

INDUCEMENT RESOLUTION
(Claxton-Hepburn Medical Center)

A regular meeting of the St. Lawrence County Industrial Development Agency (the "Issuer") was convened in public session on Tuesday, August 29, 2006, at 8:05 a.m. local time, at Best Western University Inn, 90 East Main Street, Canton, New York.

The meeting was called to order by the Vice-Chairman, with the following members being:

MEMBER	PRESENT	ABSENT
Walter Basmajian		X
Lynn Blevins	X	
R. Shawn Gray		X
Jon R. Greenwood	X	
Ernest LaBaff	X	
Brian Staples	X	
R. Joseph Weekes, Jr.	X	

(Arrived at 8:24 AM)

Also Present: Raymond Fountain, CEO; Patrick Kelly, Deputy Director; Rich Williams, Facilities Manager; Brian Norton, Economic Developer; Natalie Haggart, Administrative Assistant; William R. Small, Esq., Agency Counsel; and Justin Miller, Esq.,(Harris Beach PLLC), Bond Counsel.

After the meeting had been duly called to order, it is noted that Chairman Brian Staples arrived at 8:24 AM and assumed the duty of presiding over this meeting. The Chairman announced that among the purposes of the meeting was to consider and take action on certain matters pertaining to a proposed project for Claxton-Hepburn Medical Center.

On motion duly made by Mr. LaBaff and seconded by Mr. Blevins, the following resolution was placed before the members of the St. Lawrence County Industrial Development Agency:

Resolution No. 08-09-12

RESOLUTION TAKING OFFICIAL ACTION TOWARDS THE ISSUANCE OF UP TO \$20,000,000 PRINCIPAL AMOUNT CIVIC FACILITY REVENUE BONDS (CLAXTON-HEPBURN MEDICAL CENTER PROJECT), SERIES 2006, FOR THE PURPOSE OF FINANCING A CERTAIN PROJECT (AS MORE FULLY DESCRIBED BELOW) FOR THE BENEFIT OF CLAXTON-HEPBURN MEDICAL CENTER (THE "HOSPITAL"); DETERMINING COMPLIANCE WITH THE STATE ENVIRONMENTAL QUALITY REVIEW ACT WITH RESPECT TO SUCH PROJECT; DESCRIBING THE FORMS OF FINANCIAL ASSISTANCE BEING CONTEMPLATED BY THE ISSUER WITH RESPECT TO SUCH PROJECT; AND AUTHORIZING A PUBLIC HEARING WITH RESPECT TO SUCH PROJECT

WHEREAS, by Title 1 of Article 18-A of the General Municipal Law of the State of New York, as amended, and Chapter 358 of the Laws of 1971 of the State of New York, (hereinafter collectively called the "Act"), the St. Lawrence County Industrial Development Agency (hereinafter called the "Issuer") was created with the authority and power to promote, develop, encourage and assist in acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing industrial, manufacturing, warehousing, commercial, civic, research, and recreational facilities as authorized by the Act, and in connection therewith to issue its revenue bonds, enter into straight lease transactions and provide other forms of financial assistance; and

WHEREAS, Claxton-Hepburn Medical Center (the "Hospital"), a New York not-for-profit corporation, having offices at 214 King Street, Ogdensburg, New York, has submitted an application (the "Application") to the Issuer requesting that the Issuer issue its civic facility revenue bonds in one or more issues or series in an aggregate principal amount not to exceed \$20,000,000 (the "Bonds") for the purpose of financing a certain project (the "Project") consisting of:

(A) the refunding of all or a portion of the Issuer's \$12,450,000 original principal amount Civic Facility Revenue Bonds (Hepburn Medical Center Project—Letter of Credit Secured), Series 1999 (the "Series 1999 Bonds"), the proceeds of which were used to finance a certain project (the "Series 1999 Project") consisting of: (1) the acquisition by the Issuer of an interest in the Hospital's existing medical center facility located on a two-block parcel of land, bordered by King Street, Ford Avenue, Ogden Avenue and Mansion Avenue, in the City of Ogdensburg, St. Lawrence County, New York (the "Land"), and the existing improvements thereon, consisting principally of approximately 153,600 square feet of building space contained collectively in the buildings constructed in 1918, 1919, 1960 and 1975 and used for hospital-related services; (2) the construction of (i) an approximately 26,000 square-foot, three-story addition to the northeast end of the 1960 building, to be used to house, among other things, ambulatory services, a medical/surgical replacement nursing unit, kitchen, dining and servery facilities, and new mechanical and electrical service infrastructure upgrades and (ii) an approximately 4,900 square foot addition connecting the 1960 and 1975 buildings to be used as an additional support area for medical/surgical beds and to house an expansion of radiology services; (3) the renovation and reconstruction of approximately 42,300 square feet of existing building space consisting of (i) the renovation of the second floor of the 1975 building to provide for a 21-bed medical/surgical unit and the renovation of a portion of the first floor to house an enhanced emergency department, (ii) the reconstruction of the existing King Street entrance and the installation thereon and therein of a new curb and hydraulic elevator and (iii) the renovation of the first floor of the 1960 building to provide for an improved lobby, registration facilities and ambulatory functions; and (4) the acquisition and installation of certain machinery, equipment and other items of tangible personal property (said buildings and improvements situated on the Land being hereinafter collectively referred to as the "Improvements"; said machinery, equipment and other items of tangible personal property being hereinafter referred to as the "Equipment"; and the Land, the Improvements and the Equipment being hereinafter referred to as the "Series 1999 Facility");

(B) (B)(1) the acquisition or retention by the Issuer of fee title to or other interest in the Series 1999 Facility; (2) the construction of an approximately 5,128 square-foot one-story

addition to the first floor of the 1999 Facility to house a new ambulatory outpatient surgery area including two new surgical suites and an expansion of the Hospital's Outpatient Imaging services, an approximately 8,243 square-foot expansion of the third floor of the 1999 Facility to house activities space, office space and related amenities for the Hospital's Mental Health Center, and an approximately 8,243 square-foot expansion of the fourth floor of the 1999 Facility to house a new 10-bed obstetrics unit (collectively, the "Improvements"); (3) the acquisition of and installation in and around the Improvements of certain items of machinery, equipment, furniture and other tangible personal property (the "Equipment" and, collectively with the Improvements and the 1999 Facility, the "Facility");

(C) paying certain costs and expenses incidental to the issuance of the Bonds;

(D) the funding of a debt service reserve fund to secure the Bonds (the costs associated with items (A) through (D) above being hereinafter collectively referred to as the "Project Costs"); and

(E) the lease (with an obligation to purchase) or sale of the facilities financed with the Bonds to the Hospital or such other person as may be designated by the Hospital and agreed upon by the Issuer; and

WHEREAS, the Issuer is contemplating providing financial assistance to the Hospital with respect to the Project (collectively, the "Financial Assistance") in the form of: (A) the issuance of the Bonds in an amount not to exceed the lesser of the Project Costs or \$20,000,000 and (B) the grant of one or more qualifying mortgage liens on the Land (or such interest therein as is conveyed to the Issuer) and the Improvements to secure the Bonds (the "Mortgages"), which Mortgages would be exempt from all mortgage recording taxes imposed by New York State and any political subdivision thereof; and

WHEREAS, the Hospital reasonably expects that it will (1) pay or incur certain capital expenditures in connection with the Project prior to the issuance of the Bonds, (2) use funds from sources other than proceeds of the Bonds which are or will be available on a short-term basis to pay for such capital expenditures, and (3) reimburse itself for the use of such funds with proceeds of the Bonds; and

WHEREAS, the City of Ogdensburg Department of Planning and Development issued a negative declaration dated July 11, 2006 (the "Negative Declaration") under Article 8 of the Environmental Conservation Law and Regulations adopted pursuant thereto by the Department of Environmental Conservation of the State (collectively, "SEQR") with respect to the Project, a copy of which is attached hereto as Exhibit A; and

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ST. LAWRENCE COUNTY INDUSTRIAL DEVELOPMENT AGENCY AS FOLLOWS:

Section 1. Based upon the representations made by the Hospital to the Issuer in the Application and otherwise by the members at this meeting the Issuer hereby finds and determines that:

(A) By virtue of the Act, the Issuer has been vested with all powers necessary and convenient to carry out and effectuate the purposes and provisions of the Act and to exercise all powers granted to it under the Act; and

(B) It is desirable and in the public interest for the Issuer to (i) retain or acquire title to or other interest in the Facility, (ii) lease or sell the Issuer's interest in the land, improvements and equipment constituting the Facility to the Hospital pursuant to a lease agreement or sale agreement to be negotiated, and (iii) issue the Bonds to finance the Project Costs; and

(C) The Issuer has the authority to take the actions contemplated herein under the Act; and

(D) The action to be taken by the Issuer will induce the Hospital to undertake the Project, thereby increasing employment opportunities in St. Lawrence County and otherwise furthering the purposes of the Issuer as set forth in the Act; and

(E) The Project will not result in the removal of a civic, commercial, industrial, or manufacturing plant of the Hospital or any other proposed occupant of the Project from one area of the State to another area of the State or result in the abandonment of one or more plants or facilities of the Hospital or any other proposed occupant of the Project located within the State; and the Issuer hereby finds that, based on the Hospital's Application, to the extent occupants are relocating from one plant or facility to another, the Project is reasonably necessary to discourage the Project occupants from removing such other plant or facility to a location outside the State and/or is reasonably necessary to preserve the competitive position of the Project occupants in their respective industries.

Section 2. Based upon a review of the Application and the SEQR Proceedings submitted to the Issuer, the Issuer hereby:

(i) consents to and affirms the status of the City of Ogdensburg Department of Planning and Development as Lead Agency for the Project, within the meaning of, and for all purposes of complying with SEQR;

(ii) determines that the proceedings undertaken by the City of Ogdensburg Department of Planning and Development under SEQR with respect to the acquisition, construction and equipping of the Facility satisfy the requirements of SEQR; and

(iii) ratifies such proceedings by the City of Ogdensburg Department of Planning and Development as Lead Agency; and

(iv) determines that all of the provisions of SEQR that are required to be complied with as a condition precedent to the approval of the Financial Assistance contemplated by the Issuer with respect to the Project and the participation by the Issuer in undertaking the Project have been satisfied. This determination constitutes a negative declaration for purposes of SEQR.

Section 3. This resolution shall authorize the Issuer to hold a public hearing as required by Article 18-A of the New York State General Municipal Law and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

Section 4. The proposed Financial Assistance being contemplated by the Issuer includes (i) financing all or a portion of the Project Costs by the issuance of the Bonds in an aggregate principal amount not to exceed the lesser of the Project Costs or \$20,000,000, and (ii) providing an exemption from all mortgage recording taxes with respect to any qualifying mortgage on the Facility (or such interest in the Facility as is conveyed to the Issuer) to secure the Bonds; and

Section 5. The granting of the Financial Assistance, as contemplated by Section 3 of this Resolution, shall be subject to:

(A) agreement by the Issuer, the Hospital and the purchaser of the Bonds on mutually acceptable terms for the Bonds and for the sale and delivery thereof and mutually acceptable terms and conditions for the security for the payment thereof; and

(B) holding a public hearing as required by Article 18-A of the New York State General Municipal Law and Section 147(f) of the Internal Revenue Code; and

(C) approval of the issuance of the Bonds by the applicable elected representative of St. Lawrence County, New York, in accordance with the provisions of Section 147(f) of the Code.

Section 6. The Hospital is hereby authorized to conduct such environmental, engineering, economic, feasibility and other studies and preliminary planning and budgetary processes necessary or convenient to enable the Issuer to make its final determination whether to approve the Financial Assistance, and the Hospital is further authorized to advance such funds as may be necessary for such purpose, subject, to the extent permitted by law, to reimbursement from the proceeds of the sale of the Bonds, if the Bonds are issued.

Section 7. With respect to the issuance of the Bonds, the law firm of Harris Beach PLLC of Rochester, New York, is hereby appointed Bond Counsel.

Section 8. Counsel to the Issuer and Bond Counsel are hereby authorized to work with counsel to the Hospital and others to prepare for submission to the Issuer, all documents necessary to effect the authorization, issuance and sale of the Bonds, and reimbursement of the cost of all such work prior to the date hereof is hereby authorized to the extent permitted by the Code. The Issuer hereby authorizes the underwriter of the Bonds to prepare and distribute an official statement, private placement memorandum or other similar marketing document with respect to the initial sale of the Bonds, in such form as approved by Issuer and Bond Counsel (the "Offering Document"). The Chairman, Vice Chairman and Chief Executive Officer of the Issuer are hereby authorized to execute and deliver the Offering Document.

Section 9. This Resolution shall constitute the adoption of "official intent" (within the meaning of the United States Treasury Regulations Section 1.150-2(d)) with respect to issuance of the Bonds and the original expenditures which are reasonably expected to be reimbursed from the proceeds of the Bonds.

Section 10. The Executive Director of the Issuer and Counsel to the Issuer are hereby authorized and directed to distribute copies of this Resolution to the Hospital and to do such further things or perform such acts as may be necessary or convenient to implement the provisions of this Resolution.

Section 11. This Resolution shall take effect immediately after adoption.

The question of the adoption of the foregoing Resolution was duly put to vote on roll call, which resulted as follows:

MEMBER	AYE	NAY	ABSTAIN	ABSENT
Walter Basmajian				X
Lynn Blevins	X			
R. Shawn Gray				X
Jon R. Greenwood	X			
Ernest LaBaff	X			
Brian Staples	X			
R. Joseph Weekes, Jr.	X			

The foregoing Resolution was thereupon declared duly adopted.

SECRETARY'S CERTIFICATION

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

I, the undersigned Secretary of the Issuer DO HEREBY CERTIFY THAT:

1. I have compared the foregoing copy of a resolution of the Issuer with the original thereof on file in the office of the Issuer, and that the same is a true and correct copy of such resolution and of the proceedings of the Issuer in connection with such matter.

2. Such resolution was passed at a meeting of the Issuer duly convened in public session on the 29th day of August, 2006 at 8:05 a.m., at Best Western University Inn, 90 East Main Street, Canton, New York, at which the following members were present:

MEMBER	PRESENT	ABSENT
Walter Basmajian		X
Lynn Blevins	X	
R. Shawn Gray		X
Jon R. Greenwood	X	
Ernest LaBaff	X	
Brian Staples	X	
R. Joseph Weekes, Jr.	X	

(Arrives at 8:24 AM)

3. The question of the adoption of the foregoing resolution was duly put to a vote on roll call which resulted follows:

MEMBER	AYE	NAY	ABSTAIN	ABSENT
Walter Basmajian				X
Lynn Blevins	X			
R. Shawn Gray				X
Jon R. Greenwood	X			
Ernest LaBaff	X			
Brian Staples	X			
R. Joseph Weekes, Jr.	X			

and therefore, the resolution was declared duly adopted.

I FURTHER CERTIFY that (i) all members of the Issuer had due notice of said meeting, (ii) pursuant to Sections 103a and 104 of the Public Officers Law (Open Meetings Law), said meeting was open to the general public and public notice of the time and place of said meeting was duly given in accordance with such Sections 103a and 104, (iii) the meeting in all respects was duly held, and (iv) there was a quorum present throughout.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the 29th day of August, 2006.

(Mr.) Lynn Blevins
Secretary

[SEAL]

EXHIBIT A

Negative Declaration of the City of Ogdensburg
Department of Planning and Development

ATTACHED NEXT PAGE