

SEWAGE DISPOSAL SYSTEM LEASE

THIS SEWAGE DISPOSAL SYSTEM LEASE entered into on _____, 2020, by and between the _____ (the “Landlord”), _____ under the laws of the State of New York, and the COUNTY OF ONONDAGA (the “Tenant”), a municipal corporation under the laws of the State of New York.

WITNESSETH:

WHEREAS, the Landlord owns and operates a Sewage Disposal System, as hereinafter defined; and

WHEREAS, the Tenant is the owner and operator of the Onondaga County Consolidated Sanitary District (CSD) inclusive of six wastewater treatment plants and other collection system conveyance infrastructure within the service area (the “CSD Infrastructure”) to which the Landlord’s Sewage Disposal System conveys sewage; and

WHEREAS, excessive amounts of water within the CSD through either Inflow or Infiltration (“I&I”) create an undue burden on the CSD Infrastructure operation and impact both regulatory compliance and operational expenses; and

WHEREAS, for the assurance of future asset renewal, regulatory compliance, management of Sewage Disposal System and treatment plant capacity, and consistent Performance Standards, as hereinafter defined, throughout the CSD, the PARTIES hereto desire to enter into a Lease Agreement for the operation and maintenance of the Sewage Disposal System; and

WHEREAS, each municipality owning a Sewage Disposal System has varying degrees of asset inventory, age and condition, thereby requiring a wide spectrum of maintenance and repairs or operational capability. The City of Syracuse has certain combined Sanitary/Storm-water sewers (“Combined Sewers”), which in itself creates another set of regulations and challenges; and

WHEREAS, each municipality has varying degrees of financial capabilities and plans for maintenance and replacement of components of its Sewage Disposal System. Some have well established sewer funds with cash reserves and are able to prepare and act on projects regularly; however, because of financial limitations or different priorities for the application of current revenues investment is often deferred; and

WHEREAS, emergency repairs of these “out of sight” assets have become the norm for municipalities and the reality is that emergency remedies are often significantly more expensive than proactive management – further reducing the financial capability to properly operate and maintain the Sewage Disposal System; and

WHEREAS, the CSD Infrastructure is monitored, measured, and strictly controlled by New York State Pollutant Discharge Elimination System (SPDES) permits, which are attached to

and part of the CSD administration. To that end, the Tenant is directly responsible to State and Federal regulators for the “end of pipe” treatment plant discharge. The Tenant is subject to fines and penalties when CSD Infrastructure malfunctions or fails to meet permit limits. The challenges are amplified in wet weather conditions where flows increase and become unpredictable both in quantity and quality as a direct result of the I&I; and

WHEREAS, there is a direct link between the state of our sewer infrastructure and the ability to promote and execute economic development opportunities. New builds, expansions and job creation should not be prolonged, stalled or limited by the inadequate capacity of CSD Infrastructure or Sewage Disposal System assets; and

WHEREAS, the local environment is enjoyed by the whole community. Clean, recreational and diverse water bodies enrich the quality and character of life in Central NY. To that end, the Tenant is both a key steward and leader in preserving, protecting, and promoting these vital waterbodies and undertakes this leasehold relationship in furtherance of that role; and

WHEREAS, the ability of all municipalities to support economic development of all types within their respective districts will be greatly enhanced through the reduction in I&I and the expanded capability of the CSD Infrastructure and Sewage Disposal System to process waste without the reduction in capacity caused by the I&I; and

WHEREAS, Tenant is the owner and operator of the sewage treatment plant(s) (the “Treatment Plant(s)”) within the service area(s) known as the [REDACTED] service area(s) to which the Landlord’s Sewage Disposal System conveys sewage; and

WHEREAS, the Tenant has determined that, in addition to undertaking the operation and maintenance of the Sewage Disposal System, it will design and implement various modifications of the Sewage Disposal System in order to reduce the I&I; and

WHEREAS, in connection with the operation and maintenance of the Sewage Disposal System, Landlord and Tenant desire to enter into this Lease to lease the Sewage Disposal System to Tenant, and to cause Tenant to improve, operate and maintain the Sewage Disposal System, to the extent and subject to the terms set forth herein.

ARTICLE I – DEFINITIONS

Section 1.1 Definitions. In addition to the words and terms elsewhere defined in this Lease, the following words and terms as used in this Lease and the preambles hereto shall have the following meanings unless the context or use indicates another or different meaning.

- a. “Applicable Laws” means all laws, rules, regulations, ordinances, permit and license requirements, and orders of courts, governmental officials and agencies of competent jurisdiction with respect to the Sewage Disposal System, including but not limited to, applicable DEC rules and regulations.
- b. “Capital Improvement Program” means the proposed program of capital improvements for the Sewage Disposal System, as the same may be modified from time to time by Tenant, including but not limited to the inflow and infiltration issues.

- c. "DEC" means the New York Department of Environmental Conservation.
- d. "Effective Date" means the date on which the conditions set forth in Section 3.2 have been satisfied, as determined by Tenant.
- e. "Environmental Laws" means all federal, state and local land use, zoning, health, chemical use, air quality, water quality, safety and sanitation Laws relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Substances.
- f. "Hazardous Substance" means, without limitation, any substance or condition (including mold) that poses a reasonable threat to human health as established with reasonable medical certainty, and any flammable, explosives, radioactive materials, asbestos, formaldehyde foam insulation, polychlorinated biphenyls, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials, as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, et seq.), Articles 15 and 27 of the New York State Environmental Conservation Law or any other currently applicable Environmental Law and regulations promulgated thereunder.
- g. "Landlord's Address" means _____, or such other address or addresses set forth in a written notice from Landlord to Tenant.
- h. "Lease" means this Sewage Disposal System Lease, as it may be amended or supplemented as provided herein.
- i. "Lease Payment" means the annual payment required to be made by Tenant for the benefit of Landlord pursuant to Section 6.1.1, hereof.
- j. "Personal Property" means tangible personal property directly attached to or functioning as a part of the sanitary sewer system, not including items of personal property such as trucks, tools, moveable equipment and other items not directly attached to or functioning as a part of the sanitary Sewer System.
- k. "Prudent Utility Practices" means those practices, methods, techniques, standards and acts engaged in or approved by a significant portion of the regulated sewer utility industry in the United States or any of the practices, methods, techniques, standards and acts which, in the exercise of reasonable judgment in light of the facts known (or which a qualified and prudent operator could reasonably be expected to have known) at the time a decision is made, would have been expected to accomplish a desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition, in each case related to the operation, maintenance and improvement of similar systems of the same or similar size and type as the Sewage Disposal System.
- l. "Sewer Customers" mean those individual customers that receive sewer service directly from Landlord.
- m. "Sewage Disposal System" means, collectively, all of Landlord's right, title and interest in and to that portion of the real and tangible Personal Property comprising a part of the sanitary sewer system and the Combined Sewers owned by Landlord and providing sewer service to Sewer Customers up to the point where a lateral to a serviced property crosses onto private property, including without limitation the land, buildings, basins, pump stations, outfalls, storage facility or mechanisms, other

structures, fixtures (including screens, meters, control gates, interceptors and collection lines), and improvements, and real property interests such as easements, access rights, rights of way, permits, licenses and leases, all as more fully set forth in **Exhibit “A”** attached hereto (the “Real Property”). Sewage Disposal System includes all improvements and additions to and replacements of the foregoing described Real Property during the term of this Lease or any renewal thereof, but does **not** include separate stormwater sewer systems, including dedicated stormwater sewers resulting from the separation of Combined Sewers, of Landlord nor Current Surplus.

- n. “Sewer System Due Diligence Materials” means collectively, all existing reports, test, studies, maintenance service and repair record, copies of maps, diagrams, product specification sheet of all existing improvements related to the Sewage Disposal System all in possession of Landlord or its agents.
- o. “State” means the State of New York.

“Tenant’s Address” means 421 Montgomery Street, Syracuse, New York 13202, or such other address set forth in a written notice from Tenant to Landlord.

ARTICLE II – REPRESENTATIONS

Section 2.1 Representations of Landlord. Landlord represents and warrants to Tenant as follows:

- (a) Landlord is _____ under the laws of the State, is the sole owner of Sewage Disposal System, including all of the Real Property and the Personal Property, and has the right, power and authority to enter into this Lease and perform its obligations hereunder.
- (b) Landlord has taken all necessary action to authorize its execution, delivery, and performance of this Lease and this Lease constitutes its legal, valid, and binding obligation enforceable against it in accordance with its terms.
- (c) Landlord has not mortgaged, pledged or subjected to any lien, charge or security interest the Sewage Disposal System, or any part thereof, except for the existing bond financing, which as of the Effective Date has an outstanding principal amount of \$_____, with all accrued and outstanding interest paid through _____, 2020 (the “Existing Financing”). Landlord has not received notice of, nor is Landlord aware of any facts that would with the passage of time result in, a default under the Existing Financing.
- (d) Landlord has not entered into any lease or easement agreement or created any other encumbrance with respect to any of the Sewage Disposal System that in each case would adversely affect the ability of Tenant to operate the Sewage Disposal System as provided in Section 5.1, hereof.
- (e) Except as identified on **Exhibit _____**, there presently exists no material casualty loss or damage to the Sewage Disposal System that would prevent Tenant from operating the Sewage Disposal System as provided in Section 5.1, hereof.

- (f) Except as identified on **Exhibit ___**, there are no claims, actions, suits, proceedings, loss events or investigations pending or, to the best of Landlord's knowledge, threatened against or affecting the Sewage Disposal System or the validity of this Lease, at law or in equity, or before or by any federal, state, municipal or governmental department, commission, board, bureau, agency or instrumentality which, if adversely determined against Landlord, would have a material adverse effect on the Sewage Disposal System, the net revenues of the Sewage Disposal System or Landlord's ability to enter into this Lease.
- (g) In connection with the Sewage Disposal System, (i) there are no unresolved notices of violation, orders, claims, citations, complaints, penalty assessments, suits or other proceedings pending against Landlord which have been unresolved for a period of more than 30 days or which are not expected to be resolved within 30 days or such other period specified for cure which in each case could have a material adverse impact on the operation of the Sewage Disposal System if allowed to continue beyond that period, and (ii) there is no investigation or review pending or threatened against Landlord by any governmental entity or third party with respect to any alleged violation of any federal, state or local environmental law, regulation, ordinance, standard, permit or order relating to the operation of the Sewage Disposal System which could have a material adverse impact on the operation of the Sewage Disposal System.
- (h) Disposition of Current Surplus. "Current Surplus" shall mean Landlord's segregated surplus balance of funds collected for the purpose of, or previously utilized for, the operation and/or maintenance of, or capital improvements, debt service, or anything else related to, the Sewage Disposal System. Landlord shall retain such Current Surplus and:
 - (i) If the Landlord has any debt associated with the Sewage Disposal System, Landlord shall first and forthwith apply the entire Current Surplus to retire Existing Financing or, if the entire Current Surplus is insufficient to completely retire Existing Financing, reduce such Existing Financing; or
 - (ii) If any Existing Financing associated with the Sewage Disposal System may not be retired or reduced in accordance with Section 2.1(h)(i) above due to the terms of such Existing Financing, Landlord shall retain the entire Current Surplus in reserve and apply such to the payment of Existing Financing until paid in full.

Section 2.2 Representations of Tenant. Tenant represents and warrants to Landlord as follows:

- (a) Tenant is a municipal corporation, and has the right, power and authority to enter into this Lease and to perform its obligations hereunder.

- (b) Tenant has taken all necessary action to authorize its execution, delivery, and performance of this Lease and this Lease constitutes its legal, valid, and binding obligation enforceable against it in accordance with its terms
- (c) There are no claims, actions, suits, proceedings or investigations pending against Tenant, or to the best of Tenant's knowledge, threatened, that would have a material adverse effect on the transactions contemplated or provided for in this Lease.

ARTICLE III – TERM OF LEASE

Section 3.1 Term of Lease.

Section 3.1.1 Initial Term. The term of this Lease (the "Initial Term" and during the Initial Term sometimes referred to as "Term") shall commence on the Effective Date and shall terminate on the fortieth (40th) anniversary of the Effective Date, unless sooner terminated as set forth herein ("Initial Lease Termination Date").

Section 3.1.2 Renewal Term. Provided Tenant is not then in default of any monetary terms hereof, Tenant is hereby given the right to renew this Lease for four (4) additional consecutive periods of ten (10) years (each a "Renewal Term") upon the same terms and conditions as provided for herein for the Initial Term, except that there shall be no further renewal options. Upon expiration of the Initial Term, this Lease shall automatically renew for successive additional Renewal Terms until the expiration of the last Renewal Term identified in this Section. In the event Tenant declines to exercise its option for any Renewal Term, Tenant shall provide written notice to Landlord (the "Non-Renewal Notice") not later than one hundred and eighty (180) days prior to the Initial Term Expiration Date or the then current Renewal Term Expiration Date. Each Renewal Term shall commence on the date after the expiration of the Initial Term or the then applicable Renewal Term ("Renewal Term Effective Date"). Each Renewal Term, if exercised, shall during such Renewal Term, sometimes be referred to as "Term." Notwithstanding the automatic renewal of the term of this Lease set forth above, in the event that the remaining duration of the Initial Term or any Renewal Term is not deemed sufficient with regards to application, qualification for or amortization of any grant, debt or other financial relationship established by the Tenant to fund any improvement, repair, replacement, expansion or modification of the Sewage Disposal System as then defined, the Tenant may exercise its option to extend the Term through one or more of the four Renewal Terms created by this Section.

Section 3.1.5 Surrender of Sewage Disposal System. Upon the expiration of this Lease at the end of the Term or early termination, Tenant shall quit and surrender the Sewage Disposal System to Landlord, together with any improvements, enlargements, replacements or extensions thereof made by Tenant during the Term, reasonable wear and tear, obsolescence and damage by act of God, fire or other causes beyond the control of Tenant excepted.

Section 3.2 Conditions Precedent to Effective Date. The Effective Date shall be deemed to have occurred when all of the following conditions have been satisfied, as evidenced by a certificate signed by Landlord and Tenant:

(a) This Lease shall have been duly authorized, executed and delivered by Landlord and Tenant.

(b) Upon receipt of the consent of the existing lender or trustee on the Existing Financing to Landlord and Tenant entering into this Lease and to Tenant assuming the obligations of Landlord for repair, maintenance and operation of the Sewage Disposal System, which shall have been duly executed and delivered to Landlord and Tenant and shall be in full force and effect, Tenant and Landlord shall enter into an agreement for Tenant to reimburse up to Two Hundred Thousand (\$200,000.00) of the Landlord's obligations under the Existing Financing which remains after the application of any Current Surplus to the outstanding indebtedness pursuant to Section 2.1(h)(i) or (ii). Such agreement, when executed, shall be attached hereto as Exhibit "F" and incorporated herein **[delete if NA]**.

(c) Landlord shall have delivered to Tenant all Sewage Disposal System Due Diligence Materials, all of which shall be subject to Tenant's review and approval.

(d) Tenant shall have secured all permits and other governmental approvals necessary to operate the Sewage Disposal System, which are set forth in **Exhibit "C"** attached hereto.

(e) Tenant and Landlord shall have received an opinion from bond counsel to the effect that the lease of the Sewage Disposal System to Tenant will not, in and of themselves, materially impair the tax-exempt status of the interest on the Existing Financing, if any **[delete if NA]**.

ARTICLE IV – LEASE OF SEWAGE DISPOSAL SYSTEM

Section 4.1 Lease of Sewage Disposal System.

Section 4.1.1 In order to enable Tenant to improve, modify, upgrade, operate and maintain the Sewage Disposal System, Landlord leases the Sewage Disposal System to Tenant and Tenant leases the Sewage Disposal System from Landlord for the Term for operation as a Sewage Disposal System. By virtue of this Lease, Landlord intends to convey to Tenant by lease a leasehold interest in all of Landlord's right, title and interest in and to the Sewage Disposal System in order to enable Tenant to operate the Sewage Disposal System as provided herein. Landlord and Tenant acknowledge that the description of the Sewage Disposal System set forth in Exhibit "A" has been compiled from the best available information, has been reviewed by their respective staff and consultants and is believed to be reasonably complete and accurate. Landlord and Tenant agree to cooperate in continuously reviewing the use and description of the Sewage Disposal System and in the event that it is determined that the description of the Sewage Disposal System needs to be amended to conform to the actual use of the Sewage Disposal System or to correct or update the description of the Sewage Disposal System to make it more accurate, Landlord and Tenant shall mutually agree to modify Exhibit "A" as necessary by

executing an amendment thereto to accomplish any of the foregoing purposes and such amendment shall become a part of this Lease; provided that no such amendment shall be delivered if the effect of such amendment is to impair the ability of Tenant to operate the Sewage Disposal System as provided herein. Landlord shall provide Tenant with copies of such documents and records as may be reasonably necessary to effectuate the purpose of this Lease.

Section 4.1.2 By virtue of this Lease, Landlord designates to Tenant, and Tenant acquires, succeeds to and assumes the exclusive right, responsibility and authority to, inter alia, occupy, operate, control, maintain, inspect, plan and use the Sewage Disposal System, including all lands, buildings, improvements, structures, easements, rights of access, fixtures, equipment, materials, furnishings, all other Personal Property and all other privileges and appurtenances comprising or pertaining to the Sewage Disposal System. Tenant shall have all rights and privileges with respect to the Sewage Disposal System as it has or may have with respect to the CSD Infrastructure.

ARTICLE V – OPERATION OF SEWAGE DISPOSAL SYSTEM

Section.5.1 Operation and Maintenance of Sewage Disposal System.

Section 5.1.1 Tenant agrees to operate the Sewage Disposal System pursuant to applicable laws, codes, rules and regulations, for the purpose of furnishing sewer service to Landlord's customers in accordance with Applicable Laws and Prudent Utility Practices, all in a manner so as to provide sewer service to Sewer Customers in the same or an improved manner as was provided by Landlord immediately prior to the Effective Date (collectively, the "Performance Standards"). In connection therewith and in accordance with this Article V, Tenant shall pay all costs of operating, using, repairing, maintaining, replacing, enlarging, extending, and improving the Sewage Disposal System. Tenant shall not cause or permit any waste, damage or injury to the Sewage Disposal System and shall keep the Sewage Disposal System in good condition and repair (reasonable wear and tear, obsolescence and damage by act of God, fire or other causes beyond the control of Tenant excepted).

Section 5.1.2 Landlord hereby grants to Tenant, to the extent that it has the authority and jurisdiction to and/or authorizes Tenant and designates Tenant as its agent for the purposes of applying for sewer system construction permits, as needed, for repairs, replacements, modifications and improvements at the Sewage Disposal System, and authorizes Tenant to file plans and specifications with the DEC and any other applicable governmental agency for all such projects, as Tenant deems necessary; provided that no such modifications shall limit the utilization of the Sewage Disposal System by current Sewer Customers nor eliminate service to any portion of the Sewage Disposal System, except as is needed for repairs or maintenance. Upon execution of this Lease, Landlord shall furnish Tenant with a letter authorizing Tenant to file such plans and specifications with any required governmental agency, including the DEC, for all such projects.

Section 5.1.3 During the Term, Landlord shall be relieved from all further costs and responsibility arising from or associated with the control, operation and maintenance of the Sewage Disposal System, except as otherwise provided in this Lease.

Section 5.2 Improvements to Sewage Disposal System. During the Term, Tenant shall be solely responsible and hereby is granted the authority to make such rehabilitation of and replacements and improvements to the Sewage Disposal System as it determines, in its sole discretion, to be necessary in order to keep the Sewage Disposal System in compliance with the Performance Standards, and to make such capital improvements as Tenant deems necessary in Tenant's sole discretion or as may be set forth in the Capital Improvement Program. Landlord shall have no right or responsibility to make any repairs or otherwise maintain the Sewage Disposal System at any time during the Term. Proposals for the expansion of or additions to the Sewage Disposal System initiated by Landlord may be implemented only after Tenant determines that the Sewage Disposal System and/or CSD Infrastructure has the capacity to accommodate the proposed expansion or addition.

Section 5.3 Liability of the Landlord for Tenant Costs and Expenses. Consistent with this Article V, it is understood and agreed by the PARTIES that Landlord shall be under no obligation to pay any of the costs and expenses incurred by Tenant for the operation, maintenance, management, repair or improvement of the Sewage Disposal System.

Section 5.4 Miscellaneous Provisions Related to Operation, Maintenance and Improvement of Sewage Disposal System.

Section 5.4.1 Landlord hereby provides to Tenant without the requirement for any other application, permit request or any other action, unlimited permission to use streets, highways, alleys, and/or easements for the purpose of improving, modifying, operating and maintaining and constructing improvements to the Sewage Disposal System. In the event of such construction, Tenant shall request Landlord assist in obtaining any other rights-of-way not provided by the Landlord to any streets, highways, and alleys as may be reasonably required by Tenant. Tenant shall inform Landlord and coordinate with Landlord's highway department for any traffic pattern modifications or impairments required by any construction work. Tenant and Landlord shall meet to review the construction and its impact on their respective operations. Tenant shall restore all existing structures and/or improvements laying in the right-of-way of construction to as good a condition as before the construction took place. The improvements shall become part of the Sewage Disposal System.

Section 5.4.3 Where possible, each party shall give the other party access to towers and antennas under its respective jurisdiction for the purpose of transmitting information recorded in metering facilities. Access shall not be unreasonably denied by either party.

ARTICLE VI – PAYMENTS

Section 6.1 Lease Payment.

Section 6.1.1 Lease Payment. Tenant shall pay Landlord for the lease of the Sewage Disposal System during the Term, a Lease Payment in the annual amount of One Dollar (\$1.00), payable on or before January 15th of each year of the Term.

ARTICLE VII – ASSIGNMENT AND ASSUMPTION OF RIGHTS AND LIABILITIES

Section 7.1 Assignment by Tenant. Tenant may not assign this Lease, in whole or in part, or otherwise transfer or encumber Tenant’s leasehold estate without consent of Landlord, which consent shall not be unreasonably withheld; provided however, that no Landlord consent shall be required if Tenant assigns this Lease to an authority or other legal entity duly constituted to take on the obligations set forth herein and such entity assumes all of the obligations under the Lease. Upon any permitted assignment and assumption, Tenant shall be released from any obligation or liability to Landlord for the performance of all of Tenant’s covenants and obligations under this Lease arising from and after the date of such assignment.

Section 7.2 General Assumption by Tenant. Tenant hereby assumes, accepts and becomes liable for all other lawful obligations, promises, covenants, commitments and other requirements of Landlord in respect of the Sewage Disposal System, whether known or unknown, contingent or matured, and shall perform all of the duties and obligations and shall be entitled to all of the rights of Landlord in respect of the Sewage Disposal System under any ordinances, agreements or other instruments and under law. Consistent with this Article VII, this assumption includes, and there shall be transferred to Tenant all licenses, permits, approvals or awards related to the Sewage Disposal System, all grant agreements, all grant pre-applications, the right to receive the balance of any funds payable by third parties under the agreements, the right to receive any amounts payable by third parties to Landlord on the Effective Date and amounts paid to Landlord after the Effective Date, as well as the benefit of contracts and agreements, and all of Landlord’s duties, liabilities, responsibilities and obligations with respect to the Sewage Disposal System, except for any obligations or liabilities being contested in good faith by Tenant until such time as resolved.

ARTICLE VIII – INSURANCE

Section 8.1 Insurance. From and after the Effective Date, Tenant shall, at its own expense, obtain and maintain public liability insurance (covering bodily and personal injury, property damage and contractual liability), automobile liability insurance and worker’s compensation insurance for the operation of the Sewage Disposal System and, to the extent if any that it deems it appropriate to, keep the Sewage Disposal System insured against any casualty loss, in commercially reasonable amounts, provided that Tenant shall not be required to carry a particular type of insurance coverage as set forth in this Section 8.1 during any period that such insurance is not available in the insurance market of the United States at commercially reasonable rates.

All such insurance shall name Landlord as an insured or an additional insured and as a certificate holder, as its interests may appear. Such coverage and policies shall not be materially modified or terminated without at least thirty (30) days’ prior written notice to Landlord, unless comparable coverage is provided under the modified policy or in a replacement policy. Upon Landlord’s request no more frequently than once a year, Tenant shall provide Landlord with copies of certificates of insurance showing the premiums fully paid and copies of the policies, including any endorsements.

The insurance required of Tenant by this Lease in the amounts, with the coverage and other features herein required, may be supplied by a self-insurance program of Tenant; provided that such self-insurance program will provide the coverage required herein.

Notwithstanding, the foregoing insurance requirements shall not be applicable for as long as Tenant elects to self-insure.

Section 8.2 Destruction or Taking of Sewage Disposal System.

(a) If during the Term, any portion of the Sewage Disposal System is damaged or destroyed by fire or other casualty, Tenant shall repair, restore, rebuild or replace the damaged or destroyed portion of the Sewage Disposal System and complete the same as soon as reasonably possible, to at least the condition they were in prior to such damage or destruction, except for obsolescent Facility or changes in design or materials as may then be necessary to achieve the Performance Standards.

(b) In the event of any taking of the Sewage Disposal System or any part thereof in or by condemnation or other eminent domain proceedings pursuant to any Applicable Laws, or by reason of the temporary requisition of the use or occupancy of the Sewage Disposal System or any part thereof by any governmental entity (each a "Taking"), Tenant shall promptly notify Landlord upon receiving notice of such Taking or commencement of proceedings therefor. Tenant shall then, if requested by Landlord, file or defend its claim thereunder and prosecute the same with due diligence to its final disposition. Subject to the terms of any applicable Master Bond Ordinance, all proceeds or any award or payment in respect of any taking are hereby assigned and shall be paid to Tenant, and Tenant is permitted to take all steps reasonably necessary in its discretion to notify the condemnor of such assignment. Such award or payment shall be applied to the Sewage Disposal System as necessary to achieve the Performance Standards.

(c) If the Sewer Disposal System or any portion thereof shall be in whole or in part destroyed or damaged as a result of any cause whatsoever, or a Taking occurs with respect to the Sewage Disposal System or any portion thereof, there shall be no abatement, diminution or reduction in any Lease Payment payable hereunder.

(d) Landlord agrees that it shall not commence any proceedings against the Sewage Disposal System that would constitute a Taking of all or any part of the Sewage Disposal System if the effect of such Taking is to render it impracticable for the Sewage Disposal System to furnish sewer service to Tenant's customers in accordance with the Performance Standards.

ARTICLE IX – EVENTS OF DEFAULT AND REMEDIES

Section 9.1 Events of Default. The term "Event of Default" means, whenever used in this Lease, the occurrence of any one of the following events on or after the Effective Date:

(a) Tenant's failure to pay any Lease Payment within thirty (30) days after receipt of written notice from Landlord.

(b) Landlord's or Tenant's failure to fully perform and comply with any of the terms, conditions or provisions of this Lease, other than as set forth in 9.1(a) above, within ninety (90) days after delivery to Tenant of a written notice from Landlord or a written notice to Landlord from Tenant specifying such failure, or, if such cure or correction cannot reasonably be accomplished during such 90-Day period, failure to fully perform and comply within such longer period as is reasonably required to accomplish such cure or correction, provided the party receiving the notice has commenced such cure or correction within 90 Days of said written notice and diligently prosecutes the same to completion.

Section 9.2 Remedies.

(a) If an Event of Default set forth in Section 9.1(a) or (b) occurs, Landlord shall have all rights and remedies available to Landlord at law or in equity, including specific performance.

(b) Landlord's or Tenant's failure to insist upon the strict performance of any agreement, term, covenant or condition of this Lease or to exercise any right or remedy for breach of or Event of Default under this Lease shall not constitute a waiver of any such breach or Event of Default. No waiver of any breach or Event of Default shall affect or alter this subsection and every term, covenant, condition and provision of this Lease shall continue in full force and effect with respect to any other then existing or subsequent breach or Event of Default.

(c) Each right and remedy provided in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or later existing at law or in equity either by statute or otherwise. Landlord's or Tenant's exercise of any one or more of its rights or remedies shall not preclude Landlord's or Tenant's simultaneous or later exercise of any or all of its other rights or remedies hereunder.

ARTICLE X – COVENANTS OF LANDLORD AND TENANT

Section 10.1 Covenants of Landlord. Throughout the Term, Landlord covenants and agrees as follows:

- (a) Landlord shall not create, assume or suffer to exist, directly or indirectly, any lien, encumbrance or security interest of any kind on the Sewage Disposal System.
- (b) Landlord shall take all action reasonably necessary to cure any defects in title to the Sewage Disposal System, and at the request of Tenant, shall grant any license, easement or right-of-way in connection with the Sewage Disposal System to the extent Tenant has not been empowered to take these actions. *The expense of curing any such title defects shall be borne by Landlord.*

- (c) Landlord shall, to the extent reasonably requested by Tenant, cooperate with and assist Tenant in assigning, transferring or obtaining, as the case may be, any permits that are necessary for the operation by Tenant of the Sewage Disposal System.
- (d) Landlord shall, to the extent reasonably requested by Tenant, grant Tenant the right to receive any grant proceeds to which Landlord would otherwise be entitled in respect of the Sewage Disposal System, and to cooperate in all reasonable respects with Tenant in making application for such proceeds.
- (e) If, as of the Effective Date, Landlord has commenced planning or construction of and repairs or capital improvements to any part of the Sewage Disposal System, Landlord shall, with Tenant's review and approval of all plans, be obligated to complete such repairs or improvements and shall not withhold, condition or delay any action necessary to complete the repairs or capital improvements in accordance with its obligations under Applicable Laws.
- (f) Landlord shall immediately deliver to Tenant any notices received by Landlord from any governmental authority or agency or any third party related to the Sewer System or the Sewage Disposal System.
- (g) Landlord shall immediately deliver to Tenant any notice, written or oral, received by Landlord related to any problems, issues or damage to the Sewage Disposal System.
- (h) It is the expectation of the Tenant that, upon the retirement of Existing Financing or sufficient Current Surplus to pay any Existing Financing obligations, it shall no longer be necessary for Landlord to charge users for sewer service.

Section 10.2 Covenants of Tenant. Throughout the Term, Tenant covenants and agrees as follows:

(a) Tenant shall not take any action to impair the rights or remedies of the holders of the Existing Financings, if applicable. In the event Tenant has assumed the obligations under the Existing Financing, then from and after the Effective Date, Tenant shall pay when due all of the principal of and interest and any other amounts due on the Existing Financing.

(b) Tenant shall cooperate fully with Landlord in obtaining any permits necessary for the operating of the Sewage Disposal System and for any improvements under the Capital Improvement Program.

ARTICLE XI – COMPLIANCE WITH ENVIRONMENTAL LAWS

Section 11.01 Representation and Warranty.

Landlord represents and warrants to the best of Landlord's knowledge and except as disclosed by Landlord to Tenant that no Hazardous Substances are located at the Real Property.

Tenant acknowledges receipt of the environmental reports regarding the condition of the Real Property, as set forth on Exhibit “E”.

Landlord agrees that if any Hazardous Substances are released, discharged or disposed of by any party, other than Tenant or Tenant’s agents, contractors, employees or invitees on or about the Real Property in violation of the foregoing provision, Landlord shall immediately, properly and in accordance with applicable laws, clean up and remove the Hazardous Substances from the Real Property at Landlord’s sole expense

Section 11.02 Tenant Compliance.

Tenant agrees to conduct Tenant’s business and operations in compliance with all Environmental Laws and, to the extent that it uses any Hazardous Substances in connection with such business and operations, to use them in full compliance with the Environmental Laws. Tenant agrees to give Landlord written notice of all Hazardous Substances used by Tenant in its business and operations. Tenant agrees to give Landlord immediate telephone notice and written notice within twenty-four (24) hours if Tenant causes or becomes aware of the use or presence of Hazardous Materials not in compliance with Environmental Laws at the Real Property. Tenant agrees that if any Hazardous Substances are released, discharged or disposed of by Tenant or its employees, agents, contractors or invitees on or about the Real Property in violation of the foregoing provision, Tenant shall immediately, properly and in accordance with applicable laws, clean up and remove the Hazardous Substances from the Real Property at Tenant’s sole expense. Tenant agrees to protect, defend, indemnify and hold harmless Landlord from and against any and all claims, actions, damages, liability, and expense which arise out of the use, discharge, handling, transportation, disposal, treatment, generation, storage, or sale of Hazardous Substances by Tenant or Tenant’s agents, contractors, employees or invitees.

Section 11.03 Landlord Compliance.

Landlord agrees to conduct Landlord’s business and operations in compliance with all Environmental Laws and, to the extent that it uses any Hazardous Substances in connection with such business and operations, to use them in full compliance with the Environmental Laws. Landlord agrees to use best efforts to give Tenant written notice of all Hazardous Substances used by Landlord in its business and operations that may directly or indirectly impact the Tenant’s operation of the Sewage Disposal System. Landlord agrees to give Tenant immediate telephone notice and written notice within twenty-four (24) hours if Landlord causes or becomes aware of the use or presence of Hazardous Materials not in compliance with Environmental Laws at the Real Property. Landlord agrees to protect, defend, indemnify and hold harmless Tenant from and against any and all claims, actions, damages, liability, and expense which arise out of the use, discharge, handling, transportation, disposal, treatment, generation, storage, or sale of hazardous materials by Landlord or Landlord’s agents, contractors, employees or invitees.

ARTICLE XII – INDEMNIFICATION

Section 12.01 By Tenant.

Except for negligent or willful acts or omissions of Landlord and Landlord's agents, employees and invitees, Tenant agrees to (i) indemnify and save Landlord harmless from and against any and all liabilities, losses, damages, costs, expenses, suits, judgments and claims by or on behalf of any person, firm, corporation or governmental authority, for injury or damage to person or property, of any nature and howsoever caused, arising during the Term and out of the use, occupation, operation, possession or control by Tenant of the Real Property; and (ii) indemnify and save Landlord harmless from any and all liability arising from any failure by Tenant to perform any of the terms, covenants or conditions of this Lease on Tenant's part to be performed. Tenant's obligations to indemnify and hold harmless under this Article XII or elsewhere in this Lease shall survive the termination of this Lease.

Section 12.02 By Landlord.

Except for negligent or willful acts or omissions of Tenant and Tenant's agents, employees and invitees, Landlord agrees to (i) indemnify and save Tenant harmless from and against any and all liabilities, losses, damages, costs, expenses, suits, judgments and claims by or on behalf of any person, firm, corporation or governmental authority, for injury or damage to person or property, of any nature and howsoever caused, arising during the Term and out of the use, occupation, operation, possession or control by Landlord of the Real Property; and (ii) indemnify and save Tenant harmless from any and all liability arising from any failure by Landlord to perform any of the terms, covenants or conditions of this Lease on Landlord's part to be performed. Landlord's obligations to indemnify and hold harmless under this Article XII or elsewhere in this Lease shall survive the termination of this Lease.

ARTICLE XIII – MISCELLANEOUS

Section 13.1 Amendment to Lease. This Lease may be amended from time to time by agreement of Landlord and Tenant. Any such amendment shall not be effective unless the amendment is in writing and is duly executed by Landlord and Tenant.

Section 13.2 No Personal Liability. The covenants and obligations made, assumed by or imposed upon Landlord and Tenant in this Lease are those of Landlord or Tenant and not of any agent, officer or employee of Landlord or any trustee, agent, officer or employee of Tenant in his or her individual capacity and no recourse shall be had for the payment of the Lease Payment or any other moneys required to be paid by this Lease or for the performance of any other obligation required of Landlord or Tenant under this Lease against any agent, officer or employee of Landlord or any trustee, agent, officer or employee of Tenant or any person executing or attesting to this Lease.

Section 13.3 Notices. All notices, certificates or other communications under this Lease shall be sufficiently given when mailed by registered or certified mail, postage prepaid, return receipt requested, or by a nationally recognized courier for next day delivery, addressed to Landlord and Tenant, as the case may be, at Landlord's Address and Tenant's Address, respectively. Landlord and Tenant may by written notice designate any further or different addresses to which subsequent notices, certificates or communications shall be sent.

Section 13.4 Entire Agreement. This Lease contains all agreements between the PARTIES with respect to the Sewage Disposal System, and there are no other representations, warranties, promises, agreements or understandings, oral, written or inferred, between the PARTIES, unless reference is made thereto herein.

Section 13.5 Severability. If any clause, provision or section of this Lease shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

Section 13.6 No Assignment. Neither party may assign this Lease or any of its rights hereunder, except as otherwise set forth herein.

Section 13.7 Force Majeure. Any delay or failure in the performance by either party hereunder shall be excused if and to the extent caused by the occurrence of a Force Majeure event. For purposes of this Lease, Force Majeure shall mean a cause or event that is not reasonably foreseeable or otherwise caused by or under the control of the party claiming Force Majeure, including acts of God, fires, floods, explosions, riots, wars, tornado, sabotage, terrorism, vandalism, accident, restraint of government, governmental acts, injunctions, labor strikes, other than those of the claiming party or its suppliers, that prevent the claiming party from furnishing the materials or equipment, and other like events that are beyond the reasonable anticipation and control of the party affected thereby, despite such party's reasonable efforts to prevent, avoid, delay, or mitigate the effect of such acts, events or occurrences, and which events or the effects thereof are not attributable to a party's failure to perform its obligations under this Lease.

Section 13.8 Execution in Counterparts. This Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

Section 13.9 Waiver. The waiver by Landlord of any breach by Tenant of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof. The waiver by Tenant of any breach by Landlord of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition hereof.

Section 13.10 Estoppel Certificates. Tenant agrees that, at any time and from time to time upon thirty (30) days prior written request by Landlord, Tenant will execute, acknowledge and deliver to Landlord a statement in writing stating that this Lease is unmodified and in full force and effect (or, if there have been modifications, stating the modifications and that this Lease as so modified is in full force and effect), the dates to which the Lease Payments has been paid, and whether Landlord has defaulted in the performance of any of its obligations under the terms of this Lease.

Section 13.11 Captions. The captions or headings in this Lease are for convenience only and in no way define, limit the scope or intent of any provision of this Lease.

Section 13.12 Applicable Law. This Lease shall be governed in all respects, whether as to validity, construction, performance or otherwise, by the laws of the State of New York. Venue shall be in the federal and/or state courts of Onondaga County, New York.

Section 13.13 Quiet Enjoyment. Landlord covenants that Tenant, upon compliance with the terms of this Lease, shall peacefully and quietly have and hold and enjoy the Sewage Disposal System for the Term herein provided, subject to any and all rights of Landlord under this Lease.

Section 13.14 Binding Effect. This Lease shall inure to the benefit of and be binding upon the respective PARTIES hereto and their successors and assigns.

IN WITNESS WHEREOF, Landlord and the Tenant have executed this Lease by its duly authorized officers as of the day and year first above written.

LANDLORD:

By: _____

Title: _____

TENANT:

COUNTY OF ONONDAGA

By: _____

Title: _____

EXHIBIT "A"
Real Property

EXHIBIT "B"

EXHIBIT "C"
All permits and other governmental approvals necessary to operate the Sewage Disposal System

EXHIBIT "D"

EXHIBIT "E"
Environmental Reports

EXHIBIT "F"
Existing Financing Agreement