interest payments on the Bonds are made from such Credit Facility. Any periodic fees or payments owing under such Credit Facility as well as any such Reimbursement Obligation may be secured by a pledge of, and a lien on, collateral and revenues securing such Series of Bonds on a parity with the lien created by the Indenture (an obligation to pay such periodic fees or payments together with Reimbursement Obligation secured in such manner being hereinafter referred to as a "Parity Reimbursement Obligation"). Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates and shall be part of the same "Series of Bonds" as such Series of Bonds for purposes of the Indenture. Any such Reimbursement Obligation may with respect to scheduled periodic fees or payments, provide that all or a portion thereof shall be Scheduled Credit Facility Fees or be payable from sources other than Revenues.

(c) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the related Supplemental Series Indenture.



***Provisions regarding Bonds secured by a Credit Facility.*** (a) The Authority may include such provisions in a Supplemental Series Indenture authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including, but not limited to, provisions to the effect of the following:

(1) So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default, and the Credit Facility Issuer is not in bankruptcy or receivership, the Credit Facility Issuer shall be deemed to be the owner of the Outstanding Bonds of such Series secured by such Credit Facility when the approval, consent or action of the Bondowners for such Series of Bonds is required or may be exercised under the Indenture and following an Event of Default under the Indenture. The Indenture may not be amended in any manner which affects the rights of the Credit Facility Issuer without the prior written consent of the Credit Facility Issuer.

(2) In the event that the principal and redemption price, if applicable, of and interest due on any Series of Bonds Outstanding shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Authority to the Bondowners of the Bonds paid with funds provided under such Credit Facility shall continue to exist and such Credit Facility Issuer shall be subrogated to the rights of the owners of the Bonds so paid in accordance with the terms of such Credit Facility.

(3) All or a portion of scheduled periodic fees payable to such credit facility issuer are Scheduled Credit Facility Fees for purposes of the Indenture.

(b) In addition, such Supplemental Series Indenture may establish such provisions as are necessary to provide relevant information to the Credit Facility Issuer and to provide a mechanism for paying principal installments, redemption premium, if any and if included, and interest on such Series of Bonds from the Credit Facility Issuer.

***Release of Pledged Revenues from Lien of the Indenture; Pledge of Additional Pledged Revenues.*** Subject to the Indenture and limitations, if any, contained in any agreements with Credit Facility Issuers, the Authority may release specific Pledged Revenues (including without limitation, Pledged Loan Payments) from the lien created by the Indenture or substitute and add Pledged Revenues to the lien by providing and filing with the Trustee, (1) a certificate or a revised schedule describing the specific Pledged Revenues to be released and, if applicable, substituted therefor or added thereto, and (2) an Officer's Certificate confirming compliance with the Coverage Test in each year the Bonds are scheduled to be Outstanding and confirming that all additional or substituted Pledged Loan Payments derive from Loans to Borrowers who the Authority has determined meet the following underwriting criteria (the "Eligibility Criteria"): (a) a FICO score of at least 640 (680 if self employed two or more years; 720 if self employed less than two years), (b) a debt-to-income ratio not greater than 50%, (c) no bankruptcies, foreclosures, or repossessions within the last seven years, and (d) no combined outstanding collections, judgments or tax liens greater than \$2,500. Without limiting the generality of the foregoing, to the extent that moneys are made available by the Authority under the Indenture, any future Pledged Loan Payments derived from defaulted or non-performing Loans which are no longer taken into account in such Loan Payments Officer's Certificate as Projected Net Revenues shall to the extent so directed by the Authority be released from the lien of the Indenture.

***Additional Financial Assistance to Borrowers.*** The Indenture does not limit the right of the Authority to provide for any additional financial assistance or loans to any Borrowers or any other Person or to issue bonds, notes, or other obligations pursuant to another indenture of trust or resolution.

### **Amendments of Loan Agreements**

The Authority may, without the consent of or notice to the Trustee or the Bondowners, make any amendment or modification to a Loan Agreement (i) if such amendment or modification is required for the purpose of curing any ambiguity or formal defect or omission, (ii) if such amendment or modification will not affect the timing or amount of any payments of principal or interest on the Loans, or (iii) if the Authority delivers to the Trustee an Officer's Certificate which demonstrates, after taking any such amendment in account, compliance with the Coverage Test in each year in which the Bonds are scheduled to be Outstanding.

## Funds Created under the Indenture

**Creation and custody of pledged funds and accounts.** The following funds and accounts are established with respect to and for the benefit of all Bonds in accordance with the provisions of the Indenture, subject to application in accordance with the priority established in the Indenture:

- (1) Cost of Issuance Fund;
- (2) Debt Service Fund;
- (3) Revenue Fund; and
- (4) Loan Fund and the Prefunding Account therein.

All such funds shall be held by the Trustee.

The Authority shall cause all Pledged Revenues to be paid to the Trustee for deposit in the Revenue Fund. All Pledged Revenues shall be deposited in the Revenue Fund upon receipt by the Trustee. Moneys held therein constituting Pledged Revenues shall be applied from time to time in accordance with the Indenture. Moneys, if any, held therein not constituting Pledged Revenues shall be applied as the Authority shall determine.

The Authority may, by Supplemental Indenture or by Officer's Certificate, establish one or more additional funds, accounts or subaccounts.

**Cost of Issuance Fund.** Such portion, if any, of the proceeds of the Bonds as is determined by the Authority shall be deposited in the Cost of Issuance Fund. Such amounts will be paid by the Trustee upon requisition of the Authority to pay issuance costs incurred in connection with the issuance of the Bonds. Upon certification by an Authorized Officer that any amounts deposited in the Cost of Issuance Fund will not be required to pay Costs of Issuance, the Trustee is required to transfer any amounts remaining on deposit in such Fund in accordance with written directions of the Authority.

**Application of Pledged Revenues held in Revenue Fund** (a) On the last Business Day of each month and any other date on which Debt Service is due, the Trustee shall pay or transfer all Pledged Revenues held in the Revenue Fund each month to the funds and accounts or for the purposes set forth below in the following amounts in the following order of priority:

FIRST: To the Servicer, the Backup Servicer, the Trustee and any Paying Agent, any amount then due and owing as an Administrative Expense;

SECOND: To any Credit Facility Issuer, any Scheduled Credit Facility Fee;

THIRD: To the Debt Service Fund, the amount, if any, required so that the balance therein shall equal the sum of (i) amount of Debt Service accrued and unpaid as of such day and to accrue thereafter through the end of the next succeeding calendar month and (ii) the amount accrued and unpaid under any Parity Reimbursement Obligation, excluding Scheduled Credit Facility Fees, as of such day and to accrue thereafter through the end of the next succeeding calendar month; and

FOURTH: to the Collateral Agent, the amount, if any, necessary so that the amount therein is equal to the related Collateral Requirement, calculated as of such Business Day and as confirmed to the Trustee by the Authority; and

FIFTH: to each Debt Service Reserve Fund, the amount, if any, necessary so that the amount therein is equal to the applicable Debt Service Reserve Fund Requirement, calculated as of such Business Day and as confirmed to the Trustee by the Authority.

(b) On each date on which an Officer's Certificate is delivered as described below under the caption "Coverage Test; Additional Pledged Revenues," all or any portion of moneys in the Revenue Fund determined by the

Authority to be excess as shown in such Officer's Certificate confirming compliance with the Coverage Test shall be transferred to or at the direction of the Authority.

**Debt Service Fund.** (a) The Trustee is required to deposit the following amounts as received in the Debt Service Fund:

(1) The amount, if any, of the proceeds of any series of Bonds, required by the Indenture to be deposited in the Debt Service Fund in respect of interest.

(2) All amounts required to be transferred to the Debt Service Fund pursuant to the provisions of the Indenture described in paragraph "THIRD" under the caption "Application of Pledged Revenues held in Revenue Fund."

(3) Any amounts transferred to the Debt Service Fund from a Debt Service Reserve Fund which amounts shall be applied solely to pay the related Series of Bonds.

(4) Any other amounts required to be paid to the Debt Service Fund or otherwise made available for deposit therein by the Authority, including without limitation any amounts made available by the Authority under the provisions of the Indenture described in clause (g) of this caption, "Debt Service Fund."

(5) Any moneys made available to the Trustee by a Credit Facility Issuer for deposit in the Debt Service Fund.

(b) The Trustee is required to pay out of the Debt Service Fund from moneys available for such purpose to any Paying Agents for the Bonds (i) on each interest payment date, the amount required for the payment of interest on the Bonds due on such interest payment date and (ii) on any redemption date, the amount required for the payment of accrued interest on the Bonds redeemed unless the payment of such accrued interest is otherwise provided for, and such amounts are required to be applied by the Paying Agents to such payment. The Trustee also is required to pay out of the Debt Service Fund the accrued interest included in the purchase price of the Bonds purchased for retirement.

(c) The Trustee shall pay out of the Debt Service Fund to any Paying Agents for the Bonds on each principal payment date and redemption date (each as set forth in the Indenture) for the Bonds, the amounts required for the payment of such principal or redemption price on such date, and such amounts shall be applied by the Paying Agents to such payments.

(d) The Trustee shall pay out of the Debt Service Fund from moneys available for such purpose to any Credit Facility Issuer any amounts owed under a Parity Reimbursement Obligation on the date such amounts are payable other than Scheduled Credit Facility Fees.

(e) Amounts made available by the Authority for the purpose of purchasing Bonds may, and if so directed by the Authority shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding any sinking fund redemption date to the purchase of Bonds of the maturity that are subject to such sinking fund redemption, at prices (including any brokerage and other charges) not exceeding the redemption price payable for such Bond pursuant to such sinking fund redemption plus unpaid interest accrued to the date of purchase. Upon such purchase of any Bond, the Trustee shall then credit an amount equal to the principal of the Bond so purchased toward the next succeeding sinking fund installment for such Bond.

(f) As soon as practicable after the forty-fifth (45th) day preceding the date of any such sinking fund redemption, the Trustee shall proceed to call for redemption on such redemption date Bonds of the maturity and Series for which sinking fund redemption is required in such amount as is necessary to complete the retirement of the principal amount specified for such sinking fund redemption of the Bonds. The Trustee is required to call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable redemption price thereof and interest thereon to the redemption date. The Trustee is required to pay out of the Debt Service Fund to the appropriate Paying Agents, on each such redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount are required to be applied by such Paying Agents to such redemption.

(g) By no later than 1:00 P.M. on the third Business Day next preceding any Debt Service Payment Date, to the extent that there is a deficiency in available moneys in the Debt Service Fund to pay a Debt Service or a Scheduled

Credit Facility Fee payment due on such Debt Service Payment Date, including any Debt Service amounts or Scheduled Facility Fees which are overdue, and there are insufficient moneys available to address such deficiency from the sources described above, the Trustee is required to so advise the Authority of the remaining portion of the deficiency and the Authority is required to transfer to the Trustee Available GJGNY Moneys in the amount of the remaining portion of such deficiency, or, if less, the amount then available as Available GJGNY Moneys and is required to continue to make such transfers from Available GJGNY Moneys as they become available until such deficiency is satisfied. To the extent so directed by the Authority in connection with transfers of Available GJGNY Moneys to the Trustee, future Loan Payments derived from non-performing or defaulted Loans shall be released from Pledged Loan Payments, subject to the provisions of the Indenture.

(h) By no later than 1:00 P.M. on the second Business Day next preceding any Debt Service Payment Date, the Trustee shall notify the Authority and any Credit Facility Issuer in the event that the Pledged Revenues available therefore under the Indenture, including, without limitation, amounts being made available by the Authority under clause (g) of this caption, "Debt Service Fund," will not be sufficient to pay the Debt Service and the Scheduled Credit Facility Fees due on such Debt Service Payment Date when due. To the extent there exists a deficiency in available moneys in the Debt Service Fund to pay a Debt Service payment or Scheduled Credit Facility Fee then due, including any Debt Service amounts and Scheduled Credit Facility Fees which are overdue, and there are insufficient moneys available to address such deficiency from the sources described in clause (a) of the caption "Application of Pledged Revenues held in Revenue Fund," other than moneys to be transferred from any Debt Service Reserve Fund, the Trustee shall so advise the Authority and any Credit Facility Issuer of the amount of such deficiency and the Trustee shall transfer to the Debt Service Fund moneys, if any, which are available to make up such deficiency from any Debt Service Reserve Fund, in each case solely to the extent moneys held in such funds are available for such transfer in accordance with the Indenture and the applicable Supplemental Series Indentures.

**Debt Service Reserve Fund.** The Trustee is required to promptly deposit in each Debt Service Reserve Fund the following receipts:

- (1) any amounts required to be deposited therein in accordance with the Related Supplemental Series Indenture;
- (2) any amounts made available for deposit in the Debt Service Reserve Fund pursuant to the provisions described in paragraph "FIFTH" under the caption "Application of Pledged Revenues held in Revenue Fund;" and
- (3) any other amounts made available by the Authority for deposit therein.

All such deposits are required to be made in accordance with written directions of the Authority.

On any Debt Service Payment Date, the Trustee shall transfer from any Debt Service Reserve Fund, for deposit in the Debt Service Fund, any amounts due on the related Series of Bonds on such Debt Service Payment Date but as yet unavailable in the Debt Service Fund for such payment.

**Loan Fund.** Such portion, if any, of the proceeds of each Series of Bonds as shall be specified in the Supplemental Indenture authorizing such Series of Bonds shall be deposited in the Loan Fund and in the Prefunding Account therein. Such Supplemental Indenture shall specify the permitted uses of the amounts deposited in the Loan Fund and in the Prefunding Account therein. The Trustee shall not be responsible for the use of Bond Proceeds paid out in accordance with the terms hereunder.

Notwithstanding any other provision of the Indenture, the Depository Bank shall, upon the direction of the Authority, transfer to the Rebate Fund any portion of investment earnings on amounts on deposit in an account in the Loan Fund which amounts constitute a portion of a Rebate Amount relating to amounts so held.

**Rebate Fund.** To the extent provided in a Supplemental Indenture, the Indenture establishes a Rebate Fund for the Bonds.

The Trustee shall promptly deposit in the related account of the Rebate Fund any amounts transferred thereto in accordance with the Indenture and any other amounts provided for such purpose by the Authority. Except as otherwise permitted by the related Tax Compliance Document, amounts deposited in a Rebate Fund shall be applied to pay amounts,

if any, determined owed to the United States of America under Section 148 of the Code in connection with such Series of Bonds.

### **Security for and Investment of Moneys**

***Uninvested moneys held by the Trustee.*** All moneys received by the Trustee under the Indenture and not invested by the Trustee, to the extent not insured by the Federal Deposit Insurance Authority or other federal agency, is required to be deposited with the Trustee, or with a national or state bank or a trust company which has a combined capital and surplus aggregating not less than \$100,000,000.

***Investment of, and payment of interest on, moneys.*** Moneys on deposit to the credit of the Cost of Issuance Fund, the Debt Service Fund, the Revenue Fund, the Loan Fund, the Rebate Fund or any Debt Service Reserve Fund may be retained uninvested as trust funds. Such moneys shall, at the written direction of an Authorized Officer, be invested by the Trustee in: (a) obligations of the United States and obligations the principal and interest of which are unconditionally guaranteed by the United States; (b) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State; (c) deposits with such banks or trust companies as may be designated by the Authority, each such bank or trust company deposit being continuously and fully secured by obligations described in clauses (a) or (b); (d) deposit accounts in, or certificates of deposit issued by, and bankers acceptance of, any U.S. bank, trust company or national banking association (which may include the Trustee), having a rating on its short term certificates of deposit on the date of purchase of P-1 by Moody's and A-1 or A-1+ by S&P, which investments mature not more than 360 calendar days after the date of purchase; (e) money market funds, which funds have a composite investment grade rated not less than "AAAm" or equivalent by Moody's or S&P; or (f) investment agreements with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or any governmental bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which has, or the parent company of which has, long-term debt rated at least "A" or its equivalent by S&P or Moody's, with respect to any of the obligations or securities specified in (a) above; or (g) any other obligations from time to time permitted by the Act or other applicable law.

Any investment made under the Indenture may be executed by any bank or trust company acting as Trustee under the Indenture at the time of such investment. The Trustee may rely upon any written direction of an Authorized Officer as to both the suitability and legality of the directed investment.

The securities purchased with the moneys in each fund are required to be held by or under the control of the Trustee and will be deemed a part of such fund. The interest, including any realized increment on securities purchased at a discount, received on all such securities in any fund is required to be deposited by the Trustee to the credit of such fund, subject to the provisions of the Indenture. Losses, if any, realized on securities held in any fund will be debited to such fund. The Trustee will not be liable or responsible for any loss resulting from any such investment or resulting from the redemption, sale or maturity of any such investment as authorized under the Indenture. If at any time it becomes necessary that some or all of the securities purchased with the moneys in any such fund or account be redeemed or sold in order to raise the moneys necessary to comply with the provisions of the Indenture, the Trustee is required to effect such redemption or sale, employing in the case of a sale any commercially reasonable method of effecting such sale.

***Moneys held in trust.*** All moneys from time to time received by the Trustee and held in any fund created pursuant to the Indenture, except amounts held in a Rebate Fund, shall be held in trust by the Trustee for the benefit of the owners from time to time of the Bonds entitled to be paid therefrom. Moneys held by the Trustee in trust under the Indenture need not be segregated from other funds except to the extent required by law.

### **Certain Covenants**

***Payment of principal of and interest and redemption premium on Bonds.*** The Authority will promptly pay from Pledged Revenues and other funds held by the Trustee and available therefor the Debt Service on, every Bond issued under and secured by the Indenture and any sinking fund payments provided in the Indenture and any premium required to be paid for the retirement of said Bonds by redemption, at the places, on the dates and in the manner specified in the Indenture and in said Bonds according to the true intent and meaning thereof, subject, however, to the provisions of the Indenture summarized above under the caption "Liability under the Bonds."

***No extension of time of payment of interest.*** In order to prevent any accumulation of claims for interest after maturity the Authority will not directly or indirectly extend or assent to the extension of the time of payment of any claims

for interest on any of the Bonds and will not directly or indirectly be a party to or approve any such arrangement by purchasing such claims for interest or in any other manner. In case any such claim for interest shall be extended in violation hereof, such claim for interest shall not be entitled, in case of any default hereunder, to the benefit or security of the Indenture except subject to the prior payment in full of the principal of, and premium, if any, on, all Bonds and other Bonds issued and Outstanding hereunder, and of all claims for interest which shall not have been so extended or funded.

***Trustee's and Paying Agents' fees, charges, expenses and indemnification.*** The Authority shall (1) pay to the Trustee and the Paying Agent from time to time reasonable compensation for all services rendered by each hereunder; (2) except as otherwise expressly provided herein, reimburse the Trustee and the Paying Agent upon its respective request for all reasonable expenses, disbursements and advances incurred or made by such Trustee or Paying Agent in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or willful misconduct; and (3) to indemnify the Trustee and the Paying Agent for, and to hold each harmless against, any loss, liability or expense incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder; provided, however, that the obligations of the Authority to make such payments and reimbursements and to indemnify the Trustee in such manner shall be limited to any amounts received from the Borrowers permitted to be used for such purpose and to any other amounts held and available under the Indenture permitted to be used for such purpose.

***Agreement of the State.*** In accordance with the provisions of the Act, the Authority, on behalf of the State, does hereby pledge to and agree with the owners of the Bonds that the State will not limit or alter the rights and powers vested by the Act in the Authority to fulfill the terms of any contract made with Bondowners or in any way impair the rights and remedies of such owners, until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest (if payable under the terms of any Bonds), and all costs and expenses in connection with any action or proceeding by or on behalf of such owners, are fully met and discharged.

***Disposition of the Proceeds of Sale or Redemption of Loans which are expected to be a source of Pledged Loan Payments.*** Subject to the provisions of the Indenture permitting the release of Pledged Loan Payments in certain circumstances, in the event any Loan which is expected to be a source of Pledged Loan Payments shall be sold by the Authority, or redeemed, the Authority shall deposit the proceeds of such sale or redemption allocable to such Pledged Loan Payments, except an amount thereof net of the costs and expenses of the Authority in effecting the sale, into the Revenue Fund.

***Enforcement of Loan Agreements which are expected to be a source of Pledged Loan Payments.*** The Authority shall diligently enforce or cause to be enforced, and take or cause to be taken all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of the Loan Agreements which are expected to be the source of Pledged Loan Payments, to the extent necessary to assure the sufficiency of Pledged Revenues to pay Debt Service on all Bonds as and when due, including prompt collection of such Pledged Loan Payments. Enforcement of the Loan Agreements by the Servicer shall be deemed to be enforcement by the Authority.

***Servicing Agreement.*** The Authority shall cause a Servicer to be appointed and to be acting as master servicer for all Loans which are the expected source of Pledged Loan Payments and shall diligently enforce the obligations of the Servicer thereunder. Any successor Servicer shall be reasonably acceptable to each Credit Facility Issuer. To the extent so provided in a Supplemental Series Indenture and any agreement with a Credit Facility Issuer, a Credit Facility Issuer may be given authority to appoint a successor Servicer.

***Coverage Test; Additional Pledged Revenues.*** The Authority shall on or before each January 15, April 15, July 15 and October 15, commencing October 15, 2013, prepare a projection of Pledged Revenues, Administrative Expenses, Debt Service, Scheduled Credit Facility Fees and Projected Net Revenues for each Bond Year during which Bonds are then expected to be Outstanding. Such projection shall be based on Pledged Loan Payments as of the close of the preceding month. A copy of such projection shall be furnished to the Trustee and each Credit Facility Issuer. As and to the extent that such projection does not show compliance with the Coverage Test, by no later than 30 days following the delivery of such projection, the Authority shall either (i) cause additional payments on Loans to be included as Pledged Loan Payments under the Indenture so that Projected Net Revenues, together with amounts held in the Revenue Fund and Debt Service Fund, will at least equal 110% of projected Maximum Annual Debt Service requirements in each Bond Year or (ii) make provision by the deposit or application of moneys held under the Indenture for the payment of Debt Service

and Scheduled Credit Facility Fees such that the Pledged Loan Payments will be sufficient to comply with the Coverage Test.

## **Defaults and Remedies**

***Events of Default.*** The occurrence and continuances of one or more of the following events with respect to Bonds shall constitute an Event of Default for purposes of the Indenture:

- (a) default in the payment of any installment of interest, principal, premium, if any, or sinking fund installment in respect of any Bond as the same shall become due and payable; or
- (b) failure on the part of the Authority duly to observe or perform any other of the covenants or agreements on the part of the Authority contained in the Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the Authority to remedy the same, shall have been given to the Authority by the Trustee; provided that, if such failure cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and is diligently pursued until the failure is corrected; or
- (c) the Trustee shall receive written notice from a Credit Facility Issuer of the occurrence of an “event of default” under a Credit Facility or the agreement providing for the issuance thereof.

The remedy of acceleration shall not be available to the owners of any Bond or to any Credit Facility Issuer.

***Judicial proceedings by Trustee.*** Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, and if the Trustee receives written request of the Owners of at least twenty-five percent (25%) in aggregate principal amount of a series of Bonds then Outstanding and has received indemnity to its satisfaction it is then required, (a) by suit, action or special proceeding, enforce all rights of the Owners of the Bonds and require the Authority to perform its duties under the Act, the Green Jobs--Green New York Act the Loan Agreements, the Bonds and the Indenture, (b) bring suit upon the Bonds which may be in default, (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds, or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

***Power of Bondowners to direct proceedings.*** The Owners of a majority in aggregate principal amount of the Bonds then Outstanding have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided, however, such direction is not in conflict with any rule of law or with any provision of the Indenture and does not unduly prejudice the rights of the owners of Bonds who are not in such majority and does not involve the Trustee in liabilities for which it does not reasonably expect reimbursement. The Trustee is not liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds.

***Limitation on actions by Bondowners.*** No Owner of any series of Bonds has any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Indenture, or any other remedy thereunder or under such series of Bonds, unless (i) such Owner has previously given to the Trustee written notice of an Event of Default as provided in the Indenture, (ii) the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding have made written request of the Trustee so to do after the right to exercise such powers or rights of action, as the case may be, has accrued, (iii) the Trustee has been given a reasonable opportunity either to proceed to exercise the powers granted by the Indenture, or to institute such action, suit or proceeding in its or their name, (iv) the Trustee has been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and (v) the Trustee has not complied with such request within a reasonable time.

***Application of moneys received by Trustee.*** Any moneys received by the Trustee or by any receiver pursuant to the exercise of remedies upon the occurrence of an event of default in respect of any Bonds, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of any fees, charges, expenses and indemnities owed to the Trustee, any Paying Agent or their agents in connection with services rendered under the Indenture, and the payment of all Administrative Expenses and Scheduled Credit Facility Fees then due and owing and subject to the limitations as to particular Pledged Revenues, be applied, together with any other moneys held by the Trustee under the Indenture as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest including (to the extent provided with respect to such Bonds and permitted by law) interest on overdue installments of interest at the rate borne by the Bonds on which such interest shall then be due, and, if the amount available shall not be sufficient to pay in full any particular installment or installments, then to the payment ratably, according to the amounts due on such installment or installments, to the Persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the Persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds called for redemption or purchase for the payment of which moneys are held pursuant to the provisions of the Indenture) in the order of their due dates, with interest on such Bonds from the respective dates, upon which they become due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: To the payment of all amounts owed to any Credit Facility Issuer.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date any interest on the amounts of principal or interest to be paid on such dates shall cease to accrue. The Trustee shall give notice to the Authority and all Registered Owners of the related Bonds, in the manner required by the Indenture of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

#### **Concerning the Trustee and Paying Agent**

***No responsibility for own acts save willful misconduct or negligence.*** The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Authority or each Borrower), approved by the Trustee in the exercise of reasonable care. The Trustee is not responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Trustee is not liable for the exercise of any discretion or power under the Indenture or for anything whatsoever in connection with the trusts therein created, except only for its own willful misconduct or negligence.

***No duty to take enforcement action unless so requested by owners of 25% of the Bonds.*** Unless and until an Event of Default with respect to Bonds shall have occurred, the Trustee shall be under no obligation to take any action in respect of any default or otherwise, or toward the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested in writing so to do by owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may require, with security and indemnity satisfactory to it; but the foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given by any provisions of the Indenture to the Trustee to take action in respect of any default without such notice or request from the Bondowners, or without such security or indemnity.

***Right to rely.*** The Indenture provides that the Trustee will be protected and will not incur liability in acting or proceeding in good faith upon any paper or document which it believes in good faith to be genuine and to have been authorized or signed by the proper Person or to have been prepared and furnished pursuant to any of the provisions of the Indenture. The Trustee is not under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. Any action taken by the Trustee upon the request or consent of any Person who at the time of making such request or giving such consent is the Owner of any Bond is conclusive and binding upon all subsequent Owners of such Bond or any Bond issued on registration of transfer thereof. The Trustee has no responsibilities for determining whether the parties thereto have complied with the terms of the Tax Regulatory Agreement.



***Right to own and deal in Bonds and engage in other transactions with Borrowers and Authority.*** The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued or incurred hereunder and secured by the Indenture, and may join in any action which any owner of an Obligation may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or any Borrower, and may act as depository, trustee, or agent for any committee or body of owners of any Bonds secured hereby or other obligations of the Authority or any Borrower as freely as if it were not Trustee hereunder.

***Construction of provisions of Indenture by Trustee.*** The Trustee may construe any of the provisions of the Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Trustee in good faith shall be binding upon the owners of Bonds.

***No implied duties or risks.*** The Trustee shall not have implied duties hereunder and the Trustee shall not be required to expend or risk its own funds for payment of any of the obligations provided for in the Indenture. The Trustee's permissive rights enumerated hereunder shall not be construed as duties.

***Right to resign trust.*** The Trustee may at any time and for any reason resign and be discharged of the trusts created by the Indenture by filing a written instrument resigning such trusts and specifying the date when such resignation shall take effect with the Secretary of the Authority not less than 60 days before the date specified in such instrument when such resignation shall take effect, and by giving notice of such resignation to owners of any Obligation by mail in the manner provided in the Indenture not less than twenty-one (21) days prior to the date specified in such notice when such resignation shall take effect; provided, however, that no such resignation shall become effective until the acceptance of appointment by a successor Trustee in accordance with the Indenture.

***Removal of Trustee.*** The Trustee at any time and for any reason may be removed from the trusts relating to a series of Bonds by an instrument in writing, appointing a successor, filed with the Trustee so removed and executed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. No such removal may become effective, however, until the acceptance of appointment by a successor Trustee in accordance with the Indenture. The Trustee at any time, other than during the continuance of an Event of Default relating to a series of Bonds, and for any reason may be removed from the trusts relating to any series of Bonds created by the Indenture by an instrument in writing, executed by an Authorized Officer, appointing a successor, filed with the Trustee so removed. No such removal may become effective, however, until the acceptance of appointment by a successor Trustee in accordance with the Indenture.

***Appointment of successor Trustee by Bondowners or Authority.*** In case at any time the Trustee shall resign, or shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or Federal court or administrative body because of insolvency or bankruptcy, or for any other reason, a vacancy shall forthwith and ipso facto exist in the office of the Trustee, then a successor may be appointed by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, by an instrument or instruments in writing filed with the Secretary of the Authority, signed by such Bondowners or by their attorneys-in-fact duly authorized. Copies of each such instrument shall be promptly delivered by the Authority to the predecessor Trustee, to the Trustee so appointed.

Until a successor Trustee shall be appointed by the Bondowners as herein authorized, the Authority, by an instrument authorized by resolution, shall appoint a Trustee to fill such vacancy. After any appointment by the Authority, it shall cause notice of such appointment to be mailed to each Bondowner in the manner provided in Section 15.05. Any new Trustee so appointed by the Authority shall immediately and without further act be superseded by a Trustee appointed by the Bondowners in the manner above provided.

***Qualifications of successor Trustee.*** Every successor in the trust hereunder appointed pursuant to the foregoing provision shall be a bank or trust company with trust powers, organized and doing business under the laws of the United States or any state or territory thereof and having a combined capital and surplus of at least \$250,000,000, if such a bank or trust company willing and able to accept the trust on customary terms can, with reasonable effort, be located.

***Court appointment of successor Trustee.*** In case at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article XI within forty-five days of the giving of notice of resignation, the owner of any Obligation or the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee.

***Acceptance of appointment by, and transfer of trust estate to, successor Trustee.*** Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Authority an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the withdrawing Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, the Trustee ceasing to act and the Authority shall execute and deliver an instrument transferring to such successor Trustee all the estates, property, rights, powers and trusts hereunder of the Trustee so ceasing to act, and the Trustee so ceasing to act shall pay over to the successor Trustee all moneys and other assets at the time held by it hereunder.

***Successor Trustee by merger or consolidation.*** Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, or any corporation to which any Trustee hereunder may transfer substantially all of its assets, shall be the successor Trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

## **Supplemental Indentures**

***Supplemental Indentures not requiring consent of Bondowners.*** Subject to certain conditions and restrictions, the Authority and the Trustee may, without the consent of or notice to the Bondowners, enter into an indenture or indentures supplemental to the Indenture, for any one or more of the following purposes (a) to cure any ambiguity or formal defect or omission in the Indenture, (b) to grant to or confer upon the Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners or the Trustee or either of them, (c) to subject to the provisions of the Indenture additional revenues, properties or collateral, (d) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit its qualification under any federal statute now or hereafter in effect or under any state Blue Sky Law and, in connection therewith, if they so determine, to add to the Indenture or any Supplemental Indenture, such other terms, conditions and provisions as may be permitted or required by said federal statute or Blue Sky Law, provided that any such Supplemental Indenture does not, in the judgment of the Trustee, prejudice the Owners of the Bonds in making which judgment the Trustee is entitled to rely on an opinion of counsel, (e) to provide for the issuance of a Series of Bonds under the Indenture, (f) to establish one or more additional funds, accounts or subaccounts, or (g) to provide for any change in the Indenture which, in the opinion of the Trustee, does not materially adversely affect or diminish the rights or interests of the Trustee or the Bondowners, provided that in making such determination the Trustee is entitled to rely on an opinion of counsel.

***Supplemental Indentures requiring consent of Bondowners.*** Except as otherwise provided in the Indenture, any modification or amendment of the Indenture affecting a series of Bonds may be made only with the consent of in case less than all of the Bonds then Outstanding are so affected, the owners of not less than a majority in aggregate principal amount of the aggregate of all Bonds so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any particular Bonds remain Outstanding, the consent of the owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall be made which will reduce the percentages of aggregate principal amount of Bonds, the consent of the owners of which is required for any such modification or amendment, or change the provisions hereof relative to approval by Series of Bonds, or permit the creation by the Authority of any lien prior to or, except solely to secure Additional Bonds, on a parity with, the lien of the Indenture upon the rights and interest pledged to Bonds pledged hereunder, or which will affect the times, amounts and currency of payment of the principal (including sinking fund payments, if any) of and premium, if any, and interest on the Bonds without the consent of the owners of all Bonds then Outstanding and affected thereby.

For the purposes of the Indenture, Bonds shall be deemed to be affected by a modification or amendment of the Indenture if the same materially adversely changes or diminishes the rights of the owners of the Bonds. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds would be affected by any modification or amendment of the Indenture and any such determination shall be binding and conclusive on the Authority and all owners of the Bonds. For all purposes of the Indenture, the Trustee is entitled to rely upon an opinion of counsel with respect to the extent, if any, as to which such action affects the rights under the Indenture of any Owners of Bonds then Outstanding.

If at any time the Authority requests the consent of Bondowners to the execution of any such Supplemental Indenture for any of the purposes of the Indenture, the Trustee must, upon being satisfactorily indemnified with respect to

expenses, cause notice of the proposed execution of such Supplemental Indenture to be given to Bondowners in the manner provided in the Indenture. If, within sixty (60) days or such longer period as shall be prescribed by the Authority following the giving of such notice, the required consent and approval of Bondowners is obtained, no Owner of any Bond will have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Authority or the Trustee from executing the same or restrain the Authority or the Trustee from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

The Trustee will execute any Supplemental Indenture executed and delivered in accordance with the Indenture; provided that, if, in the opinion of the Trustee, any such Supplemental Indenture adversely affects the rights, duties, immunities or obligations of the Trustee under the Indenture or otherwise, the Trustee may in its discretion resign in accordance with the provisions of the Indenture, and upon giving notice of such resignation the Trustee, will have no obligation to execute such Supplemental Indenture.

### **Defeasance**

If at any time (a) there is delivered to the Trustee for cancellation any or all of the Bonds (other than any Bonds which have been mutilated, lost, stolen or destroyed and which shall have been replaced or paid as provided in the Indenture except for any such Bonds as are shown by proof satisfactory to the Trustee to be held by bona fide purchasers), or (b) with respect to any or all of the Bonds not theretofore delivered to the Trustee for cancellation, the whole amount of the principal and the interest and the premium, if any, due and payable or to become due and payable on such Bond or Bonds then Outstanding is paid or deemed to be paid, and provisions are also made for paying all other sums payable under the Indenture, including the Authority's, Trustee's and Paying Agents' fees and expenses with respect to such Bonds, then the Trustee, on demand of the Authority, is required to release the lien of the Indenture with respect to such Bond or Bonds. Upon such release, the Trustee is required to turn over to or at the direction of the Authority any balances remaining in any fund created under the Indenture, other than moneys and Investment Obligations (as defined below) retained for redemption or payment of Bonds; otherwise, the Indenture shall continue and remain in full force and effect.

Notwithstanding the foregoing, the Trustee may not release any funds held pursuant to the Indenture with respect to a series of Bonds to the Authority pursuant to the defeasance provisions until it has received an opinion of Bond Counsel to the effect that such funds may be transferred to the Authority without adversely affecting the exclusion of interest on the Bonds of such series from gross income for federal income tax purposes.

Subject to the next succeeding sentence, Bonds are deemed to be paid whenever there shall have been deposited with the Trustee (whether upon or prior to the maturity or the redemption date of such Bonds) either moneys in an amount which is sufficient, or noncallable obligations issued or guaranteed by or backed by the full faith and credit of, the United States of America (including certificates or any other evidence of an ownership interest in any such obligation or in specified portions thereof, which may consist of specified portions of the principal thereof or the interest thereon) (herein referred to as "Investment Obligations") certified by an independent accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without the necessity of further investment or reinvestment of either the principal amount thereof or interest therefrom, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on all such Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and if redeemed prior to maturity an irrevocable instruction to mail the redemption notice as provided in the Indenture has been given, and the Trustee has given notice to the Bondowners in the manner provided in the Indenture that a deposit meeting the requirements of this paragraph has been made and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on, such Bonds; provided, however, that neither Investment Obligations nor moneys deposited with the Trustee pursuant to this paragraph nor principal or interest payments on any Investment Obligations may be withdrawn, or used for any purpose other than, and will be held in trust for, the payment of the principal of, and premium, if any, and interest on such Bonds. It shall also be a condition to Bonds being deemed to be paid that the Authority has delivered to the Trustee an opinion of Counsel to the effect that the owners will not recognize income, gain or loss for federal income tax purposes as a result of such legal defeasance and will be subject to federal income tax on the same amounts (if any), in the same manner and at the same times as would have been the case if such legal defeasance had not occurred.

## **No Individual Liability**

No covenant or agreement contained in any Bonds or in the Indenture is the covenant or agreement of any director, officer, agent, or employee of the Authority in his or her individual capacity. Neither the directors of the Authority nor any official executing such Bonds are liable personally on such Bonds or subject to any personal liability or accountability by reason of the issuance thereof.

*Payments due on Saturdays, Sundays and holidays.* Except as may otherwise be provided in the related Supplemental Series Indenture with respect to Bonds of any Series, in any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

**CERTAIN INFORMATION RELATING TO THE  
NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION  
AND THE SERIES 2013A GUARANTEE**

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
INTRODUCTION.....	B-1	Specified Guarantee Sources .....	B-9
NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION.....	B-1	Available De-allocated Reserve Account Release Payments.....	B-10
STATE REVOLVING FUNDS PROGRAMS .....	B-2	Equity Accounts of the Clean Water SRF and Drinking Water SRF.....	B-11
Establishment of SRFs.....	B-2	Investment of Equity Accounts of the Clean Water SRF and Drinking Water SRF.....	B-11
Sources of Funding SRFs .....	B-2	SUMMARY OF THE SERIES 2013A	
Uses of SRF Moneys .....	B-3	GUARANTEE.....	B-13
SRF Financing Programs .....	B-3	General .....	B-13
Legislative Appropriations .....	B-3	Continuing Obligations.....	B-13
Federal and State Legislation and Regulation .....	B-4	Guarantee of Payment; Notice and Demand by Trustee.....	B-13
2010 MFI PROGRAM.....	B-4	Obligations Unconditional .....	B-14
2010 MFI Program .....	B-4	Waivers Generally; No Set-Off; Waiver of Notice.....	B-14
2010 MFI Program Administration.....	B-4	Waiver Limited.....	B-14
2010 MFI Guarantee Program .....	B-4	Events of Default; Remedies .....	B-14
Eligible Recipients.....	B-4	Subrogation.....	B-15
SECURITY AND SOURCES OF PAYMENT		Amendments.....	B-15
FOR 2010 MFI OBLIGATIONS.....	B-5	CONTINUING DISCLOSURE .....	B-16
General .....	B-5	Exhibit A – Form of Continuing Disclosure Agreement	
Security for 2010 MFI Obligations.....	B-6		
Additional 2010 MFI Bonds And Other Additional 2010 MFI Obligations .....	B-8		
Remedies .....	B-8		
Additional Information .....	B-8		
SECURITY AND SOURCES OF PAYMENT			
FOR THE SERIES 2013A GUARANTEE .....	B-8		

**Cross References**

The following portions of the **Annual Information Statement (“AIS”) of New York State Environmental Facilities Corporation (“EFC”)**, dated December 1, 2012, as amended from time to time, and the **Official Statement of EFC dated June 26, 2013 relating to EFC’s State Clean Water and Drinking Water Revolving Funds Revenue Bonds (New York City Municipal Water Finance Authority Projects) (Second Resolution Bonds) Series 2013 A (the “EFC Series 2013A Bonds”)**, and filed with the MSRB through its EMMA system, are included by specific cross-reference in this Appendix B.

- AIS Part 1. Introduction
  - o Exhibit 1A – Additional Information Regarding the Corporation
  - o Exhibit 1B – EFC Audited Annual Financial Statement
- AIS Part 2. State Revolving Funds Programs
  - o Exhibit 2A – Certain Definitions and Summary of Master Trust Agreement
  - o Exhibit 2C – SRF Recipient General Information
- AIS Part 3. 1991 MFI Program
  - o Exhibit 3A – Certain Definitions and Summary of Financing Indenture (1991 MFI Program)
- AIS Part 4. New York City Municipal Water Finance Authority Projects

- o Exhibit 4A – Certain Definitions and Summary of Financing Indenture (NYCMWFA Program)
- o Exhibit 4B – Certain Definitions and Summary of Certain Basic Agreements (NYCMWFA Subordinated Financing Program)
- AIS Part 5. 2010 MFI Program
  - o Exhibit 5A – Certain Definitions and Summary of Financing Indenture (2010 MFI Program)

Please note that the information in “Exhibit 2B – Information Regarding Prior SRF Bonds and SRF Recipients” to EFC’s Annual Information Statement is not being incorporated by specific cross-reference in this Appendix B. Certain of the information in such Exhibit 2B has been updated and included directly in this Appendix B.

Please note that the information in (a) Exhibit 4B to EFC’s Annual Information Statement and (b) Part 4 under the heading “SECURITY AND SOURCE OF PAYMENT FOR SUBORDINATED NYCMWFA BONDS,” includes a summary of certain provisions of the financing indenture relating to the subordinated NYCMWFA financing program.

Said financing indenture was amended in connection with the issuance of the EFC Series 2013A Bonds, which occurred on July 11, 2013.

The Amendment of such financing indenture was for the purpose of creating additional reserves thereunder and pledging additional revenues thereunder and once effective will impact the summaries contained in Exhibit 4B and in Part 4 under the heading “SECURITY AND SOURCE OF PAYMENT FOR SUBORDINATED NYCMWFA BONDS.” Such financing indenture, reflecting the amendments EFC implemented, is summarized in EFC’s Official Statement dated June 26, 2013 relating to the EFC Series 2013A Bonds, a copy of which has been filed with the MSRB. The following portions of such Official Statement relating to the EFC Series 2013A Bonds are also included by specific cross-reference in this Appendix B.

- Information under the heading SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS”
- Exhibit D – Certain Definitions and Summary of Certain Basic Agreement (NYCMWFA Subordinated Financing Program)

KPMG LLP, EFC’s independent auditor, has not been engaged to perform and has not performed, since the date of its report contained in Exhibit 1B of the Annual Information Statement and included by specific reference herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Appendix B.

#### **Copies of Official Statement**

Copies of EFC’s official statement are filed with the MSRB for every series of bonds EFC issues. Further, from time to time, EFC may file information with the MSRB through EMMA to amend or update information previously filed.

## INTRODUCTION

This Appendix B provides information about the New York State Environmental Facilities Corporation, known as “EFC”, the “Corporation” or the “Guarantor” together with information about how EFC administers its State Revolving Fund (“SRF”) financing programs. In addition, this Appendix B provides information relating to the Guarantee (the “Series 2013A Guarantee”) dated as of August 1, 2013, to be executed by EFC to The Bank of New York Mellon, as trustee (the “NYSERDA Trustee”). The Series 2013A Guarantee will guarantee the payment of principal of, interest on and redemption premium, if any, on the \$24,300,000 aggregate principal amount of Residential Energy Efficiency Financing Revenue Bonds, Series 2013A (Federally Taxable) (the “NYSERDA Series 2013A Bonds”) to be issued by the New York State Energy Research and Development Authority (“NYSERDA”).

EFC was created by the New York State Environmental Facilities Corporation Act, Title 12 of Article 5 of the Public Authorities Law of the State of New York, as amended (the “EFC Act”). EFC is a public benefit corporation of the State, which means that it is a corporate entity separate and apart from the State, without any power of taxation, and that the State is not obligated to pay bonds or obligations of EFC, including the Series 2013A Guarantee.

The Series 2013A Guarantee is being issued as part of EFC’s financing program (the “2010 MFI” program) described in Part 5 of EFC’s Annual Information Statement. EFC will issue the Series 2013A Guarantee pursuant to the EFC Act and under the 2010 Master Financing Indenture (the “2010 MFI”) dated as of June 1, 2010, as amended and supplemented, between EFC and Manufacturers and Traders Trust Company, as trustee (the “2010 MFI Trustee”). The Series 2013A Guarantee and any other similar guarantees to be issued hereafter under the 2010 MFI (collectively, the “2010 MFI Guarantees”) constitute *subordinated* obligations under the 2010 MFI.

The 2010 MFI program is described in more detail in Part 5 of EFC’s Annual Information Statement and summaries of the provisions of the financing documents relating to the 2010 MFI program are described in more detail in Exhibit 5A to EFC’s Annual Information Statement. EFC is authorized to issue senior 2010 MFI bonds for the purpose of providing financial assistance to local governments, state public authorities and specified private entities in the State as described in more detail in this Appendix B – each of which is referred to as a “recipient,” for financing or refinancing clean water and drinking water projects and for the purpose of refunding other SRF bonds.

Another financing document that provides security for the Series 2013A Guarantee is the Amended and Restated Master Trust Agreement dated as of July 1, 2005, as supplemented and amended (as so amended, the “MTA”), between EFC and Manufacturers and Traders Trust Company, as trustee (the “MTA Trustee”). The provisions of the MTA are summarized in Exhibit 2A to EFC’s Annual Information Statement.

In addition to being secured by the 2010 MFI, EFC’s subordinated 2010 MFI obligations (including 2010 MFI Guarantees such as the Series 2013A Guarantee) are secured on a subordinated basis by certain moneys expected to be released from time to time from the lien of the 1991 Master Financing Indenture, amended and restated as of July 1, 2005, originally dated as of May 15, 1991 (the “1991 MFI”), between EFC and Manufacturers and Traders Trust Company, as trustee, or any successor thereto and the 2010 MFI.

**The Series 2013A Guarantee is not a general obligation of EFC and is not a charge against EFC’s general credit. It is a special limited obligation, which means that it is payable solely from the funds pledged or made available for such payment as described herein. The Series 2013A Guarantee is not a debt of the State of New York. EFC has no taxing power. For additional information related to the security and sources of payment of the Series 2013A Guarantee, see “SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A GUARANTEE”.**

See **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A GUARANTEE** in this Appendix B.

## NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

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

EFC's main offices are located at 625 Broadway, Albany, New York 12207, and EFC's telephone number is (518) 402-6924. EFC's website address is [www.efc.ny.gov](http://www.efc.ny.gov).

EFC is empowered by State law to, among other things, administer and finance the SRFs established by the State as set forth in the EFC Act pursuant to the federal Water Quality Act and the federal Safe Drinking Water Act.

For additional information about EFC, see Exhibit 1A – **ADDITIONAL INFORMATION REGARDING THE CORPORATION** and Exhibit 1B – **EFC AUDITED ANNUAL FINANCIAL STATEMENT** in EFC's Annual Information Statement.

## STATE REVOLVING FUNDS PROGRAMS

### Establishment of SRFs

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

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

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

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

Since the inception of EFC SRF programs, EFC has been awarded \$4.3 billion in federal capitalization grants and State matching funds for the clean water SRF program and \$1.1 billion in federal capitalization grants and State matching funds for the drinking water SRF program. As of August 1, 2013, EFC has issued approximately \$15.5 billion in SRF bonds (including refunding bonds) under the clean water and drinking water SRF programs, of which approximately \$6.1 billion are outstanding.

EFC's SRF financing programs are called the state *revolving* fund programs because the payments from recipients and the releases from the required reserve funds, net of payments required for SRF bonds and other obligations, are re-used to provide financial assistance to recipients and to fund reserve deposits.

### Sources of Funding SRFs

The SRFs are each funded through the following:

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



In order to receive federal capitalization grants, the State must appropriate its matching funds in a ratio of at least \$1 of State matching funds for every \$5 of federal capitalization grants.

SRF moneys relating to the clean water SRF and the drinking water SRF are applied and maintained separately. “Applicable SRF” as hereinafter used, means the clean water SRF or the drinking water SRF, as appropriate. Separate accounts or subaccounts for each SRF are established and maintained in each of the funds and accounts created under the 2010 MFI and the MTA, each of which is described in more detail in Parts 2 and 5 and Exhibit 5A respectively, to EFC’s Annual Information Statement.

### **Uses of SRF Moneys**

The EFC Act requires that EFC apply the moneys in the clean water SRF and the drinking water SRF at the direction of the Commissioner of DEC or the Commissioner of DOH, as appropriate (hereinafter the “applicable Commissioner”) to provide financial assistance to recipients for construction of eligible projects and certain other purposes permitted by the federal Water Quality Act and the federal Safe Drinking Water Act, respectively, including providing for the administrative and management costs of the applicable SRF.

EFC is authorized to apply moneys in the applicable SRF for various types of financial assistance to eligible recipients in connection with eligible projects, including, but not limited to, the following: buying or refinancing certain debt obligations; making loans; guarantying or purchasing insurance for local obligations where such action would improve market access or reduce interest costs; and using funds in the SRF as a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by EFC if the proceeds thereof will be deposited in the SRF. Under the EFC Act, upon consultation with the Director of the Budget of the State and the applicable Commissioner, EFC is also authorized to apply, and have applied, moneys in the clean water SRF and the drinking water SRF for other purposes permitted by the federal Water Quality Act and the federal Safe Drinking Water Act, respectively.

### **SRF Financing Programs**

EFC issues revenue bonds under its 2010 MFI program (described below) and to finance water and wastewater projects of the New York City Municipal Water Finance Authority (“NYCMWFA”) under its program for the NYCMWFA (the “NYCMWFA program”). The NYCMWFA program also authorizes EFC to enter into agreements with providers of credit and liquidity facilities that secure or support payment of NYCMWFA bonds issued under the NYCMWFA program, which agreements may be secured on parity with such bonds. EFC is authorized to guarantee municipal obligations issued for the purpose of funding clean water or drinking water projects where such action would improve credit market access for or reduce interest rates on such obligations. EFC previously issued bonds under its 1991 MFI program to provide assistance to eligible recipients for clean water and drinking water purposes or to refund bonds previously issued for those purposes. EFC will no longer issue bonds under the 1991 MFI.

EFC’s NYCMWFA program, its 2010 MFI program and its 1991 MFI program are referred to herein as SRF financing programs and any bonds issued by EFC to fund any of its SRF financing programs are referred to as SRF bonds.

EFC’s 1991 MFI program, its NYCMWFA program and its 2010 MFI program are summarized in more detail in Parts 2, 3, 4 and 5 of EFC’s Annual Information Statement and the provisions of EFC’s financing documents relating to its 1991 MFI program, its NYCMWFA program and its 2010 MFI program are summarized in Exhibits 2A, 3A, 4A, 4B and 5A to its Annual Information Statement.

### **Legislative Appropriations**

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

## **Federal and State Legislation and Regulation**

The administration of the SRFs and EFC's financing programs may be impacted from time to time by the enactment of federal or state legislation and the adoption of regulations by the applicable federal and state regulatory agencies.

### **2010 MFI PROGRAM**

#### **2010 MFI Program**

The Series 2013A Guarantee will be executed under the 2010 MFI program and the 2010 MFI. The 2010 MFI program includes both clean water and drinking water components. EFC may issue both *senior* and *subordinated* bonds and other subordinated obligations under the 2010 MFI. The Series 2013A Guarantee is a subordinated obligation.

EFC developed the 2010 MFI program to accommodate several new SRF financial assistance products that EFC is making available to recipients and to provide more flexibility in structuring its bond issues. EFC anticipates that, from time to time, it will issue additional 2010 MFI bonds to refund outstanding 1991 MFI bonds.

#### **2010 MFI Program Administration**

Recipients in the 2010 MFI program include local governments and State public authorities, and may include specified private entities. EFC requires applicants for 2010 MFI financings to complete an application form which includes general recipient information, financial information, terms of the financial assistance requested, and, if applicable, demographic and system information. EFC reviews the application and related documents to determine whether a project proposed to be financed meets eligibility criteria for the 2010 MFI program. 2010 MFI recipient financings are further reviewed and approved by the State's Public Authorities Control Board.

Many of the recipients whose payments are pledged to pay debt service on the 2010 MFI bonds have been recipients of financings under the 1991 MFI program. There have been no shortfalls in payment from any of the recipients since the inception of the 1991 MFI program or the 2010 MFI program that have required EFC to use other sources of funds to pay debt service on its 1991 MFI bonds or 2010 MFI bonds. If, however, one of the recipients in the 2010 MFI program has a shortfall in payments, the 2010 MFI bonds have been structured so that any shortfall is expected to be made up from other sources to the extent available, as described in this Appendix B. Recipients of SRF financial assistance (in the form of a guaranty) issue bonds; however, payments of debt service on such recipient bonds are not pledged or accounted for in the cashflows of the 2010 MFI.

#### **2010 MFI Guarantee Program**

Under the 2010 MFI, EFC is authorized to provide guarantees of bonds, notes or other obligations issued by eligible recipients for any purpose for which it is authorized to provide such guarantee under the EFC Act and the clean water SRF or drinking water SRF, as the case may be. The Series 2013A Guarantee is being executed as a 2010 MFI guarantee.

#### **Eligible Recipients**

Eligible recipients of financial assistance under EFC's 2010 MFI program currently include local governments and State public authorities. In the future, specified private entities may be included as eligible recipients as described below. Recipients may be impacted from time to time by the enactment of federal or State legislation and the adoption of regulations by the applicable federal and State regulatory agencies. The eligible recipients who have received financial assistance under EFC's 1991 MFI program and 2010 MFI program are listed in **Exhibit 2B** to Part 2 of EFC'S Annual Information Statement.

**Local Governments.** EFC requires each local-government recipient (counties, cities, towns, villages, etc.) to evidence its obligation to make payments by issuing its general obligation bonds, containing a pledge of its full faith and credit for the payment of (the principal of and interest on) the related financing. State law authorizes each local-government recipient to levy *ad valorem* taxes on all taxable real property located within its geographical boundaries without limit as to rate or amount, in order to pay general obligation bonds. Notwithstanding the foregoing, State legislation enacted in 2011 imposes a limitation on increases in the real property tax levy of municipalities, subject to

certain exceptions. EFC describes that limitation and exceptions thereto in more detail in Exhibit 2C of EFC's Annual Information Statement under the heading "**Collection of Real Property Taxes.**"

**State Public Authorities.** To date, EFC required all recipients that are State public authorities – those authorities do *not* have any taxing powers – to evidence their obligation to make payment by issuing their own revenue bonds. Those revenue bonds are payable from and secured by their own revenues pledged under their respective statutes and bond resolutions.

**Private Entities.** To date, EFC has not provided financings from the proceeds of any series of SRF bonds to private entities. EFC may do so in the future. The Clean Water Act also permits EFC to provide financial assistance to private entities for certain purposes, such as "non-point source" projects, *e.g.*, projects designed to prevent agricultural-waste runoff. The Drinking Water Act provides that EFC may provide financial assistance to certain community water systems, which may be owned by private entities, and to certain not-for-profit non-community water systems, from the drinking water SRF. EFC expects to provide financings from bond proceeds only to entities and systems that meet its underwriting requirements.

## SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS

### General

The revenue bonds issued and other obligations incurred under EFC's 2010 MFI program are special limited obligations, which means they are payable solely from specific sources of money that EFC has pledged or made available under particular financing documents, as described below under "Security for 2010 MFI Obligations."

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

2010 MFI bonds may be issued on a *senior* or *subordinated* basis for the purpose of financing recipient clean water and drinking water projects. Senior 2010 MFI bonds and subordinated 2010 MFI bonds may also be issued to refund 2010 MFI bonds, 1991 MFI bonds and other obligations incurred in connection with EFC's SRF programs.

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

Under the 2010 MFI, EFC will provide 2010 MFI guarantees of bonds, notes or other obligations issued by eligible recipients for any purpose for which EFC is authorized to provide such guarantee under the EFC Act and the clean water SRF or drinking water SRF, as the case may be. Neither the EFC Act nor the 2010 MFI limits the amount of 2010 MFI guarantees that EFC may provide. The Series 2013A Guarantee is being executed as a 2010 MFI guarantee.

Each 2010 MFI guarantee will be payable from all pledged recipient payments but any claim to pledged recipient payments will be subordinate to the payment of debt service on the senior 2010 MFI bonds and any payments due on the other senior 2010 MFI obligations. The 2010 MFI guarantees also are payable from amounts available in the De-allocated Reserve Account held by the MTA Trustee under the MTA but any claim to such amounts will be subordinate to the payment of debt service on the senior 2010 MFI bonds and any payments due on senior 2010 MFI obligations. Each 2010 MFI guarantee also will be payable from available amounts in the unallocated equity accounts of the clean water SRF and drinking water SRF on a parity basis with all other 2010 MFI bonds and obligations.

Under the 2010 MFI, EFC also may also incur obligations under reimbursement agreements with providers of liquidity facilities or credit facilities which secure EFC's 2010 MFI bonds and under agreements with providers of "qualified hedge agreements" as defined in the 2010 MFI. Qualified hedge agreements include, among other financial products, interest rate caps, floors or collars and various other types of interest rate exchange agreements. Any obligations under such agreements and 2010 MFI guarantees is referred to as "2010 MFI contract obligations." Such 2010 MFI contract obligations, other than 2010 MFI guarantees, may be secured on a parity basis with EFC's senior 2010 MFI bonds or EFC's subordinated MFI bonds, as EFC elects. 2010 MFI guarantees may not be issued, and the Series 2013A Guarantee is not issued, on a parity basis with EFC's senior 2010 MFI bonds and other types of senior 2010 MFI

obligations, except as to available amounts in the unallocated equity accounts of the clean water SRF and drinking water SRF as described above.

Senior 2010 MFI bonds and senior 2010 MFI contract obligations secured on a parity basis with senior 2010 MFI bonds are collectively referred to as “senior 2010 MFI obligations.” Subordinated 2010 MFI bonds, subordinated 2010 MFI contract obligations and 2010 MFI guarantees secured on a parity basis with subordinated 2010 MFI bonds are collectively referred to as “subordinated 2010 MFI obligations.” Senior 2010 MFI obligations and subordinated 2010 MFI obligations are collectively referred to as “2010 MFI obligations.”

### Security for 2010 MFI Obligations

There are *three* main sources of money available to pay amounts due on 2010 MFI obligations, and each of such sources are used in the following order:

- **Recipient Payments.** The primary source of payment of debt service on 2010 MFI bonds is derived from recipients’ payments for their respective financings. Since a significant portion of recipient financings will be funded with a combination of 2010 MFI bond proceeds and amounts available in the clean water SRF and drinking water SRF equity accounts, recipient payments due in respect of such financings will, in the aggregate, be in excess of the debt service on the 2010 MFI bonds and other 2010 MFI obligations. Each 2010 MFI guarantee will be payable from such excess recipient payments but any claim to such excess recipient payments will be subordinate to the payment of debt service on the senior 2010 MFI bonds and any payments due on the other senior 2010 MFI obligations. *Exhibit A* to EFC’s Official Statement dated July 10, 2013 relating to EFC’s State Revolving Funds Revenue Bonds, Series 2013 B (2010 Master Financing Program) shows the recipients of financings whose payments are pledged to pay debt service on 2010 MFI Bonds, the total amount of each financing, and portion of the financing funded with 2010 MFI bond proceeds as of August 1, 2013. Said Official Statement has been filed with the MSRB through its EMMA system, are included by specific cross-reference in this Appendix B. EFC is permitted by the 2010 MFI to issue additional 2010 MFI bonds, to provide 2010 MFI guarantees and to incur 2010 MFI contract obligations; see “SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS – General” and “ADDITIONAL 2010 MFI BONDS AND OTHER ADDITIONAL 2010 MFI OBLIGATIONS” in **Part 5** of EFC’s Annual Information Statement for more detailed information about EFC’s 2010 MFI guarantees and 2010 MFI contract obligations.
- **Available De-allocated Reserve Account Release Payments.** If recipient payments are not sufficient, EFC will use amounts available in the De-allocated Reserve Account held by the MTA Trustee under the MTA to cure or prevent defaults in the payment of the principal of and interest on EFC’s 2010 MFI bonds and other 2010 MFI obligations. Such amounts are available to cure or prevent defaults in the payment of the principal of and interest on EFC’s 2010 MFI obligations, including the 2010 MFI bonds, on a subordinated basis as described below under “Available De-allocated Reserve Account Release Payments.”
- **Equity Support Payments.** If recipient payments and Available De-allocated Reserve Account Release Payments are not sufficient, EFC will use any amounts available in the clean water SRF and drinking water SRF unallocated equity accounts within EFC’s equity fund to cure or prevent defaults in the payment of the principal of and interest on 2010 MFI bonds and the payment of other 2010 MFI obligations. EFC is not required to maintain a minimum balance in its unallocated equity accounts, so there is no assurance as to whether amounts on hand in such account will be sufficient for such purpose.

The 2010 MFI also provides for the establishment of a 2010 MFI General Reserve Fund; however, there is no debt service reserve fund requirement for the currently outstanding 2010 MFI bonds, so such fund will not be funded unless a debt service reserve fund requirement is established in connection with the issuance of additional 2010 MFI obligations. Should EFC determine to establish a debt service reserve fund requirement for particular 2010 MFI bonds, this will be described in the related official statement.

As noted in the forepart of this Official Statement, loan payments under the GJGNY Program are pledged to the holders of NYSERDA Series 2013A Bonds and the Series 2013A Guarantee will guarantee the full and timely payment of (i) all scheduled payments of principal of and interest on the NYSERDA Series 2013A Bonds (including payments of principal and interest by reason of mandatory sinking fund redemption) when and as the same shall become due and (ii) payments of principal of, interest on and redemption premium, if any, on the NYSERDA Series 2013A Bonds by

reason of optional redemption of the NYSERDA Series 2013A Bonds when such optional redemption is consented to in writing by EFC pursuant to the Indenture.

**2010 MFI Obligations and Recipient Payments.** The table below sets forth the aggregate net amount of principal and interest projected to be received from the 2010 MFI recipient payments, the aggregate amount of debt service (principal and interest) on the 2010 MFI bonds, the aggregate amount of debt service (principal and interest) on the NYSERDA 2013A Bonds, and the excess of net recipient payments over debt service on the 2010 MFI bonds. The table does not indicate amounts in the De-allocated Reserve Account held by the MTA Trustee under the MTA or in the equity accounts of the clean water SRF or drinking water SRF which may be available to cure or prevent defaults on any 2010 MFI Obligations.

The information in the table assumes that all 2010 MFI recipients will make full payment of principal and interest on their bonds in a timely manner, there will be no release of any recipient financings as permitted under the 2010 MFI and that EFC will not issue any additional 2010 MFI bonds or incur any other 2010 MFI obligations. The table does not include any additional recipient payments. For the purposes of this table, recipient payments do not include payments of debt service on the NYSERDA 2013A Bonds made by NYSERDA.

**2010 MFI Projected Recipient Payments, Obligations and Projected Coverage**  
(Amounts in thousands)

	A	B	C	D	E	F
Year Ending Sep. 30	Aggregate 2010 MFI Recipient Financing Net Debt Service Cashflows <sup>(1)</sup>	Aggregate 2010 MFI Bond Debt Service <sup>(1)</sup>	NYSERDA 2013A Debt Service <sup>(1)*</sup>	Aggregate 2010 MFI Obligations B+C <sup>(1)</sup>	Excess Coverage: A – D <sup>(1)</sup>	Coverage %: A / D <sup>(2)</sup>
2013	\$98,976	\$65,648		\$65,648	\$33,328	151%
2014	127,092	78,927	\$2,718	81,645	45,447	156%
2015	127,786	84,954	2,664	87,618	40,168	146%
2016	131,034	85,688	2,678	88,366	42,668	148%
2017	127,353	82,531	2,481	85,012	42,341	150%
2018	119,235	77,576	2,295	79,871	39,364	149%
2019	111,930	72,938	2,240	75,178	36,752	149%
2020	102,912	66,900	2,243	69,143	33,769	149%
2021	93,544	59,214	2,173	61,387	32,157	152%
2022	83,227	50,621	1,930	52,551	30,676	158%
2023	77,557	47,433	1,734	49,167	28,390	158%
2024	66,259	43,528	1,625	45,153	21,106	147%
2025	61,742	37,460	1,533	38,993	22,749	158%
2026	53,565	32,961	1,503	34,464	19,101	155%
2027	50,666	30,690	1,146	31,836	18,830	159%
2028	49,762	29,890	687	30,577	19,185	163%
2029	48,782	28,993		28,993	19,789	168%
2030	48,274	29,551		29,551	18,723	163%
2031	44,160	26,235		26,235	17,925	168%
2032	39,846	24,343		24,343	15,503	164%
2033	34,836	20,719		20,719	14,117	168%
2034	30,724	19,264		19,264	11,460	159%
2035	29,512	17,944		17,944	11,568	164%
2036	29,383	17,654		17,654	11,729	166%
2037	29,215	17,324		17,324	11,891	169%
2038	28,772	16,860		16,860	11,912	171%
2039	23,281	13,961		13,961	9,320	167%
2040	21,880	12,990		12,990	8,890	168%
2041	15,306	9,387		9,387	5,919	163%
2042	12,465	7,546		7,546	4,919	165%
2043	8,471	4,819		4,819	3,652	176%
<b>Total</b>	<b>\$1,927,547</b>	<b>\$1,214,549</b>	<b>\$29,651</b>	<b>\$1,244,200</b>	<b>\$683,347</b>	

\* Estimated

<sup>(1)</sup> Column totals do not add due to rounding.

<sup>(2)</sup> Projected coverage will vary as additional 2010 MFI obligations are issued.

EFC is permitted by the 2010 MFI to issue additional 2010 bonds, to provide additional 2010 MFI guarantees and to incur 2010 contract obligations. EFC is not required by the 2010 MFI to maintain the projected debt service coverage shown in the table above. See **2010 MFI PROGRAM – 2010 MFI Guarantee Program, SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS – General** and **ADDITIONAL 2010 MFI BONDS AND OTHER ADDITIONAL 2010 MFI OBLIGATIONS** in this Appendix B for more detailed information about EFC’s 2010 MFI guarantees and 2010 MFI contract obligations.

**Release of Recipient Payments from Lien of the 2010 MFI.** Recipient Payments currently exceed projected 2010 MFI Bond Debt Service in each year. EFC may release recipient payments from the lien created by the 2010 MFI or substitute recipient payments for those currently subject to such lien by making the certifications required by the 2010 MFI.

#### **Additional 2010 MFI Bonds And Other Additional 2010 MFI Obligations**

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

Under EFC’s 2010 MFI program, EFC is authorized to issue *subordinated* 2010 MFI bonds to provide recipient financings and to incur *subordinated* 2010 MFI contract obligations (such as 2010 MFI guarantees). In order to issue subordinated 2010 MFI bonds or to incur subordinated 2010 MFI contract obligations, EFC must provide the 2010 MFI Trustee with a certificate demonstrating that recipient payments are expected to be available when necessary in amounts sufficient to pay debt service on EFC’s subordinated 2010 MFI bonds and make the required payments on EFC’s subordinated 2010 MFI contract obligations.

#### **Remedies**

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

See **Exhibit 5A to the Annual Information Statement of EFC – “CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (2010 MFI Program)”** and **Exhibit 2A – “CERTAIN DEFINITIONS AND SUMMARY OF MASTER TRUST AGREEMENT”** for a description of remedies which are available to the owners of 2010 MFI bonds.

#### **Additional Information**

For additional information relating to matters such as the security for SRF bonds, including 2010 MFI bonds, pledged recipient bond payments, issuance of additional 2010 MFI bonds and separation of clean water SRF and drinking water SRF moneys, see **Exhibit 5A to the Annual Information Statement of EFC – “CERTAIN DEFINITIONS AND SUMMARY OF FINANCING INDENTURE (2010 MFI Program),”** which presents a summary of the 2010 Master Financing Indenture securing each series of 2010 MFI bonds. For a summary of the MTA securing all SRF bonds, see **Exhibit 2A to the Annual Information Statement of EFC.**

### **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A GUARANTEE**

The revenue bonds issued and other obligations incurred by EFC in its 2010 MFI program, which include the 2010 MFI Guarantees, are EFC’s *special limited* obligations, which means they are payable *solely* from specific sources of money that EFC has pledged or made available under particular financing documents. **The Series 2013A Guarantee is not a general obligation of EFC and is not a charge against EFC’s general credit. The Series 2013A Guarantee is not a debt of the State and the State has no liability with respect to the Series 2013A Guarantee.**

Pursuant to the Series 2013A Guarantee, EFC will irrevocably and unconditionally guarantee to the Trustee for the benefit of the owners from time to time of NYSERDA Series 2013A Bonds, the full and timely payment of (i) all

scheduled payments of principal of and interest on the NYSERDA Series 2013A Bonds (including payments of principal and interest by reason of mandatory sinking fund redemption) when and as the same shall become due and (ii) payments of principal of, interest on and redemption premium, if any, on the NYSERDA Series 2013A Bonds by reason of optional redemption of the NYSERDA Series 2013A Bonds when such optional redemption is consented to in writing by EFC pursuant to the Indenture. Such guaranteed payments are hereinafter collectively referred to as the “Guaranteed Payments.” Guaranteed Payments shall not include any additional amounts owed by NYSERDA solely as a result of (a) the failure by NYSERDA to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by NYSERDA by reason of such failure, or (b) any acceleration of the Series 2013A Bonds. As used herein, the term “owner” shall mean the registered owner of any NYSERDA Series 2013A Bond as indicated in the books maintained by NYSERDA Trustee, NYSERDA or any designee of NYSERDA for such purpose. The term owner shall not include NYSERDA or any party whose agreement with NYSERDA constitutes the underlying security for NYSERDA Series 2013A Bonds. For a summary of the terms and provisions of the Series 2013A Guarantee, see herein “SUMMARY OF THE SERIES 2013A GUARANTEE”.

### **Specified Guarantee Sources**

The Series 2013A Guarantee shall constitute a “Guarantee” as defined in and for all purposes of the 2010 MFI. The Series 2013A Guarantee is being issued pursuant to, and secured by, the 2010 MFI. Notwithstanding anything in the Series 2013A Guarantee to the contrary, the obligations of EFC under the Series 2013A Guarantee are payable solely from the following sources (collectively, the “Specified Guarantee Sources”): (i) Available De-Allocated Reserve Account Release Payments (ii) any Guarantee Support Payments (as defined in the 2010 MFI) available therefore in accordance with the 2010 MFI; and (iii) any other amounts available for the payment of the Series 2013A Guarantee as a Subordinated 2010 MFI Obligation (as defined in the 2010 MFI). EFC may from time to time determine the order of priority of the use of the Specified Guarantee Sources, subject to the obligation of EFC to satisfy its obligation under the Series 2013A Guarantee with moneys which are available from such sources on a timely basis. In the case of Specified Guarantee Sources described in clause (i) and (ii) above, Guaranteed Payments shall be paid first from the moneys held within the Clean Water SRF (as defined in the 2010 MFI) to the extent sufficient moneys are available therein and then from moneys held in the Drinking Water SRF (as defined in the 2010 MFI). The Specified Guarantee Sources referred to in clauses (i) and (ii) are further described below:

Nothing in the Series 2013A Guarantee shall be deemed to create a lien on the Specified Guarantee Sources or to restrict or limit the ability of EFC to guarantee any other obligations or to grant any lien on any of the Specified Guarantee Sources for any purpose whatsoever and in any amount either prior to or on a parity with any claim or right of the Trustee with respect to the Guaranteed Payments or apply the Specified Guarantee Sources to any lawful purpose or create any obligation to maintain Specified Guarantee Sources in any particular amount. Without limiting the generality of the foregoing, EFC may issue additional Bonds, Subordinated Bonds or 2010 MFI Obligations (each as defined in the MTA) or any other obligations, without limitation. All rights to payment created under the Series 2013A Guarantee shall be subject to the rights of any holders of any obligations of EFC entitled to the benefit of any lien on the Specified Guarantee Sources, whether existing or hereafter created. For a further discussion of the Specified Guarantee Sources, see below “Available De-Allocated Reserve Account Release Payments”, “Equity Accounts of the Clean Water SRF and Drinking Water SRF” and “Investment of Equity Accounts of the Clean Water SRF and the Drinking Water SRF”.

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

- **Available De-allocated Reserve Account Release Payments.** The Series 2013A Guarantee is secured by moneys available from time to time in the De-allocated Reserve Account and the Deficiency Reserve Account, but only after that money has been used, to the extent necessary, to pay debt service on or replenish reserve requirements for EFC’s senior NYCMWFA bonds, EFC’s senior and subordinated 1991 MFI bonds and to pay debt service on senior MFI obligations. For additional information relating to Available De-Allocated Reserve Account Release Payments, see below “Available De-allocated Reserve Account Release Payments and Deficiency Reserve Account.”
- **Guaranteed Support Payments.** The 2010 MFI defines Guaranteed Support Payments as any Available Equity Fund Moneys transferred to the Trustee pursuant to the 2010 MFI for the purpose of paying debt service on any guarantee of EFC delivered pursuant to the 2010 MFI. Available Equity Fund Moneys are defined as moneys on deposit in the Clean Water Equity Account or the Drinking

Water Equity Account wherever available to pay debt service on 2010 MFI Obligations, including 2010 MFI Subordinated Guarantees, such as the Series 2013A Guarantee. For additional information with respect to such Equity Accounts of the Clean Water SRF and Drinking Water SRF see below – “Equity Accounts of the Clean Water SRF and Drinking Water SRF” and “Investment of Equity Accounts of the Clean Water SRF and Drinking Water SRF.”

### **Available De-allocated Reserve Account Release Payments**

***De-allocated Reserve Account.*** EFC releases those amounts not necessary to satisfy the Debt Service Reserve Fund Requirement for each series of EFC’s 1991 MFI bonds and NYCMWFA bonds into the *De-allocated Reserve Account*.

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

- *first*, to make up any past due payments of principal or interest on any series of 1991 MFI bonds (including for this purpose subordinated 1991 MFI bonds) and senior NYCMWFA bonds;
- *second*, to the extent of any deficiency in any Debt Service Reserve Fund securing 1991 MFI bonds and NYCMWFA bonds, to the Deficiency Reserve Account created for SRF bonds in an amount equal to such deficiency, to be applied *pro rata* to 1991 MFI bonds (including for this purpose subordinated 1991 MFI bonds) and senior NYCMWFA bonds, prior to subordinated NYCMWFA bonds and obligations (collectively, “subordinated NYCMWFA obligations”);
- *third*, to make up any past due payments of principal or interest on any 2010 MFI bonds, to be applied first to pay any senior 2010 MFI obligations and then to pay any subordinated 2010 MFI obligations including the Series 2013A Guarantee; and
- *fourth*, to make any past due payments of principal or interest on the commercial paper program that EFC may establish.

Any remaining amounts in the De-allocated Reserve Account are then released to the *Unallocated Corpus Subaccounts* of the equity accounts of the clean water SRF and drinking water SRF and no longer secure any NYCMWFA bonds or 1991 MFI bonds. No amounts representing proceeds of any NYCMWFA bonds or 1991 MFI bonds are deposited in the Deficiency Reserve Account or the De-allocated Reserve Account.

EFC describes the allocation of reserves and the release of such reserves in EFC’s 1991 MFI program and NYCMWFA program in more detail in Parts 3 and 4 of EFC’s Annual Information Statement and summarize the provisions of EFC’s financing documents relating to such reserves in Exhibits 3A, 4A and 4B to the Annual Information Statement.

Please note that the information in “Exhibit 2B – Information Regarding Prior SRF Bonds and SRF Recipients” to EFC’s Annual Information Statement is not being incorporated by specific cross-reference in this Appendix B. Certain of the information in such Exhibit 2B has been updated and included directly in this Appendix B.

Please note that the information in (a) Exhibit 4B to EFC’s Annual Information Statement and (b) Part 4 under the heading “SECURITY AND SOURCE OF PAYMENT FOR SUBORDINATED NYCMWFA BONDS,” includes a summary of certain provisions of the financing indenture relating to the subordinated NYCMWFA financing program.

Said financing indenture was amended in connection with the issuance of the EFC Series 2013A Bonds, which occurred on July 11, 2013.

The Amendment of such financing indenture was for the purpose of creating additional reserves thereunder and pledging additional revenues thereunder and once effective will impact the summaries contained in Exhibit 4B and in Part 4 under the heading “SECURITY AND SOURCE OF PAYMENT FOR SUBORDINATED NYCMWFA BONDS.” Such financing indenture, reflecting the amendments EFC implemented, is summarized in EFC’s Official Statement dated June 26, 2013 relating to the EFC Series 2013A Bonds, a copy of which has been filed with the MSRB. The following portions of such Official Statement relating to the EFC Series 2013A Bonds are also included by specific cross-reference in this Appendix B.

- Information under the heading SECURITY AND SOURCES OF PAYMENT FOR THE OFFERED BONDS”



- Exhibit D – Certain Definitions and Summary of Certain Basic Agreement (NYCMWFA Subordinated Financing Program)

**Deficiency Reserve Account.** EFC will use money in this account to make payments to cure or prevent defaults, *first*, on bonds issued to fund EFC’s 1991 MFI program and NYCMWFA program – in an amount equal to the aggregate of *all* deficiencies in *all* reserves established for *all* those 1991 MFI bonds and senior NYCMWFA bonds, *then* to pay any debt service or reserve deficiencies on subordinated NYCMWFA obligations, including the SRF NYCMWFA Guarantees, *then* to pay any debt service on senior obligations issued or incurred under EFC’s 2010 MFI program, and *then* to pay debt service on subordinated obligations issued or incurred under EFC’s 2010 MFI program including the Series 2013A Guarantee.

**Equity Accounts of the Clean Water SRF and Drinking Water SRF**

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

Available monies currently held in said equity accounts include those held in both short and long term investments. Moneys held in such equity accounts are neither pledged to, nor subject to a lien in favor of, holders of the 2010 MFI bonds or other SRF bonds or obligations including NYSERDA Series 2013A Bonds supported by the Series 2013A Guarantee, and EFC may apply them to any eligible SRF purpose. EFC is not required to maintain any minimum balance in the equity accounts. For information relating to investments in the clean water SRF and drinking water SRF unallocated equity accounts, see below “Investment of Equity Accounts of the Clean Water SRF and the Drinking Water SRF”.

The table under the following headings in the Official Statement dated July 10, 2013 with respect to EFC’S State Revolving Fund Revenue Bonds, Series 2013B (2010 Master Financing Program), and filed with the MSRB through its EMMA System, is included by specific cross reference in this Appendix B:

- Aggregate Historical Cash Flow and Reserves

**Investment of Equity Accounts of the Clean Water SRF and Drinking Water SRF**

The investment strategy, policies and procedures of EFC are implemented by an Investment Committee comprised of the President and Chief Executive Officer, the Chief Financial Officer, the Controller, General Counsel and the Assistant Director of Investments consistent with investment guidelines established by the Board of Directors. EFC has in the past sought legislation to expand its investment authority and may continue to do so in the future.

The investment objectives with regard to SRF financial resources are to maintain adequate liquidity to fund direct financings, fund pledged reserves to support MTA and 1991 MFI and 2010 MFI reserve requirements, and obtain a reasonable return on investments for the purposes of preserving and increasing the capitalization of the SRFs consistent with program, legal, regulatory and operational constraints. EFC may change its investment objectives at any time, subject to restrictions imposed by law. For additional information, see Part 5 of EFC Annual Information Statement under the heading **Equity Accounts of the Clean Water SRF and Drinking Water SRF**.

The table below sets forth information relating to investments in the unallocated equity accounts of EFC’s clean water SRF and EFC’s drinking water SRF, including the type of investment, market value (other than with respect to Guaranteed Investment Contracts), percentage of portfolio and valuation date.

**NYSEFC State Revolving Funds  
Equity Account Investment Balances  
Investment Market Values as of July 22, 2013**

Investment Type	Amounts	Percentage
Federated Treasury Obligations Fund (Taxable Money Market Mutual Fund)	\$5,340,435	
US Treasury Bills	610,052,267	
Other Investments <sup>1</sup>	55,165,075	
<b>Total Short Term Equity Investments</b>	<u>\$670,557,777</u>	52.17%
Fixed Rate Municipal Bonds <sup>2</sup>	\$614,861,995	
<b>Total Long-Term Equity Investments</b>	<u>\$614,861,995</u>	47.83%
<b>Total Equity Investments</b>	<u><u>\$1,285,419,772</u></u>	<u><u>100.00%</u></u>

<sup>(1)</sup> Includes additional short-term investments which EFC is authorized to hold as investments.

<sup>(2)</sup> Includes fixed-rate municipal bonds with sinking fund and serial maturities of less than one year. The weighted average maturity of the portfolio is 12.76 years.

The following table illustrates the ratings given by Standard & Poor's Rating Service, Moody's Investors Service Inc. and Fitch Ratings, respectively, to the investments in the unallocated equity accounts of the clean water SRF and the drinking water SRF. Those ratings reflect only the views of the organizations assigning them. An explanation of the significance of the ratings from each agency may be obtained from each such rating agency.

**Fixed-Rate Municipal Bonds  
Investments as of July 22, 2013  
by Rating Category <sup>(1)</sup>**

	Moody's		Standard and Poor's		Fitch	
Triple A (Aaa/AAA)	\$62,747,070	10.21%	\$167,488,139	27.24%	\$75,590,743	12.29%
Double A (Aa1, Aa2, Aa3 / AA+, AA, AA-)	315,901,276	51.38%	327,025,945	53.19%	375,960,684	61.15%
Single A (A1, A2, A3 / A+, A, A-)	97,345,756	15.83%	93,947,578	15.28%	45,009,812	7.32%
Triple B (Baa1, Baa2, Baa3 / BBB+, BBB, BBB-)	11,542,538	1.88%	0	0.00%	0	0.00%
Rated Municipal Bonds	<u>\$487,536,640</u>	<u>79.29%</u>	<u>\$588,461,662</u>	<u>95.71%</u>	<u>\$496,561,239</u>	<u>80.76%</u>
Non-Rated Bonds <sup>(2)</sup>	127,325,355	20.71%	26,400,333	4.29%	118,300,756	19.24%
Total	<u><u>\$614,861,995</u></u>	<u><u>100.00%</u></u>	<u><u>\$614,861,995</u></u>	<u><u>100.00%</u></u>	<u><u>\$614,861,995</u></u>	<u><u>100.00%</u></u>

<sup>(1)</sup> Amounts are market values calculated using principal outstanding as of July 22, 2013 and bond prices as of June 28, 2013.

<sup>(2)</sup> Includes bonds which are non-rated or rated below investment grade.

## SUMMARY OF THE SERIES 2013A GUARANTEE

### General

Pursuant to the Series 2013A Guarantee, EFC has agreed to irrevocably and unconditionally guarantee to NYSERDA Trustee for the benefit of the owners from time to time of NYSERDA Series 2013A Bonds, the full and timely payment of (i) all scheduled payments of principal of and interest on the Bonds (including payments of principal and interest by reason of mandatory sinking fund redemption) when and as the same shall become due in accordance with their terms and as described in the Series 2013A Guarantee and (ii) payments of principal of, interest on and redemption premium, if any, on the Series 2013A Bonds by reason of optional redemption of the Series 2013A Bonds when such optional redemption is consented to in writing by the Guarantor pursuant to the Indenture. Such guaranteed payments are hereinafter collectively referred to as the “Guaranteed Payments.” Guaranteed Payments do not include any additional amounts owing by NYSERDA solely as a result of (a) the failure by NYSERDA to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by NYSERDA by reason of such failure, or (b) any acceleration of the Series 2013 NYSERDA Bonds. For purposes of the Series 2013A Guarantee, the term “owner” means the registered owner of any 2013A NYSERDA Bond as indicated in the books maintained by NYSERDA Trustee, NYSERDA or any designee of NYSERDA for such purpose. For purposes of the Series 2013A Guarantee, term “owner” does not include NYSERDA or any party whose agreement with NYSERDA constitutes the underlying security for NYSERDA Bonds.

The obligations of EFC under the Series 2013A Guarantee are payable solely from any amounts (collectively, the “Specified Guarantee Sources”) available for the payment of MFI Guarantees in accordance with the terms of the 2010 MFI). For a description of the Specified Guarantee Sources, see above “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A GUARANTEE – Specified Sources”. The Series 2013A Guarantee is not a debt of the State of New York and the State of New York shall not be liable thereon.

### Continuing Obligations

The Series 2013A Guarantee is a continuing, absolute, irrevocable and unconditional Guarantee and remains in full force and effect with respect to each 2013A NYSERDA Bond until the entire principal of and interest on such 2013A NYSERDA Bond has been paid to NYSERDA Trustee or provided for in accordance with its terms at which time the Series 2013A Guarantee terminates and is of no further force and effect. EFC acknowledges and agrees in the Series 2013A Guarantee, however, that its obligations thereunder will apply to and continue with respect to any amount paid to NYSERDA Trustee with respect to the Guaranteed Payments which is subsequently recovered from NYSERDA Trustee for any reason whatsoever (including, without limitation, as a result of a bankruptcy, insolvency or fraudulent conveyance proceeding but excluding any amounts so recovered due to any willful misconduct or bad faith on the part of NYSERDA Trustee) notwithstanding the fact that NYSERDA Series 2013A Bonds may have been previously paid or performed in full or the Series 2013A Guarantee returned, or both.

### Guarantee of Payment; Notice and Demand by Trustee

The Series 2013A Guarantee is a guarantee of payment and not of collection, and EFC expressly waives any right to require that any action be brought against NYSERDA Trustee, NYSERDA, the owner of any 2013A NYSERDA Bond or any other person or to require that resort be had to any security. If there occurs a default by NYSERDA to make a payment of the Guaranteed Payments when and as the same become due, EFC, upon written demand by NYSERDA Trustee as provided in the Series 2013A Guarantee, without notice other than such demand and without the necessity of further action by NYSERDA Trustee, its successors or assigns other than as expressly provided in the Series 2013A Guarantee, will promptly and fully pay such defaulted payment from the Specified Guarantee Sources.

Upon receipt of notice in the form specified in the Series 2013A Guarantee from NYSERDA Trustee that a Guaranteed Payment has not been made after ratable application of all moneys available for the payment of debt service on NYSERDA Series 2013A Bonds in accordance with the Indenture securing NYSERDA Series 2013A Bonds, stating that amount of the Guaranteed Payment which has not been made and demanding a payment under the Series 2013A Guarantee, EFC on the due date of such payment or within one Business Day (as defined in the 2010 MFI) after receipt of notice of such nonpayment and demand, whichever is later, will cause NYSERDA Trustee to make a deposit of funds in the amount provided in the Series 2013A Guarantee, in an account with NYSERDA Trustee for the payment of any such Guaranteed Payments which are then due.

As and to the extent any amount is paid by EFC to NYSERDA Trustee under the Series 2013A Guarantee in respect of any Guaranteed Payment, said payment shall fully discharge the obligation of EFC with respect to such Guaranteed Payment.

### **Obligations Unconditional**

Subject to the limitation that the payments by EFC under the Series 2013A Guarantee are limited to payment solely from available Specified Guarantee Sources, the obligations of EFC under the Series 2013A Guarantee are absolute, irrevocable and unconditional and are not impaired, modified, released or limited by any occurrence or condition whatsoever (other than payment of NYSERDA Series 2013A Bonds in accordance with their terms), including without limitation (a) any compromise, settlement, release, waiver, renewal, extension, indulgence, change in, amendment to or modification of any of the obligations and liabilities contained in NYSERDA Series 2013A Bonds, (b) any impairment, modification, release or limitation of the liability of the Authority, or any other security for or guaranty of NYSERDA Series 2013A Bonds, or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the federal bankruptcy laws or other statutes or from the decision of any court relating thereto, or (c) the assertion or exercise by NYSERDA Trustee of any rights or remedies under the Series 2013A Guarantee or their delay in asserting or exercising, or failure to assert or exercise, any such rights or remedies.

### **Waivers Generally; No Set-Off; Waiver of Notice**

EFC waives all defenses of NYSERDA with respect to NYSERDA Series 2013A Bonds, including counterclaim, recoupment, set-off, fraud, duress, failure of consideration, breach of any covenants or representations in the Series 2013A Guarantee or breach of any other agreements, statute of frauds, statute of limitations, accord and satisfaction, failure to deliver notices, and usury.

No act of commission or omission of any kind or at any time upon the part of NYSERDA Trustee, with respect to any matter whatsoever will in any way affect or impair the rights of NYSERDA Trustee to enforce any right, power or benefit of NYSERDA Trustee under the Series 2013A Guarantee, and no set-off, claim, counterclaim, reduction, recoupment or diminution of any obligation or any defense of any kind or nature which EFC has or may have against NYSERDA or NYSERDA Trustee or their assignees or successors or any other person shall be available to EFC or against any such assignee or successor in any suit or action brought by NYSERDA Trustee or its successors or assigns to enforce any right, power or benefit under the Series 2013A Guarantee.

### **Waiver Limited**

Subject to the rights of EFC and NYSERDA Trustee to amend the Series 2013A Guarantee as described below under "Amendments" and notwithstanding the information set forth above under "Waivers Generally; No Set-Off; Waiver of Notice," nothing in the Series 2013A Guarantee is to be construed as a waiver by EFC of any rights or claims it may have against NYSERDA or NYSERDA Trustee under the Series 2013A Guarantee or otherwise, but any recovery upon such rights and claims shall be had from NYSERDA or NYSERDA Trustee separately, it being the intent of the Series 2013A Guarantee that EFC shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Series 2013A Guarantee for the benefit of NYSERDA Trustee and the owners and beneficial owners of NYSERDA Series 2013A Bonds.

### **Events of Default; Remedies**

Each of the following events shall be an Event of Default under the Guarantee:

- (a) failure of EFC to pay any Guaranteed Payments upon receipt of demand by NYSERDA Trustee to EFC given in accordance with the Series 2013A Guarantee; and
- (b) failure of EFC to observe or perform any of the other covenants, conditions or agreements under the Series 2013A Guarantee for a period of sixty (60) days after notice, specifying such failure and requesting that it be remedied, given by NYSERDA Trustee to EFC.

Whenever an Event of Default under the Series 2013A Guarantee shall have happened and be continuing, NYSERDA Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect payments

then due or thereafter to become due under the Guarantee or to enforce observance or performance of any covenant, condition or agreement of EFC under the Series 2013A Guarantee.

In case NYSERDA Trustee shall have proceeded to enforce the Series 2013A Guarantee and such proceedings shall have been discontinued or abandoned for any reason, then and in every such case EFC and NYSERDA Trustee shall be restored respectively to their several positions and rights under the Series 2013A Guarantee, and all rights, remedies and powers of EFC and NYSERDA Trustee shall continue as though no such proceeding had been taken.

### **Subrogation**

Upon payment by EFC of any Guaranteed Payment, EFC becomes fully subrogated to any right of NYSERDA Trustee in respect, and to the extent, of the Guaranteed Payment so paid. As and to the extent that EFC has paid any Guaranteed Payment so due and NYSERDA Trustee shall later receive such payment from the Authority and there shall be no amounts remaining due under the related 2013A NYSERDA Bond or under the Series 2013A Guarantee, the amount received from NYSERDA shall be paid to EFC. No subrogation of EFC shall require NYSERDA Trustee to proceed against any person or entity or to resort to any security or to take any other action of any kind as a result of subrogation. Furthermore, EFC will have all reimbursement and other rights afforded to it under or pursuant to the Reimbursement Agreement between EFC and NYSERDA.

### **Amendments**

The Guarantee cannot be amended, supplemented or modified except by a written instrument executed by EFC and NYSERDA Trustee and only if prior written evidence that any rating then assigned to NYSERDA Bonds has been confirmed notwithstanding any such amendment, supplement or modification.

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## **CONTINUING DISCLOSURE**

EFC will enter into a continuing disclosure agreement in connection with the issuance of the Series 2103A Guarantee. For a copy of the form of such continuing disclosure agreement, see Exhibit A to this Appendix B.

**CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Agreement”) dated as of August \_\_, 2013 and between New York State Environmental Facilities Corporation (the “Corporation”) and The Bank of New York Mellon, as trustee (the “Trustee”) under an Indenture of Trust, dated as of August 1, 2013, between the Trustee and New York State Energy Research and Development Authority (the “Issuer”), is executed and delivered in connection with the issuance by the Issuer of \$24,300,000 aggregate principal amount of its Residential Energy Efficiency Financing Revenue Bonds, Series 2013A (Federally Taxable) (the “Bonds”).

The payment of principal and interest on the Bonds is being guaranteed by the Corporation pursuant to its Guarantee (the “Guarantee”) in favor of the Trustee dated as of August 1, 2013.

The Bonds are being sold pursuant to and in accordance with the terms of a Bond Purchase Agreement (the “Bond Purchase Agreement”) dated July 31, 2013, between the Issuer and Senior Manager, along with the other underwriters named therein. Capitalized terms used in this Agreement which are not otherwise defined in this Agreement shall have the respective meanings specified therefor in the Indenture. Pursuant to and in satisfaction of the requirements of Section 8(d)(2) of the Bond Purchase Agreement, the parties agree as follows:

**ARTICLE I  
The Undertaking**

Section 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the owners of the Bonds, and is being executed and delivered solely to assist the underwriters of any Bonds in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Corporation shall provide Annual Financial Information with respect to each fiscal year of the Corporation, commencing with the fiscal year ending March 31, 2014, by no later than the expiration of 9 calendar months after the end of the respective fiscal year, to the MSRB.

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

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

Section 1.4. Notification to Significant Recipients. Promptly following the end of each fiscal year of the Corporation, the Corporation shall notify each Significant Recipient that it is required to (i) file a copy of its Significant Recipient Annual Financial Information at the times hereafter set forth to the MSRB, (ii) provide, in a timely manner, notice of any failure of such Significant Recipient to provide such Significant Recipient Annual Financial Information to the MSRB, and (iii) if not provided as part of Significant Recipient Annual Financial Information by the date specified above, provide Audited Financial Statements of the Significant Recipient, when and if available, to the MSRB. Such Notice shall provide instructions, consistent with the terms of this Agreement, as to the time, place, and procedures for all filings to be made by such Significant Recipient pursuant to this Section 1.4. The Corporation shall further notify each Significant Recipient should it no longer meet the percentage threshold specified in the definition of Significant Recipient and no longer be obligated to make filings pursuant to this Section 1.4. Each Significant Recipient’s initial Significant Recipient Annual Financial Information filing shall be made no later than the expiration of 9 calendar months following the end of such fiscal year of the Corporation. Thereafter, such Significant Recipient shall make filings of its Significant Recipient Annual Financial Information no later than the expiration of 9 calendar months following the end of each of such Significant Recipient’s fiscal years.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Corporation or any Significant Recipient from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information in addition to that which is required by this Agreement. If the Corporation chooses to include any information

in any Annual Financial Information in addition to that which is specifically required by this Agreement, the Corporation shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information.

Section 1.6. Additional Disclosure Obligations. The Corporation acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Corporation and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Corporation under such laws.

Section 1.7. No Previous Non-Compliance. The Corporation represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

## ARTICLE II Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof and Section 1.4 hereof if the Corporation provides Annual Financial Information or Significant Recipient Annual Financial Information, as applicable, by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC.

Section 2.2. Submission of Information. Annual Financial Information and Significant Recipient Annual Financial Information may each be provided in one document or multiple documents, and at one time or in part from time to time, and may be provided by delivery of an official statement which includes such information.

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

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

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

Section 2.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Corporation's current fiscal year is April 1-March 31, and the Corporation shall promptly notify (i) the MSRB and (ii) the Trustee of any change in its fiscal year.

## ARTICLE III Termination, Amendment and Enforcement

Section 3.1. Termination. (a) With respect to any Bonds, the Corporation's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance pursuant to Article XIV of the Indenture, prior redemption or payment in full of such Bonds or the termination of the Guarantee.

(b) This Agreement, or any provision hereof, shall be null and void in the event that the Corporation (1) delivers to the Trustee an opinion of Counsel, addressed to the Corporation and the Trustee, to the effect that those portions of the Rule which require the provisions of this Agreement, or any of such provisions, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the owners of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises



from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Corporation or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Corporation shall have delivered to the Trustee an opinion of Counsel, addressed to the Corporation and the Trustee, as to the veracity of the condition as set forth in clause (2) above, (4) either (i) the Corporation shall have delivered to the Trustee an opinion of Counsel or a determination by an entity in each case unaffiliated with the Corporation (such as bond counsel or the Trustee), addressed to the Corporation and the Trustee, to the effect that the amendment does not materially impair the interests of the owners of the Bonds, or (ii) the owners of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of owners of Bonds pursuant to Section 13.02 of the Indenture as in effect on the date of this Agreement, and (5) the Corporation shall have delivered copies of any such opinion(s) and amendment to the MSRB.

(b) In addition to subsection (a) above, this Agreement may be amended and any provision of this Agreement may be waived, by written agreement of the parties, without the consent of the owners of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Corporation shall have delivered to the Trustee an opinion of Counsel, addressed to the Corporation and the Trustee, to the effect that performance by the Corporation and Trustee under this Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule, and (3) the Corporation shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Corporation shall have delivered to the Trustee an opinion of Counsel, addressed to the Corporation and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of staff of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made to the basis on which financial statements are prepared, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the registered owners from time to time of the Bonds, except that, if the bonds are book-entry-only Bonds as described in Section 2.05 of the Indenture, beneficial owners of Bonds as shown on the records of the Securities Depository (within the meaning of the Indenture) or its participants shall be third-party beneficiaries of this Agreement.

(b) The provisions of this Agreement shall create no rights in any person or entity except as provided in subsection (a) of this Section 3.3 and in this subsection (b). The obligations of the Corporation to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any owner of Outstanding Bonds, or by the Trustee on behalf of the owners of Outstanding Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the owners of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the owners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding who shall have provided the Trustee with adequate security and indemnity. Neither the Corporation, its directors, officers or employees shall have any liability hereunder for any act or failure to act hereunder; the owners' and Trustee's sole remedy with respect to enforcement of the provisions of this Agreement shall be a right, by action in mandamus or for specific performance, to compel performance of the Corporation's obligations under this Agreement. In consideration of the third-

party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section 3.3, beneficial owners shall be deemed to be owners of Bonds for purposes of this subsection (b).

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

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State of New York, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State of New York; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

#### ARTICLE IV Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) updated versions of the following financial information and operating data with respect to the Corporation, for each fiscal year of the Corporation, as follows:

(x) financial information and operating data of the type appearing in Appendix B to the Official Statement; and

(y) financial information and operating data of the type appearing in Appendix B to the Official Statement under the captions: “STATE REVOLVING FUNDS PROGRAMS – Establishment of SRFs” (fifth paragraph only), “SECURITY AND SOURCES OF PAYMENT FOR 2010 MFI OBLIGATIONS – 2010 MFI Projected Recipient Payments, Obligations and Projected Coverage” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013A GUARANTEE,” “Equity Accounts of the Clean Water SRF and Drinking Water SRF – *Aggregate Historical Cash Flows and Reserves*” (table only) and “Investment of Equity Accounts of the Clean Water SRF and Drinking Water SRF” (table only); and

(ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement. Annual Financial Information shall include Audited Financial Statements of the Corporation, if then available, or Unaudited Financial Statements of the Corporation.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Corporation or any Significant Recipient, as the case may be, audited by such auditor as shall then be required or permitted by applicable law or the Indenture. In the case of the Corporation, Audited Financial Statements shall be prepared in accordance with GAAP or applicable law; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Corporation may from time to time, if required by federal or state legal requirements, modify the accounting principles to be followed in preparing its financial statements. In the case of any Significant Recipient, Audited Financial Statements shall be prepared in accordance with GAAP or such other accounting principles as shall be specified in the initial filing of Significant Recipient Annual Financial Information by such Significant Recipient or in the initial Official Statement of the Corporation setting forth financial and operating data of such Significant Recipient; provided, however, that such Significant Recipient may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall include a reference to the specific federal or state law or

regulation describing such accounting basis and shall be provided by the Corporation or Significant Recipient, as applicable, to the MSRB.

(3) “Counsel” means Fulbright & Jaworski LLP, a member of Norton Rose, or other nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “Indenture” shall mean the Indenture of Trust, dated as of August 1, 2013, between the Trustee and the Issuer, along with any amendments or supplements thereto.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(7) “Official Statement” means the “final official statement”, as defined in paragraph (f)(3) of the Rule, relating to the Bonds.

(8) “Recipient Undertaking” means the separate agreement, if any, of a Significant Recipient and the provisions of a loan agreement committing a Significant Recipient to provide continuing disclosure relating to certain financial and operating data relating to its affairs.

(9) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) “SEC” means the United States Securities and Exchange Commission.

(11) “Significant Recipient” means a Recipient of proceeds of Bonds issued under the 2010 MFI, the outstanding principal amount of whose outstanding balance of financings under the 2010 MFI shall equal or exceed twenty percent (20%) of the aggregate outstanding principal amount of all financings which are the sources of Pledged Recipient Bond Payments under the 2010 MFI as of the close of the Corporation’s fiscal year.

(12) “Significant Recipient Annual Financial Information” means, collectively, (i) financial information or operating data with respect to the Significant Recipient, of the type theretofore disclosed with respect to the Significant Recipient in the Corporation’s official statements for Bonds (whether expressly set forth therein or incorporated by reference therein) and if financial information and operating data with respect to the Significant Recipient shall not have theretofore been so disclosed, then financial information and operating data of the type typically disclosed in Official Statements or other official disclosures by entities of the same type and character as the Significant Recipient. Significant Recipient Annual Financial Information shall include Audited Financial Statements of the Significant Recipient, if then available, or Unaudited Financial Statements of the Significant Recipient.

(13) “2010 MFI” means a Financing Indenture of Trust, dated as of June 1, 2010, as supplemented by a Seventh Supplemental Series Indenture of Trust, dated as of August 1, 2013, by and between the Corporation and Manufacturers and Traders Trust Company, as trustee.

(14) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

#### ARTICLE V Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article XI of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture. Without

limiting the generality of the foregoing, the Trustee shall have only such duties under the Agreement as are specifically set forth in this Agreement, and the Corporation agrees to indemnify and save the Trustee, its officers, directors, employees and agents, against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Indenture. The obligations of the Corporation under this Section shall survive resignation or removal of the Trustee, the termination of this Agreement, and the payment of the Bonds.

Section 5.2. No Corporation Responsibility or Liability with Respect to Recipient Undertakings; Assignment of Recipient Undertakings. The Trustee acknowledges that the Corporation has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to any Recipient Undertaking, and neither the Corporation, its directors, officers, nor employees have any responsibility or liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures or for the sufficiency, performance, or enforcement of any Recipient Undertaking other than to give any notice required to be given under Section 1.4 hereof.

The Corporation hereby assigns to the Trustee for the benefit of the owners of the Bonds, all of its right, title and interest in the commitment by Recipients set forth in the Recipient Undertakings to file Significant Recipient Annual Financial Information, subject to a right of the Corporation to independently enforce such commitment and to a right of the Corporation to consent to an amendment of such commitment on the same basis and subject to the same conditions applicable to an amendment of this Agreement pursuant to Section 3.2 hereof. The Corporation may, but shall not be obligated to, similarly assign to the Trustee any of its other rights, but not its obligations, if any, under any Recipient Undertaking.

Section 5.3. Counterparts. This 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.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

NEW YORK STATE ENVIRONMENTAL  
FACILITIES CORPORATION

By: \_\_\_\_\_  
Name: Mathew J. Driscoll  
Title: President and Chief Executive Officer

THE BANK OF NEW YORK MELLON,  
as Trustee

By: \_\_\_\_\_  
Name: Susan Pszonek  
Title: Vice President

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**FORM OF APPROVING OPINION OF BOND COUNSEL**

**Upon delivery of the Series 2013A Bonds in definitive form, Hawkins Delafield & Wood LLP proposes to deliver its approving opinion in substantially the form set forth below.**

August \_\_, 2013

New York State Energy Research  
and Development Authority  
17 Columbia Circle  
Albany, New York 12203-6399

Ladies and Gentlemen:

In our capacity as Bond Counsel to the New York State Energy Research and Development Authority (the "Authority"), we have examined a record of proceedings relating to the sale and issuance on the date hereof, of \$24,300,000 aggregate principal amount of Residential Energy Efficiency Financing Revenue Bonds, Series 2013A (the "Series 2013A Bonds") of the Authority.

The Series 2013A Bonds are issued under and pursuant to the Constitution and laws of the State of New York, particularly the New York State Energy Research and Development Authority Act, constituting Title 9 of Article 8 of the Public Authorities Law of New York, as amended (the "Act"), and under and pursuant to a resolution adopted by the Authority on June 17, 2013. The Series 2013A Bonds are issued under and are secured ratably by an Indenture of Trust dated as of August 1, 2013, (the "Master Indenture"), as supplemented by the First Supplemental Series Indenture of Trust, dated as of August 1, 2013 (the "First Supplemental Series Indenture", and together with the Master Indenture being hereinafter referred to as the "Indenture"), between the Authority and The Bank of New York Mellon, as trustee (the "Trustee"). The Series 2013A Bonds are issued for the purpose of financing or refinancing loans made to eligible borrowers for certain costs eligible to receive financial assistance from the Green Jobs-Green New York Revolving Fund.

For the purposes and subject to the terms and conditions provided in the Master Indenture, additional bonds and certain other obligations with a parity claim on the Pledged Revenues may be issued or incurred in one or more series pursuant to Supplemental Series Indentures, (such additional bonds and other obligations collectively with the Series 2013A Bonds, the "Bonds"). Under the provisions of the Master Indenture, all such Bonds will rank equally as to security and payment from Pledged Revenues with the Series 2013A Bonds.

Any capitalized terms used and not otherwise defined in this approving opinion are used as defined in the Indenture.

The Series 2013A Bonds bear interest payable on January 1 and July 1 in each year, commencing on January 1, 2014. Unless redeemed prior to maturity in accordance with the Indenture, the Series 2013A Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, set forth in the Indenture.

The Series 2013A Bonds are issuable in the form of registered bonds without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 not exceeding the respective aggregate principal amounts thereof, and are numbered from one (1) consecutively upwards (with "2013AR," prefixed to the number) in order of issuance according to the records of the Trustee. The Series 2013A Bonds will be registered in the name of a nominee of The Depository Trust Company or any successor thereto appointed pursuant to the Indenture, as securities depository (the "Securities Depository"), and maintained in book-entry-only form by the Securities Depository.

The principal of and premium, if any, on such Series 2013A Bond shall be payable to the owner thereof upon presentation and surrender thereof when due at either of the Corporate Trust Office or the Paying Agency Office. The interest on such Series 2013A Bond due on an interest payment date for such Series 2013A Bonds shall be payable to the Registered Owner thereof as of the close of business on the Record Date (as hereinafter defined) as the same becomes due by check mailed to such Registered Owner thereof at such owner's address last appearing on the Bond Register; or, under certain circumstances, by wire transfer as described in the Indenture. The fifteenth day of the calendar month immediately preceding the interest payment date is the Record Date (the "Record Date") for such interest payment date. Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The Series 2013A Bonds are subject to optional and mandatory redemption prior to maturity as set forth, and to the extent provided for, in the Series 2013A Bonds and in the manner and upon the terms and conditions set forth in the Indenture.

We have examined a specimen of the Series 2013A Bonds delivered to the Trustee.

We have also examined an executed copy of the Indenture.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation, and is duly created and validly existing under the Constitution and laws of the State of New York, including particularly the Act, and has good right and lawful authority to (i) issue the Series 2013A Bonds for the purpose of financing or refinancing loans made to eligible borrowers for certain costs eligible to receive financial assistance from the Green Jobs-Green New York Revolving Fund and (ii) pledge and assign to the Trustee in respect of the Series 2013A Bonds all its right, title and interest in and to the Pledged Revenues to be received under the Indenture subject to certain exceptions set forth in the Indenture and to secure the Series 2013A Bonds in the manner contemplated by the Indenture.

2. The Authority has the right and power pursuant to the Act to enter into and perform its obligations under the Indenture and the Indenture has been duly authorized, executed and delivered, is in full force and effect and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

3. The Series 2013A Bonds have been duly authorized, executed and delivered and issued by the Authority in accordance with the Indenture and the Constitution and the Laws of the State of New York, including the Act. The Series 2013A Bonds are valid and legally binding limited obligations of the Authority, secured by the Indenture and are payable solely as to principal, premium, if any, and interest from, and are secured by a valid lien on and pledge of the Pledged Revenues held by the Trustee under the Indenture and available therefor, all in the manner provided in the Indenture. The Series 2013A Bonds are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Act and the Indenture. The Series 2013A Bonds are not general obligations of the Authority, and shall not constitute an indebtedness of or a charge against the general credit of the Authority. The Series 2013A Bonds do not constitute a debt of the State of New York, and the State of New York will not be liable on the Series 2013A Bonds. No owner of any Series 2013A Bonds will have the right to demand payment of the principal of, or premium, if any, or interest on, the Series 2013A Bonds out of any funds to be raised by taxation. All conditions precedent to the delivery of the Series 2013A Bonds have been fulfilled.

4. Interest on the Series 2013A Bonds is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. This opinion is not intended or provided by us to be used and cannot be used by an owner of the Series 2013A Bonds for the purpose of avoiding federal taxpayer penalties that may be imposed on such owner. The opinion set forth in this paragraph is provided to support the promotion or marketing of the Series 2013A Bonds. Each owner of Series 2013A Bonds should seek advice based on its particular circumstances from an independent advisor.

5. Interest on the Series 2013A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other Federal or state tax consequences with respect to the Series 2013A Bonds. We render our opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any



other reason. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the inclusion in gross income for Federal income tax purposes of interest on the Series 2013A Bonds, or the exemption from personal income taxes of the interest on the Series 2013A Bonds under state and local tax law.

The opinions set forth in paragraphs 2 and 3 above are qualified only to the extent that the enforceability of the Series 2013A Bonds and the Indenture may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2013A Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Authority, or the Pledged Revenues other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2013A Bonds. We also have not been requested to examine the Loans which are the source of the Pledged Loan Payments and we express no opinion as to the validity, enforceability and sufficiency of any of such Loans.

We assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,