

OFFERING CIRCULAR

NEW ISSUE – Book Entry Only

**Moody's Rating: A1/VMIG1
(Sec Rating)**

In the opinion of Harris Beach LLP, Rochester, New York, Bond Counsel, under existing statutes, regulation, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2003A Bonds accruing prior to the Conversion Date is not includable in gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2003A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of New York and its political subdivisions (including The City of New York). See "TAX MATTERS" herein regarding certain other tax considerations.

\$8,000,000
SCHENECTADY COUNTY INDUSTRIAL DEVELOPMENT AGENCY
MULTI-MODE VARIABLE RATE
DEMAND CIVIC FACILITY REVENUE BONDS
(SUNNYVIEW HOSPITAL AND REHABILITATION CENTER PROJECT), SERIES 2003A

The Schenectady County Industrial Development Agency (the "Issuer"), will issue its Multi-Mode Variable Rate Demand Civic Facility Revenue Bonds (Sunnyview Hospital and Rehabilitation Center Project), Series 2003A (the "Series 2003A Bonds") in the aggregate principal amount of \$8,000,000. The Series 2003A Bonds will be dated as of the date of their original issuance and delivery, will be priced at 100% and will mature on August 1, 2033. The Series 2003A Bonds will bear interest initially at the Weekly Rate, from the date of their delivery, payable on the first Thursday of each February, May, August and November, commencing on the Interest Payment Date in August, 2003 or from the most recent Interest Payment Date to which interest has been paid. The final Interest Payment Date for the Series 2003A Bonds shall be the maturity date.

The Series 2003A Bonds are being issued for the benefit of Sunnyview Hospital and Rehabilitation Center, a New York not-for-profit corporation (the "Hospital"), to assist in (i) financing the costs of acquiring, constructing and equipping land and facilities located at 1270 Belmont Avenue in the City of Schenectady, Schenectady County, New York and (ii) the refinancing of a portion of certain existing indebtedness of the Hospital, as more fully described under "THE PROJECT" herein.

The Series 2003A Bonds are special obligations of the Issuer payable solely out of the revenues and other receipts, funds or moneys of the Issuer pledged therefor or otherwise available to the Trustee for the payment thereof, including those derived under an Installment Sale Agreement (the "Installment Sale Agreement") between the Issuer and the Hospital, and funds drawn under an irrevocable direct pay letter of credit (the "Letter of Credit") issued by

KEYBANK NATIONAL ASSOCIATION

pursuant to the Letter of Credit Reimbursement Agreement (the "Reimbursement Agreement"). The Letter of Credit will permit the Trustee to draw with respect to the Series 2003A Bonds up to (a) an amount sufficient to pay the principal thereof (or that portion of the Purchase Price corresponding to principal), plus (b) an amount equal to 98 days' interest thereon (calculated at a maximum rate of 8% per annum) to pay interest (or that portion of the Purchase Price corresponding to interest), all as described herein. The Letter of Credit will expire on August 22, 2008 or on such earlier date as described herein. While the Series 2003A Bonds bear interest at the Weekly Rate or the Semi-Annual Rate, they shall be subject to mandatory purchase upon any replacement, removal or other substitution of the then current Credit Facility Issuer. While the Series 2003A Bonds bear interest in the Long-Term Rate Mode, unless the Letter of Credit is extended or replaced with a Qualifying Alternate Credit Facility, as described herein, the Series 2003A Bonds will be subject to mandatory purchase prior to the termination of the Letter of Credit.

THE SERIES 2003A BONDS WILL BE PURCHASED ON THE DEMAND OF THE OWNERS THEREOF AT THE TIMES AND SUBJECT TO THE CONDITIONS DESCRIBED HEREIN. THE SERIES 2003A BONDS WILL ALSO BE SUBJECT TO MANDATORY PURCHASE AND OPTIONAL AND MANDATORY REDEMPTION PRIOR TO MATURITY AND TO ACCELERATION, ALL AS DESCRIBED HEREIN.

The Series 2003A Bonds are issuable as fully registered Series 2003A Bonds in denominations of \$100,000 or any larger denomination constituting an integral multiple of \$5,000. The Series 2003A Bonds will be issued initially under a book-entry system, registered in the name of Cede & Co., as registered Bondholder and nominee for The Depository Trust Company ("DTC"). Purchasers of book-entry interests in the Series 2003A Bonds will not receive certificates representing their interest in the Series 2003A Bonds. See the caption "BOOK-ENTRY-ONLY SYSTEM" herein.

THE SERIES 2003A BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR SCHENECTADY COUNTY, NEW YORK AND NEITHER THE STATE OF NEW YORK NOR SCHENECTADY COUNTY, NEW YORK, SHALL BE LIABLE THEREON. THE SERIES 2003A BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR SCHENECTADY COUNTY, NEW YORK. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR THE INTEREST ON ANY SERIES 2003A BOND AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT (OTHER THAN THE HOSPITAL) OF THE ISSUER.

FIRST RIVER ADVISORY L.L.C.

has served as financial advisor to the Hospital in connection with the issuance by the Issuer of the Series 2003A Bonds.

The Series 2003A Bonds are offered when, as and if issued by the Issuer and accepted by the Remarketing Agent, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the unqualified approving opinion of Harris Beach LLP, Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the Hospital by its counsel, Higgins, Roberts, Beyerl & Coan, P.C.; for the Credit Facility Issuer by its co-counsel, Harris Beach LLP and Calfee, Halter & Griswold LLP; and for the Underwriter by its counsel, Calfee, Halter & Griswold LLP. It is expected that the Series 2003A Bonds will be available for delivery in definitive form on or about May 21, 2003.

MCDONALD INVESTMENTS INC.

Dated: May 20, 2003

Underwriter

This Offering Circular is being furnished to investors on a confidential basis and with the express understanding that it shall serve solely for the purpose of allowing such investors to consider the purchase of all or a portion of the Series 2003A Bonds. This Offering Circular does not

constitute an offering of any security, other than the original offering of the Series 2003A Bonds identified on the cover hereof. No dealer, broker, salesman, or other person has been authorized by the Issuer, the Hospital, the Credit Facility Issuer, the Underwriter or the Remarketing Agent to give any information or to make any representation other than those made herein. Any such other information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2003A Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Offering Circular nor the sale of any of the Series 2003A Bonds shall under any circumstances, create any implication that the information therein is correct as of any time subsequent to the date hereof.

Information herein has been obtained from the Issuer, the Hospital and the Credit Facility Issuer and other sources believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Underwriter, the Remarketing Agent or the Trustee. The Issuer has not confirmed and assumes no responsibility for the truth, accuracy, sufficiency, completeness or fairness of any statements in this Offering Circular or any supplements thereto, or in any reports, financial information, offering or disclosure documents or other information in any way relating to the Project, the Hospital or the Credit Facility Issuer.

Upon issuance, the Series 2003A Bonds will not be registered by the Issuer under the Securities Act of 1933, as amended, in reliance upon Section 3(a)(2) thereof or any state securities law and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency shall have passed upon the accuracy or adequacy of this Offering Circular nor (except the Issuer but only to the extent described herein) approved the Series 2003A Bonds for sale.

The Underwriter will make available, during the offering and prior to any sale of Series 2003A Bonds to any potential investor who receives this Offering Circular and such investor's purchaser representative(s), if any, the opportunity to ask questions of, and receive answers from, Jeffrey S. Freese, Managing Director of the Underwriter, who may be contacted by calling (216) 563-2556, concerning the terms and conditions of the offering, to obtain without charge and review any documents summarized in this Offering Circular, and to obtain any additional information necessary to verify the accuracy of the information presented, to the extent that the Issuer or the Underwriter possesses such information or can acquire it without unreasonable effort or expense.

NO FINANCIAL INFORMATION IS PROVIDED HEREIN WITH RESPECT TO THE ISSUER OR THE HOSPITAL AND NEITHER THE ISSUER NOR THE HOSPITAL HAS AGREED TO PROVIDE SUCH INFORMATION TO BONDHOLDERS. SEE "RISKS TO BONDHOLDERS" HEREIN. CERTAIN FINANCIAL INFORMATION HAS BEEN PROVIDED BY THE CREDIT FACILITY ISSUER AND IS INCLUDED IN APPENDIX B HERETO.

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THE INFORMATION UNDER THE CAPTIONS “INTRODUCTION”, “THE HOSPITAL”, “CONTINUING DISCLOSURE”, “THE PROJECT”, “APPLICATION OF PROCEEDS”, “THE BONDS”, “SOURCES OF PAYMENT AND SECURITY FOR THE BONDS”, “THE CREDIT FACILITY ISSUER”, “THE CREDIT FACILITY”, “RISKS TO BONDHOLDERS”, “TAX EXEMPTION”, “RATING”, “UNDERWRITING OF THE BONDS”, “APPROVAL OF LEGAL PROCEEDINGS”, “OTHER MATTERS”, APPENDIX A-1, APPENDIX A-2, APPENDIX B AND APPENDIX C HAVE BEEN FURNISHED BY THE HOSPITAL, BOND COUNSEL, THE CREDIT FACILITY ISSUER OR OTHERS, AND NOT BY SCHENECTADY COUNTY INDUSTRIAL DEVELOPMENT AGENCY, WHICH MAKES NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION THAT IT DID NOT FURNISH.

OFFERING CIRCULAR

Relating to

\$8,000,000

Schenectady County Industrial Development Agency

Multi-Mode Variable Rate Demand

Civic Facility Revenue Bonds

(Sunnyview Hospital and Rehabilitation Center Project), Series 2003A

INTRODUCTION

This Offering Circular, including the cover page and the Appendices, is provided to furnish certain information in connection with the original issuance and sale by Schenectady County Industrial Development Agency (the "Issuer") of its Multi-Mode Variable Rate Demand Civic Facility Revenue Bonds (Sunnyview Hospital and Rehabilitation Center Project), Series 2003A in the aggregate principal amount of \$8,000,000 (the "Series 2003A Bonds"). The Issuer is a public benefit corporation of the State of New York (the "State"). The Series 2003A Bonds are authorized to be issued pursuant to Title 1 of Article 18-A of the General Municipal Law of the State, together with Chapter 389 of the Laws of 1978 of the State, as amended from time to time (collectively hereinafter referred to as the "Act"), and a resolution of the members of the Issuer adopted on May 8, 2003 (the "Bond Resolution"). The Series 2003A Bonds will be issued under an Indenture of Trust, dated as of May 1, 2003 (the "Indenture"), by and between the Issuer and Wells Fargo Bank Minnesota, N.A., as trustee (the "Trustee"). The Trustee is also acting as Bond Registrar, Tender Agent and Paying Agent.

The Series 2003A Bonds are being issued by the Issuer to finance a portion of the costs associated with a certain project (the "Project") undertaken by the Issuer for the benefit of Sunnyview Hospital and Rehabilitation Center (the "Hospital") consisting of (A)(1) the acquisition of an interest in an approximately 6.9 acre parcel of land located at 1270 Belmont Avenue in the City of Schenectady, Schenectady County, New York (the "Land"), together with two (2) existing buildings containing in the aggregate approximately 140,000 square feet of space located thereon (collectively, the "Existing Improvements"), (2) the construction of an approximately 18,000 square foot addition and the renovation of approximately 18,000 square feet to one of the existing buildings (collectively, the "Improvements"), (3) the acquisition and installation in and around the Existing Improvements and Improvements of certain items of machinery, equipment, furniture and other tangible personal property (the "Equipment" and, collectively with the Land, the Existing Improvements and the Improvements, the "Facility"); and (4) the refinancing of a portion of certain existing indebtedness incurred by the Hospital to finance construction, renovation and equipping of the foregoing and other capital financing needs of the Hospital, all of the foregoing to constitute the upgrading of an existing hospital and rehabilitation facility (the "Existing Indebtedness" and, collectively with the Facility, the "Project Facility"); (B) paying certain costs and expenses incidental to the issuance of the Series 2003A Bonds (the costs associated with items (A) and (B) above being hereinafter collectively referred to as the "Project Costs"); and (C) the sale of the Issuer's interest in the facilities financed with the Series 2003A Bonds to the Hospital. In order to finance the remaining cost of the acquisition, construction and equipping of the Improvements, the Issuer intends to issue its Multi-Mode Variable Rate Demand Civic Facility Bonds, Series 2003B on or about June 16, 2003 (the "Series 2003B Bonds"). Under no circumstances shall this Offering Circular constitute an offer to sell or the solicitation of any offer to sell the Series 2003B Bonds.

The Issuer and Hospital have entered into an Installment Sale Agreement, dated as of May 1, 2003 (the “Installment Agreement Sale”), pursuant to which the Issuer shall cause the acquisition, construction, equipping of the Improvements and the refinancing of the Existing Indebtedness and will sell its interest in the Project Facility to the Hospital. The Installment Sale Agreement contains an unconditional obligation of the Hospital to make payments in the amounts and at the times necessary to enable the Issuer to pay the principal of, premium, if any, Purchase Price and redemption price of, and interest required to be paid by the Issuer on the Series 2003A Bonds when and as the same become due (the “Debt Service Payments”).

The Series 2003A Bonds will be equally and ratably secured as to principal and interest by the Indenture. The Indenture constitutes a first lien on the Trust Estate (as defined in the Indenture).

Concurrently with the issuance of the Series 2003A Bonds, the Hospital will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the “Letter of Credit”) issued by KeyBank National Association (the “Credit Facility Issuer”). The Trustee is entitled to draw under the Letter of Credit (1) an amount equal to the principal of the outstanding Series 2003A Bonds (a) to pay the principal of the Series 2003A Bonds when due at maturity or upon redemption or acceleration or (b) to pay the portion of the Purchase Price corresponding to the principal of Series 2003A Bonds purchased pursuant to the Indenture to the extent remarketing proceeds are not available for such purpose, plus (2) an amount equal to 98 days’ interest accrued on the outstanding Series 2003A Bonds at an interest rate of 8% per annum (a) to pay interest on the Series 2003A Bonds when due or (b) to pay the portion of the Purchase Price of Series 2003A Bonds purchased pursuant to the Indenture corresponding to the accrued interest, if any, on such Series 2003A Bonds to the extent remarketing proceeds are not available for such purchase. See the caption “CREDIT FACILITY” herein.

Information concerning the Credit Facility Issuer is set forth in Appendix B to this Offering Circular. THE SERIES 2003A BONDS ARE OFFERED ON THE FINANCIAL STRENGTH OF THE CREDIT FACILITY ISSUER; ACCORDINGLY, NO FINANCIAL INFORMATION IS BEING PROVIDED WITH RESPECT TO THE ISSUER OR THE HOSPITAL.

The Series 2003A Bonds are limited obligations of the Issuer payable solely from payments made by the Credit Facility Issuer under the Letter of Credit and by the Hospital under the Installment Sale Agreement, moneys and securities held by the Trustee under the Indenture, and the security provided by the Mortgage, the Pledge and Assignment, the Guaranty, and the Master Indenture, all as hereinafter defined. THE DEBT SERVICE PAYMENTS ON THE SERIES 2003A BONDS WILL BE PAYABLE SOLELY FROM THE REVENUES PLEDGED AND ASSIGNED TO SECURE PAYMENT THEREOF BY THE INDENTURE. See the caption “SOURCES OF PAYMENT AND SECURITY FOR THE SERIES 2003A BONDS” herein.

THE SERIES 2003A BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR OF SCHENECTADY COUNTY, NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR SCHENECTADY COUNTY, NEW YORK, SHALL BE LIABLE THEREON. THE SERIES 2003A BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR OF SCHENECTADY COUNTY, NEW YORK.

No recourse shall be had for the payment of the principal or redemption price of or the interest on any Bond or for any claim based thereon against any past, present or future member, officer, employee or agent (except the Hospital), as such, of the Issuer or of any predecessor or successor corporation, either directly or through the Issuer or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise.

The Letter of Credit expires on August 22, 2008 unless renewed as described under the caption “CREDIT FACILITY--Renewal of Credit Facility” herein, and may be terminated or replaced by a letter of credit of another commercial bank or other credit facility as described under the caption “CREDIT FACILITY--Alternate Credit Facility.” The Letter of Credit, as amended from time to time, and any replacement letter of credit or other credit facility is herein called the “Credit Facility.” Any bank or other financial institution which at the time is the issuer of the Credit Facility is herein called the “Credit Facility Issuer.” While the Series 2003A Bonds bear interest at the Weekly Rate or the Semi-Annual Rate, the Series 2003A Bonds shall be subject to mandatory tender for purchase upon any change in the then current Credit Facility Issuer. Unless the Credit Facility is extended or replaced with a Qualifying Alternate Credit Facility, while the Series 2003A Bonds bear interest at the Long-Term Rate, the Series 2003A Bonds will be subject to mandatory purchase prior to the termination of the Credit Facility. During any Long-Term Rate Period, the Hospital may substitute any Qualifying Alternate Credit Facility for the then current Credit Facility and the Trustee shall give notice of such substitution to the Bondholders. See the caption “CREDIT FACILITY--Alternate Credit Facility” and “THE BONDS--Mandatory Purchase of Series 2003A Bonds--Mandatory Purchase For Expiration of Credit Facility or Change in Credit Facility Issuer.” The Letter of Credit will be issued pursuant to a Letter of Credit Reimbursement Agreement, dated as of May 1, 2003 (the “Reimbursement Agreement”), between the Credit Facility Issuer and the Hospital. The Reimbursement Agreement or any subsequent agreement between the Hospital and a Credit Facility Issuer relating to any replacement letter of credit or credit facility is herein called the “Reimbursement Agreement.”

The Indenture, among other things, provides that the Issuer will deposit the proceeds of the sale of the Series 2003A Bonds with the Trustee and that the Trustee will disburse such proceeds to pay the Project Costs, but only upon satisfaction of the requirements set forth in the Indenture, the Reimbursement Agreement and the Installment Sale Agreement. The Indenture grants the Trustee a security interest in the proceeds of the sale of the Series 2003A Bonds held by the Trustee prior to disbursement.

To further secure the Hospital’s reimbursement obligations under the Reimbursement Agreement and as additional security for the Series 2003A Bonds, (i) the Hospital has granted to the Master Trustee (as defined below) a first priority mortgage lien on and security interest in the Facility pursuant to the terms of a certain Mortgage, dated as of May 1, 2003, by and between the Hospital and the Master Trustee (the “Mortgage”), (ii) the Hospital has guaranteed the payment of the principal of, premium, if any, Purchase Price and redemption price of, and interest on the Series 2003A Bonds pursuant to the terms of a certain Guaranty, dated as of May 1, 2003, from the Hospital to the Trustee (the “Guaranty”) and (iii) the Issuer has assigned to the Trustee and the Credit Issuer substantially all of its rights under the Installment Sale Agreement (except the Unassigned Rights), pursuant to a certain Pledge and Assignment, dated as of May 1, 2003, from the Issuer to the Trustee and the Credit Issuer (the “Pledge and Assignment”).

As further security for the Hospital's obligations under the Installment Sale Agreement and the payment of the Series 2003A Bonds, the Sunnyview Hospital and Rehabilitation Center Obligated Group, consisting of the Hospital and any Member to subsequently join the Obligated Group (the "Obligated Group"), will issue its Master Note No. 1 in favor of the Issuer (which Master Note No. 1 shall be immediately endorsed over without recourse to the Trustee for the benefit of the Holders of the Series 2003A Bonds) ("Master Note No. 1") pursuant to and in accordance with a certain the Master Trust Indenture, as supplemented by Supplemental Master Trust Indenture No. 1, each to be dated as of May 1, 2003, and each by and between the Obligated Group and Wells Fargo Bank Minnesota, N.A., as Master Trustee (the "Master Trustee") (collectively, the "Master Trust Indenture"), which Master Note No. 1 evidences the Obligated Group's joint and several obligation to satisfy the Hospital's obligations under the Installment Sale Agreement.

As further security for the Hospital's obligations under the Reimbursement Agreement to reimburse the Credit Issuer for moneys drawn on the Letter of Credit, the Obligated Group will, pursuant to the Master Trust Indenture, issue its Master Note No. 2 ("Master Note No. 2") in favor of the Credit Issuer, which Master Note No. 2 will evidence the Obligated Group's joint and several obligation to satisfy the Hospital's obligations under the Reimbursement Agreement.

The Series 2003A Bonds initially will bear interest at the Weekly Rate as determined by the remarketing agent (the "Remarketing Agent"), initially McDonald Investments Inc., until converted to another permitted interest rate mode as described herein. In no event may the interest rate on the Series 2003A Bonds exceed the lesser of (A) 15% per annum, or (B) so long as the Series 2003A Bonds are entitled to the benefits of a Credit Facility, the maximum interest rate with respect to the Series 2003A Bonds specified in the Credit Facility then in effect (currently 8% per annum).

The Series 2003A Bonds are subject to purchase by the Trustee acting as the tender agent (the "Tender Agent") upon the demand of the Bondholders as described herein. The Series 2003A Bonds are also subject to mandatory purchase and optional, extraordinary optional and mandatory redemption prior to maturity as described herein.

The Series 2003A Bonds will be issued as "book-entry-only" obligations to be held by The Depository Trust Company, as depository (the "Depository") for the Series 2003A Bonds. See the caption "BOOK-ENTRY-ONLY SYSTEM" herein.

Brief descriptions of the Issuer, the Hospital, the Credit Facility Issuer, the Series 2003A Bonds, the Letter of Credit, the Reimbursement Agreement, the Installment Sale Agreement, the Indenture and certain other Financing Documents are included in this Offering Circular and the Appendices hereto. Specifically, information regarding the financial condition of the Credit Facility Issuer is included in Appendix B hereto. Such information and descriptions do not purport to be comprehensive or definitive and no part of such information is to be construed as a representation or a guaranty of accuracy or completeness by the Issuer, the Remarketing Agent, the Hospital (other than the information under the captions "THE HOSPITAL", "THE PROJECT", and "APPLICATION OF PROCEEDS" herein), or the Credit Facility Issuer (other than the information under the captions "THE CREDIT FACILITY ISSUER" and "CREDIT FACILITY-The Letter of Credit" herein and in Appendices A-2 and B). The descriptions herein and in the Appendices hereto of the Letter of Credit, the Reimbursement Agreement, the Installment Sale Agreement, the Indenture and the other Financing Documents (as defined in the

Reimbursement Agreement) are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2003A Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. **Copies of such documents will be available for inspection at the principal corporate trust office of the Trustee and, during the initial offering period, can be obtained by potential purchasers of the Series 2003A Bonds at no cost from the Remarketing Agent. Potential purchasers of the Series 2003A Bonds are encouraged to review all documents prior to investing in the Series 2003A Bonds.**

The purchase of the Series 2003A Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the caption "RISKS TO BONDHOLDERS" herein.

Capitalized terms used in this Offering Circular and not otherwise defined herein shall have the meanings specified in Appendix A attached hereto; provided, however, that for purposes of this Offering Circular, "Credit Facility Issuer" shall mean only KeyBank National Association. Terms not otherwise defined in this Offering Circular have the meanings provided in the specific documents.

THE ISSUER

The Issuer is a public benefit corporation of the State of New York. The Issuer was created by and constitutes an industrial development agency under the Act. The Issuer was created for the purpose of promoting, developing, encouraging and assisting in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, civic and recreational facilities, thereby advancing the job opportunities, health, general prosperity and economic welfare of the people of the State of New York and improving their recreational opportunities, prosperity and standard of living.

Under the Act, the Issuer has power to acquire, hold and dispose of personal property for its corporate purposes; to acquire, use for its corporate purposes and dispose of real property within the corporate limits of Schenectady County, New York; to appoint officers, agents and employees; to make contracts and leases; to acquire, construct, reconstruct, lease, improve, maintain, equip or furnish one or more projects; to borrow money and issue bonds and to provide for the rights of the holders thereof; to grant options to renew any lease with respect to any project and to grant options to buy any project at such price as the Issuer may deem desirable; to designate depositories of its moneys; and to do all things necessary or convenient to carry out its purposes and exercise the powers given in the Act.

The members of the Issuer are appointed by the County Legislature of Schenectady County, New York. The Issuer has seven (7) members.

The Series 2003A Bonds are limited obligations of the Issuer payable solely from the payments made by the Credit Facility Issuer under the Letter of Credit and by the Hospital under the Installment Sale Agreement, from the moneys and securities held by the Trustee under the Indenture and the Master Indenture (including Master Note No. 1 and Master Note No. 2), and the security provided by the Mortgage, the Pledge and Assignment and the Guaranty. Neither

the Issuer nor its members or officers are personally liable with respect to the Series 2003A Bonds. Accordingly, no financial information with respect to the Issuer or its members or officers has been included in this Offering Circular.

THE ACT PROVIDES THAT THE SERIES 2003A BONDS OF THE ISSUER SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR SCHENECTADY COUNTY, NEW YORK, AND NEITHER THE STATE OF NEW YORK NOR SCHENECTADY COUNTY, NEW YORK, SHALL BE LIABLE THEREON.

THE HOSPITAL

Sunnyview Hospital and Rehabilitation Center (the “Hospital”) is an accredited, private not-for-profit corporation organized and existing under the laws of the State of New York. It will purchase, pursuant to the Installment Sale Agreement, and operate the Project for Hospital purposes.

The Hospital represents that it is not directly or indirectly controlled by, or under common control with, KeyBank National Association, that KeyBank National Association does not directly or indirectly control the voting securities or interests of the Hospital, and that the Hospital does not directly or indirectly control the voting securities of KeyBank National Association. For purposes of the foregoing sentence, the terms “control” and “controlled” have the meanings ascribed to such terms in the Investment Company Act of 1940, as amended.

THE SERIES 2003A BONDS ARE BEING OFFERED ON THE BASIS OF THE CREDIT OF THE CREDIT FACILITY ISSUER AND NOT ON THE BASIS OF THE CREDIT OF THE HOSPITAL.

CONTINUING DISCLOSURE

The Hospital agrees in the Remarketing Agreement that the initial offering of the Series 2003A Bonds is exempt from the requirement of Paragraph (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”) pursuant to Paragraph (d)(1) of the Rule. The Hospital further covenants and agrees in the Remarketing Agreement that if as a result of a conversion of Interest Rate Mode or as a result of any amendment or supplement to the Indenture or the Installment Sale Agreement, the Series 2003A Bonds cease to be exempt under the Rule, the Hospital will enter into an agreement or contract, constituting an undertaking, to provide ongoing disclosure as may be necessary to comply with the Rule as then in effect. Such covenant and agreement contained in the Remarketing Agreement is for the benefit of the Bondholders as required by the Rule.

THE CREDIT FACILITY ISSUER

Certain information regarding KeyBank National Association is set forth in Appendix B to this Offering Circular.

KeyBank National Association represents that it is not directly or indirectly controlled by, or under common control with, the Hospital, that the Hospital does not directly or indirectly control the voting securities of KeyBank National Association and that KeyBank National Association does not directly or indirectly control the voting securities or interest of the Hospital. For purposes of the foregoing sentence, the terms “control” and “controlled” shall have the meaning ascribed to such terms in the Investment Company Act of 1940, as amended.

THE PROJECT

The Project to be financed with proceeds of the Series 2003A Bonds consists of (A)(1) the acquisition of an interest in an approximately 6.9 acre parcel of land located at 1270 Belmont Avenue in the City of Schenectady, Schenectady County, New York (the “Land”), together with two (2) existing buildings containing in the aggregate approximately 140,000 square feet of space located thereon (collectively, the “Existing Improvements”), (2) the construction of an approximately 18,000 square foot addition and the renovation of approximately 18,000 square feet to one of the existing buildings (collectively, the “Improvements”), (3) the acquisition and installation in and around the Existing Improvements and Improvements of certain items of machinery, equipment, furniture and other tangible personal property (the “Equipment” and, collectively with the Land, the Existing Improvements and the Improvements, the “Facility”); and (4) the refinancing of a portion of certain existing indebtedness incurred by the Hospital to finance construction, renovation and equipping of the foregoing and other capital financing needs of the Hospital, all of the foregoing to constitute the upgrading of an existing hospital and rehabilitation facility (the “Existing Indebtedness” and, collectively with the Facility, the “Project Facility”); (B) paying certain costs and expenses incidental to the issuance of the Series 2003A Bonds (the costs associated with items (A) and (B) above being hereinafter collectively referred to as the “Project Costs”); and (C) the sale of the Issuer’s interest in the facilities financed with the Series 2003A Bonds to the Hospital.

APPLICATION OF PROCEEDS

The following describes the expected application of the proceeds of the Series 2003A Bonds:

Cost of Improvements	\$2,175,578
Refinancing of Existing Indebtedness	5,409,183
Capitalized Interest (net)	47,367
Costs of Issuance	160,000
Other Fees and Expenses	207,872
Total	<u>\$8,000,000</u>

It is anticipated that the Bond Proceeds will be sufficient to cover the Project Costs. In the event that the Bond Proceeds are not sufficient to cover the Project Costs, the balance of the cost will be funded out of moneys provided by the Hospital.

THE BONDS

General

The Series 2003A Bonds will be dated as of the date of their original issuance and delivery, will be issued in the aggregate principal amount of \$8,000,000, will be priced at 100% and will mature, subject to prior redemption as herein described, on August 1, 2033. The Series 2003A Bonds will bear interest, initially at the Weekly Rate, from the date of their delivery or from the most recent Interest Payment Date to which interest has been paid, payable, while the Series 2003A Bonds bear interest at the Weekly Rate, on the first Thursday of each February,

May, August and November, commencing on the Interest Payment Date in August, 2003. The final Interest Payment Date shall be the Maturity Date.

The Series 2003A Bonds will be initially issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series 2003A Bonds. Purchases of beneficial interests in the Series 2003A Bonds will be made in book-entry-only form, in the denomination of \$100,000 or any multiple of \$5,000 in excess thereof; provided however, that partial redemption or prepayment of the Series 2003A Bonds pursuant to Article 3 of the Indenture shall be made in denominations of \$5,000 or any multiple of \$5,000 in excess thereof, and no Series 2003A Bond outstanding shall be in an amount of less than \$100,000. See the caption “THE BONDS -- Book-Entry-Only System” below.

If the Series 2003A Bonds are no longer in book-entry-only form, any Series 2003A Bond may be transferred upon the Register, or exchanged, by presentation and surrender thereof at the office of the Trustee, as Registrar, together with an assignment duly executed by the Holder of that Series 2003A Bond or by its duly authorized attorney in any form satisfactory to the Registrar. Upon any such transfer or exchange, the Registrar will authenticate a new registered Series 2003A Bond under the terms of the Indenture. Each exchange or transfer shall be made without charge, provided that the Issuer and the Registrar of each issue may charge a fee sufficient to reimburse them for any tax or excise required to be paid with respect to the exchange for transfer.

Neither the Issuer nor the Registrar shall be required to transfer or exchange any Series 2003A Bonds selected for redemption, in whole or in part.

Wells Fargo Bank Minnesota, N.A. has also been appointed as Tender Agent under the Indenture. The principal office of the Tender Agent is currently located at 213 Court Street, Suite 703, Middletown, Connecticut, 06457. McDonald Investments Inc. has been appointed as Remarketing Agent for the Series 2003A Bonds. Any Remarketing Agent may be removed at any time by the Issuer in accordance with the Indenture, upon notice to the Trustee and such Remarketing Agent. Any Remarketing Agent may resign upon 30 days prior notice to the Issuer, the Trustee, the Tender Agent and any other Remarketing Agent.

In the event that the Series 2003A Bonds are no longer held in a book-entry system, the principal or redemption price of the Series 2003A Bonds is payable at the principal corporate trust office of Wells Fargo Bank Minnesota, N.A., as paying agent (the “Paying Agent”), currently located at 213 Court Street, Suite 703, Middletown, Connecticut, 06457, and interest payable to the registered owner of a Series 2003A Bond on any Interest Payment Date will be paid to the registered owner of such Series 2003A Bond on the Regular Record Date for such payment, which Regular Record Date shall be the close of business on the last Business Day preceding each Interest Payment Date. Payments of interest on the Series 2003A Bonds will be mailed to the persons in whose names the Series 2003A Bonds are registered on the Register at the Record Date; provided that, prior to the Long-Term Rate Period, any Holder of a Series 2003A Bond or Series 2003A Bonds in an aggregate principal amount of not less than \$1,000,000 may, by prior written instructions filed with the Paying Agent at least five (5) business days prior to the next Interest Payment Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period prior to the Long-Term Rate Period be made by wire transfer to an account in the continental

United States or other means acceptable to the Paying Agent. Any interest not paid or duly provided for when due shall forthwith cease to be payable to the Holder on the applicable Record Date for the payment of such interest and shall be paid to the Holder in whose name the Series 2003A Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such special record date.

As used herein, each of the following terms shall have the meaning indicated:

“Business Day” means any day other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed, (C) a day on which commercial banks in New York, New York or the city or cities in which the office of the Trustee is located are authorized or required by law to close, or (D) a day in which the Letter of Credit Bank is closed.

“Conversion” means (A) any conversion from time to time in accordance with the terms of the Indenture of the Series 2003A Bonds from one Interest Rate Determination Method to another Interest Rate Determination Method, and (B) the end of any Long-Term Rate Period.

“Conversion Date” means the first date any Conversion becomes effective.

“Long-Term Rate Period” means any Interest Period during which the Long-Term Rate is in effect, beginning on, and including, the Conversion Date to the Long-Term Rate and ending on, and including, the day preceding the Interest Payment Date selected by the Hospital and each period of the same duration (or as close as possible) ending on the day preceding an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the maturity or redemption of the Series 2003A Bonds.

“Purchase Date” means (A) if the Interest Rate Mode is the Weekly Rate, any Business Day as set forth in Section 2.06(a)(1) of the Indenture, respectively, (B) if the Interest Rate Mode is the Semi-Annual Rate, any Interest Payment Date, as set forth in Section 2.06(b) of the Indenture, (C) if the Interest Rate Mode is the Long-Term Rate, the final Interest Payment Date for each Long-Term Rate Period, and (D) each day that Series 2003A Bonds are subject to mandatory purchase pursuant to Section 2.06(d) of the Indenture.

“Semi-Annual Rate Period” means any Interest Period during which the Semi-Annual Rate is in effect beginning on, and including, the Conversion Date to the Semi-Annual Rate and ending on, and including, the day preceding the Interest Payment Date thereafter and each successive six (6) month period thereafter until the day preceding the Conversion to a different Interest Rate Mode or the maturity or redemption of the Series 2003A Bonds.

“Weekly Rate Period” means the Interest Period during which the Weekly Rate is in effect, beginning on, and including, the date of issuance of the Series 2003A Bonds and ending on, and including, the next Wednesday and each succeeding period thereafter beginning on, and including, a Thursday and ending on, and including the next Wednesday.

Book-Entry Only System

The Series 2003A Bonds initially will be issued solely in book-entry-only form to be held in the book-entry-only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the

right to receive physical delivery of Series 2003A Bonds and, except as otherwise provided herein with respect to Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or Holders of the Series 2003A Bonds under the Indenture.

The following information about the book-entry-only system applicable to the Series 2003A Bonds has been supplied by DTC. None of the Issuer, the Trustee, the Hospital, the Credit Facility Issuer, or the Remarketing Agent makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2003A Bonds. The Series 2003A Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2003A Bond certificate will be issued, in the aggregate principal amount of the Series 2003A 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 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2003A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct Participants' and the Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or the Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003A Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership Interests in the Series 2003A Bonds, except in the event that use of the book-entry system for the Series 2003A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2003A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series

2003A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003A Bonds are credited, which may or may not be the Beneficial Owners thereof. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2003A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2003A Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 2003A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2003A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Series 2003A Bonds on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Series 2003A Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2003A Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Series 2003A Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2003A Bond certificates are required to be printed and delivered, as described below under "THE BONDS -- Revision of Book-Entry System; Replacement Series 2003A Bonds."

NEITHER THE ISSUER, THE HOSPITAL, THE CREDIT FACILITY ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER, EXCEPT AS PROVIDED WITH RESPECT TO THE PURCHASE OF A BENEFICIAL OWNERSHIP

INTEREST, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE SERIES 2003A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED SERIES 2003 A BONDS, EXCEPT AS PROVIDED WITH RESPECT TO THE PURCHASE OF A BENEFICIAL OWNERSHIP INTEREST, OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2003A BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2003A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2003A Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Series 2003A Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Series 2003A Bonds.

The Issuer cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute Debt Service Payments on the Series 2003A Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Offering Circular.

DTC Blanket Letter of Representations

Certain duties of DTC and procedures to be followed by DTC, the Trustee and the Remarketing Agent will be set forth in a Blanket Letter of Representations (the “DTC Letter of Representations”) between the Issuer and DTC. In the event of any conflict between the provisions of the Indenture and the provisions of the DTC Letter of Representations relating to delivery of Series 2003A Bonds to the Trustee, the provisions of the DTC Letter of Representations shall control.

Revision of Book-Entry System; Replacement Series 2003A Bonds

The Indenture provides for the issuance and delivery of fully registered Series 2003A Bonds (the “Replacement Series 2003A Bonds”) directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Series 2003A Bonds.

Upon occurrence of such event, the Issuer may attempt to establish a securities depository book-entry relationship with another securities depository. If the Issuer does not do so, or is unable to do so, and after the Trustee has notified the Beneficial Owners or their representatives with respect to the Series 2003A Bonds by appropriate notice to DTC, the Issuer will issue and the Trustee will authenticate and deliver Replacement Series 2003A Bonds with minimum denominations of \$100,000 to the assignees of the Depository or its nominee.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Series 2003A Bonds will be payable in the manner described above in the sixth paragraph under “THE BONDS -- Specific Details of the Series 2003A Bonds”, and the following provisions would apply. The Series 2003A Bonds may be transferred or exchanged for one or more Series 2003A Bonds in different authorized denominations upon surrender thereof at the Office of the Trustee as Registrar or at the designated office of any Authenticating Agent (initially, the Trustee) by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Series 2003A Bonds to be transferred or exchanged, the Issuer will execute, and the Registrar will record the transfer or exchange in its registration books and the Registrar or Authenticating Agent shall authenticate and deliver, new Series 2003A Bonds appropriately registered and in appropriate authorized denominations. Neither the Issuer, the Registrar nor any Authenticating Agent shall be required to transfer or exchange any Series 2003A Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of the Series 2003A Bonds and ending at the close of business on the day of such mailing, nor any Series 2003A Bond all or part of which has been selected for redemption.

Interest

For the period from and including the date of issuance and delivery, the Series 2003A Bonds shall bear interest at interest rates determined for the Weekly Rate until converted to a different interest rate mode (an “Interest Rate Mode”) permitted under the Indenture. The permitted Interest Rate Modes are (A) the “Weekly Rate”, (B) the “Semi-Annual Rate”, and (C) the “Long-Term Rate.” The interest rates in each Interest Rate Mode shall be determined by the Remarketing Agent appointed under the Indenture (the “Remarketing Agent”); provided that the interest rate on the Series 2003A Bonds shall not exceed the lesser of 15% per annum or the maximum rate specified in the Credit Facility then in effect (currently 8%). The Interest Rate Determination Method for the Series 2003A Bonds is subject to conversion (a “Conversion”) to a different Interest Rate Determination Method from time to time by the Hospital, upon compliance with the conditions precedent relating thereto set forth in the Indenture.

Interest on the Series 2003A Bonds at the interest rate or rates for the Weekly Rate will be computed on the basis of a year of 365 or 366 days, as appropriate, and paid for the actual number of days elapsed. Interest on the Series 2003A Bonds for the Semi-Annual Rate or the Long-Term Rate will be computed on the basis of a 360-day year of twelve 30-day months.

Interest on the Series 2003A Bonds is payable (A) while the Series 2003A Bonds bear interest at the Weekly Rate, on the first Thursday of each February, May, August and November, commencing on the Interest Payment Date in August, 2003, and (B) while the Series 2003A Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate, on February 1 and August 1 of each year (each an “Interest Payment Date”); provided, that in any case, the final Interest Payment Date shall be the Maturity Date.

Interest payable on any Interest Payment Date will be paid to the registered owner of the Series 2003A Bond on the record date for such payment, which record date shall be the close of business on the last Business Day preceding each Interest Payment Date.

The principal or redemption price of the Series 2003A Bonds is payable at the principal corporate trust office of Wells Fargo Bank Minnesota, N.A., as paying agent (the “Paying Agent”), currently located at 213 Court Street, Suite 703, Middletown, Connecticut, 06457. Except when the Series 2003A Bonds are held in a book-entry system (see the caption “THE BONDS -- Book-Entry Only System”), payments of interest on the Series 2003A Bonds will be mailed to the persons in whose names the Series 2003A Bonds are registered on the Register at the Record Date; provided that, prior to the Long-Term Rate Period, any Holder of a Series 2003A Bond or Series 2003A Bonds in an aggregate principal amount of not less than \$1,000,000 may, by prior written instructions filed with the Paying Agent at least five (5) business days prior to the next Interest Payment Date (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period prior to the Long-Term Rate Period be made by wire transfer to an account in the continental United States or other means acceptable to the Paying Agent.

Summary of Certain Provisions of the Series 2003A Bonds

The following table summarizes certain provisions of the Series 2003A Bonds for each of the permitted Interest Rate Modes.

	WEEKLY RATE	SEMI-ANNUAL RATE	LONG-TERM RATE
Interest Payment Date	On the first Thursday of each February, May, August, and November, or if not a Business Day, the next succeeding Business Day; provided, that in any case, the final Interest Payment Date shall be the Maturity Date.	On February 1 and August 1; provided, that in any case, the final Interest Payment Date shall be the Maturity Date.	On February 1 and August 1; provided, that in any case, the final Interest Payment Date shall be the Maturity Date.
Interest Rate Determination Dates	Each Wednesday preceding each Weekly Rate Period or, if not a Business Day, the next succeeding Business Day.	Tenth Business Day preceding each Semi-Annual Rate Period.	No later than the 15th Business Day preceding the first day of each Long-Term Rate Period.

	WEEKLY RATE	SEMI-ANNUAL RATE	LONG-TERM RATE
Interest Periods	From and including each Thursday to and including the following Wednesday.	Each 6 month period (or portion thereof) from and including each February 1 and August 1 or the Conversion Date to the Semi-Annual Rate to and including the day immediately preceding the next Interest Payment Date thereafter.	Each period of one year or more (or portion thereof) designated by the Hospital for the Series 2003A Bonds from and including the day immediately following the end of the preceding Long-Term Rate Period or the Conversion Date to the Long-Term Rate and including the day immediately preceding a February 1 and August 1.
Purchase on Demand of Owner; Required Notice	Any Business Day; by written notice to Tender Agent on a Business Day at least 7 calendar days prior to Purchase Date.	On each Interest Payment Date; by written notice to Tender Agent on a Business Day at least 8 Business Days prior to Purchase Date.	N/A.
Mandatory Purchase Dates	Conversion and Interest Payment Date at least 15 calendar days prior to expiration of Credit Facility and upon any change in the Credit Facility Issuer.	Conversion and Interest Payment Date at least 15 calendar days prior to expiration of Credit Facility and upon any change in the Credit Facility Issuer.	Conversion and, if the Series 2003A Bonds are then subject to optional redemption by the Hospital pursuant to the Indenture, the Interest Payment Date at least 15 calendar days prior to the expiration of the Credit Facility unless replaced with a Qualifying Alternate Credit Facility.
Redemption	Optional at par in whole on any date or in part on any Interest Payment Date. Extraordinary at par. Mandatory upon Determination of Taxability or a default under the Reimbursement Agreement and election by the Credit Facility Issuer to compel redemption.	Optional at par in whole on any date or in part on any Interest Payment Date. Extraordinary at par. Mandatory upon Determination of Taxability or a default under the Reimbursement Agreement and election by the Credit Facility Issuer to compel redemption.	Optional at times and prices dependent on length of Long-Term Rate Period; Extraordinary at par. Mandatory upon Determination of Taxability or a default under the Reimbursement Agreement and election by the Credit Facility Issuer to compel redemption.
Notices of Redemption	Not fewer than 30 days prior to the date of redemption.	Not fewer than 30 days prior to the date of redemption.	Not fewer than 30 days prior to the date of redemption.
Manner of Payments	Principal or redemption price upon surrender of Series 2003A Bond to Paying Agent; Interest by check (or in certain cases, wire transfer) mailed to owner; Purchase Price upon surrender of Series 2003A Bond to Tender Agent.	Same as Weekly Rate.	Same as Weekly Rate.

Determination of Interest Rates for Interest Rate Modes

Weekly Rate. If the Interest Rate Mode for the Series 2003A Bonds is the Weekly Rate, the interest rate on the Series 2003A Bonds for a particular Weekly Rate Period shall be the rate established by the Remarketing Agent no later than 3:00 p.m. (New York time) on the

Wednesday preceding the Weekly Rate Period (or the day preceding the Conversion of the Interest Rate Mode to the Weekly Rate), or, if such day is not a Business Day, on the next succeeding Business Day, as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Series 2003A Bonds on such Business Day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon.

Semi-Annual Rate. If the Interest Rate Mode for the Series 2003A Bonds is the Semi-Annual Rate, the interest rate on the Series 2003A Bonds for a particular Semi-Annual Rate Period shall be the rate established by the Remarketing Agent no later than 3:00 p.m. (New York time) on the 10th Business Day next preceding the first day of such Semi-Annual Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Series 2003A Bonds on such first day at a price equal to the principal amount thereof.

Long-Term Rate. If the Interest Rate Mode for the Series 2003A Bonds is the Long-Term Rate, the interest rate on the Series 2003A Bonds for a particular Long-Term Rate Period shall be the rate established by the Remarketing Agent not later than the 15th Business Day preceding the first day of such Long-Term Rate Period as the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell the Series 2003A Bonds on such first day at a price equal to the principal amount thereof.

Determination of Long-Term Rate. During any Long-Term Rate Period, the Series 2003A Bonds will bear interest at the Long-Term Rate. During any Long-Term Rate Period, the Remarketing Agent will determine the Long-Term Rate for the applicable period on the applicable Computation Date. Such Long-Term Rate shall be the rate of interest which if borne by the Series 2003A Bonds, would, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excluded from gross income of the Holders thereof for federal income tax purposes that are comparable as to credit and maturity (or comparable with respect to optional tender provisions) with the credit and maturity or the optional tender provisions of the Series 2003A Bonds, be the interest rate necessary, but would not exceed the interest rate necessary, to enable the Remarketing Agent to place the Series 2003A Bonds at a price of par on the first Business Day of such Interest Period; provided that, if for any reason the Long-Term Rate for any Long-Term Rate Period is not established as aforesaid by the Remarketing Agent, no Remarketing Agent shall be serving as such hereunder or the rate so established is held to be invalid or unenforceable with respect to any Long-Term Rate Period, then the Long-Term Rate shall be the same as the Long-Term Rate for the immediately preceding Long-Term Rate Period. The Remarketing Agent (or if no Remarketing Agent is serving as such hereunder, the Trustee) shall notify the Hospital immediately by telephone if the Long-Term Rate is established pursuant to the proviso in the previous sentence, with written notice to follow promptly. In connection with any change in the Interest Rate Determination Method to a Long-Term Rate pursuant to the Indenture, the initial Long-Term Rate shall be determined as provided above on the applicable Computation Date.

Selection of Long-Term Rate Period. Upon Conversion of the Interest Rate Mode to the Long-Term Rate, the duration of the Long-Term Rate Period will be established by the Hospital in the notice of Conversion, and thereafter each successive Long-Term Rate Period shall be the same as that of the previous Long-Term Rate Period unless a different Long-Term Rate Period is specified by the Hospital (in which case the duration of that Long-Term Rate Period shall control

succeeding Long-Term Rate Periods), subject in all cases to the occurrence of a Conversion Date or the maturity of the Series 2003A Bonds. Each Long-Term Rate Period will be one year or more in duration and will end on the day next preceding an Interest Payment Date, but if the first Conversion to a Long-Term Interest Rate Mode commences on other than a February 1 or August 1, such Long-Term Rate Period will be of a duration as close as possible to (but not in excess of) such Long-Term Rate Period and will terminate on a day preceding an Interest Payment Date; and further provided that no Long-Term Rate Period shall extend beyond the Maturity Date of the Series 2003A Bonds.

Failure of Remarketing Agent to Determine Rate. If for any reason the interest rate for a Series 2003A Bond is not determined by the Remarketing Agent, the Interest Rate Mode will remain the same and the interest rate for such Series 2003A Bond for the next succeeding Rate Period shall be the interest rate in effect for the preceding Rate Period.

Conversion of Interest Rate Determination Methods and Changes of Long-Term Rate Periods

Conversion Directed by the Hospital. The Interest Rate Determination Method for the Series 2003A Bonds is subject to Conversion from time to time in whole (and not in part) at the option of the Hospital upon written notice to the Remarketing Agent and the Trustee, with a copy to the Issuer, the Credit Facility Issuer and the Tender Agent at least 4 Business Days prior to the 30th day prior to the effective date of such proposed Conversion. Each such notice of Conversion must be accompanied by (A) an opinion of Bond Counsel stating that the Conversion is lawful under the Act and permitted by the Indenture, (B) an opinion of nationally recognized Bond Counsel stating that the Conversion will not, in and of itself, adversely affect the non-inclusion of interest on the Series 2003A Bonds in gross income for federal income tax purposes, (C) a resolution of the members of the Issuer authorizing and approving the Conversion, (D) if the stated amount of the Credit Facility, if any, to be held by the Trustee after such Conversion is increased over that of the then current Credit Facility, (i) an opinion of reputable bankruptcy counsel stating that payments of principal and interest on the Series 2003A Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the bankruptcy of the Hospital under the United States Bankruptcy Code and (ii) an opinion of nationally recognized Bond Counsel that such change in the terms of the Credit Facility will not cause interest on the Series 2003A Bonds to be included in the gross income of the recipients thereof for federal income tax purposes, and (E) if the Series 2003A Bonds are then rated by a Rating Agency, written evidence of each Rating Agency rating the Series 2003A Bonds to the effect that the proposed change in the Interest Rate Determination Method either (i) shall not lead to a reduction or withdrawal of the rating on the Series 2003A Bonds, or (ii) shall cause a change in such rating (which change shall be specified in such evidence).

Any Conversion by the Hospital of the Interest Rate Determination Method to the Long-Term Rate may be made conditional on the initial interest rate determined for such Interest Rate Mode being within certain limits established by the Hospital in the notice referred to above. The Remarketing Agent shall establish what would be the interest rate for the proposed Interest Rate Mode as described above. If the interest rate so established is not within the limits established, then the Hospital may cancel the proposed Conversion, in which case the Hospital's notice of the proposed Conversion shall be of no effect and the terms of the Series 2003A Bonds shall continue to be as they were prior to the proposed Conversion and the Series 2003A Bonds shall not be subject to any mandatory purchase pursuant to the Indenture (see "THE BONDS -- Mandatory Purchase of the Series 2003A Bonds," below). Notice of such cancellation shall be given promptly to all Bondholders.

Limitation on Conversion. No Conversion of the Interest Rate Determination Method for the Series 2003A Bonds may be made: (A) except on an Interest Payment Date which is a date on which the Series 2003A Bonds are subject to optional redemption (see “Redemptions--Optional Redemption” below), (B) except on a Business Day, and (C) unless any Credit Facility to be held by the Trustee after such Conversion covers accrued interest on the Series 2003A Bonds for 98 days, if the Conversion is to the Weekly Rate, or for 183 days, if the Conversion is to the Semi-Annual Rate or the Long-Term Rate.

Change in Long-Term Rate Period. The Hospital may change from one Long-Term Rate Period to another Long-Term Rate Period on any Business Day on which the Series 2003A Bonds are subject to optional redemption as described under the caption “Redemptions--Optional Redemption” below upon notice to the Issuer, the Trustee, the Credit Facility Issuer, the Tender Agent and the Remarketing Agent. Each such notice of a change in the duration of the Long-Term Rate Period must be accompanied by (A) an opinion of Independent Counsel stating that the change in the Long-Term Rate Period is lawful under the Act and permitted by the Indenture, (B) an opinion of Bond Counsel stating that the change in the Long-Term Rate Period will not, in and of itself, adversely affect the non-inclusion of interest on the Series 2003A Bonds in gross income for federal income tax purposes, (C) a resolution of the members of the Issuer authorizing and approving the change in the Long-Term Rate Period, and (D) if the stated amount of the Credit Facility, if any, to be held by the Trustee after such change in the Long-Term Rate Period is increased over that of the then current Credit Facility, an opinion of reputable bankruptcy counsel stating that payments of principal and interest on the Series 2003A Bonds from funds drawn on such Credit Facility will not constitute avoidable preferences with respect to the bankruptcy of the Hospital under the United States Bankruptcy Code, as well as an opinion of Bond Counsel stating that such change in the terms of the Credit Facility will not cause interest on the Series 2003A Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. Any change by the Hospital of the Long-Term Rate Period may be made conditional on the interest rate being within certain limits established by the Hospital. The Remarketing Agent will establish what would be the interest rate for the proposed Long-Term Rate Period. If the interest rate established by the Remarketing Agent is not within the limits established, then the change in the Long-Term Rate Period may be canceled by the Hospital, in which case the Hospital’s notice of proposed change shall be of no effect and the Series 2003A Bonds shall not be subject to any mandatory purchase pursuant to Section 2.06(d) of the Indenture. Notice of such cancellation shall be promptly given to all Bondholders.

Notice to Bondholders of Conversion in Interest Rate Determination Method or of Change of Long-Term Rate Period. The Trustee will notify the Bondholders by first class mail at least 30 days but not more than 60 days before each Conversion Date and each change in the Long-Term Rate Period. The notice will state, among other things, (A) whether such Conversion or change in Long-Term Rate Period is conditional and, if so, the interest rate limits established by the Hospital and (B) in the case of Conversion to the Long-Term Rate or a change in Long-Term Rate Period, what the interest rate for the proposed Long-Term Rate Period would have been if such rate had been determined immediately prior to the mailing of such notice; if the Conversion is to the Long-Term Rate Period, such notice will also state (i) that the interest rate for the new Long-Term Rate Period will be determined by the Remarketing Agent not later than the 15th Business Day preceding the first day of the new Long-Term Rate Period, (ii) the effective date of and the end of the new Long-Term Rate Period, (iii) that the Series 2003A Bonds will be subject to mandatory purchase on the effective date of the new Long-Term Rate Period, and (iv) that the Trustee will provide notice of the interest rate for the new Long-Term

Rate Period upon request and describing how to make such request. Except as otherwise described herein, so long as the Series 2003A Bonds are held by DTC or its nominee, CEDE & CO., in book-entry only form, the Trustee will recognize and treat DTC or its nominee, CEDE & CO., as the Holder of the Series 2003A Bonds for all purposes under the Indenture. (See the caption “THE BONDS -- Book-Entry Only System” herein). Consequently, the foregoing notices of conversion will be sent by the Trustee only to DTC or its nominee, and any corresponding notice to the Beneficial Owners will be the responsibility of DTC and the applicable Direct Participants or Indirect Participants.

Purchase of the Series 2003A Bonds on Demand of the Owner

Weekly Rate. If the Interest Rate Determination Method for the Series 2003A Bonds is the Weekly Rate, any Series 2003A Bond shall be purchased on the demand of the owner thereof on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Optional Tender Date upon written notice to the Tender Agent at its Principal Office not later than the 7th calendar day prior to the Purchase Date.

Semi-Annual Rate. If the Interest Rate Determination Method for the Series 2003A Bonds is the Semi-Annual Rate, any Series 2003A Bond shall be purchased, on the demand of the owner thereof, on any Interest Payment Date for a Semi-Annual Rate Period at a purchase price equal to the principal amount thereof upon written notice to the Tender Agent at its Principal Office on a Business Day not later than the 8th Business Day prior to such Purchase Date.

Long-Term Rate. If the Interest Rate Determination Method for the Series 2003A Bonds is the Long-Term Rate, Series 2003A Bonds shall not be purchased on the demand of the owner thereof in whole or in part. At the end of each Long-Term Rate Period, the Series 2003A Bonds shall be subject to mandatory purchase. See “THE BONDS - Mandatory Purchase of Series 2003A Bonds.”

Limitations on Purchases on Demand of Owner. Notwithstanding the foregoing, there shall be no purchase of less than the entire amount of any Series 2003A Bond unless the amount to be purchased and the amount to be retained by the owner are in authorized denominations.

Notice Required for Purchases on Demand of Owner. Any written notice delivered to the Remarketing Agent or the Tender Agent for the purchase of Series 2003A Bonds on demand of the owner thereof must (A) state the number and principal amount (or portion thereof) of such Series 2003A Bond to be purchased, (B) state the Purchase Date on which such Series 2003A Bond shall be purchased and (C) irrevocably request such purchase and state that the owner agrees to deliver such Series 2003A Bond, duly endorsed in blank for transfer, with all signatures guaranteed, to the Tender Agent at or prior to 12:00 Noon (New York time) on such Purchase Date.

So long as the Series 2003A Bonds are held by DTC or its nominee, CEDE & CO., in book-entry only form, the Trustee will recognize and treat DTC or its nominee, CEDE & CO., as the Holder of the Series 2003A Bonds for all purposes under the Indenture, provided however that the Trustee will recognize a Beneficial Owner with respect to the purchase of Beneficial Ownership Interests. (See “THE BONDS - Book-Entry Only System” herein). Each Beneficial Owner is responsible for observing the procedures

applicable to DTC, the Direct Participant, any Indirect Participant and the Trustee, as set forth in the Indenture.

Mandatory Purchase of the Series 2003A Bonds

Mandatory Purchase on Conversion Dates. The Series 2003A Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus, if the Interest Rate Determination Method is the Long-Term Rate, the redemption premium, if any, which would be payable as described under “Redemptions--Optional Redemption” below, if the Series 2003A Bonds were to be redeemed on the Purchase Date, plus accrued interest, if any, thereon to the Purchase Date on each Conversion Date for any Conversion.

Mandatory Purchase for Expiration of Credit Facility or Change in Credit Facility Issuer. While the Series 2003A Bonds bear interest at the Weekly or Semi-Annual Rate, the Series 2003A Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase date, upon termination of the term of the then current Credit Facility (whether by expiration according to its terms or upon delivery of an Alternate Credit Facility) unless such Credit Facility is extended or replaced prior to its expiration with an Alternate Credit Facility issued by the then current Credit Facility Issuer. The Purchase Date will be the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of expiration of the then current Credit Facility.

While the Series 2003A Bonds bear interest at the Long-Term Rate and the Series 2003A Bonds are subject to optional redemption by the Issuer pursuant to the Indenture, the Series 2003A Bonds shall be subject to mandatory purchase at a Purchase Price equal to the principal amount thereof, plus the redemption premium, if any, which would be payable under the terms of the Indenture if the Series 2003A Bonds were redeemed on the Purchase Date, plus accrued interest, if any thereon to the Purchase Date, upon delivery of an Alternate Credit Facility unless such Credit Facility is a Qualifying Alternate Credit Facility. The Purchase Date will be the Interest Payment Date immediately preceding (by at least 15 calendar days) the date of expiration of the then current Credit Facility. Any premium to be paid in connection with such mandatory purchase, if not covered by the then current Credit Facility shall be paid from Eligible Funds deposited by the Hospital into the Bond Fund. If there are no such Eligible Funds, the then current Credit Facility may not be replaced unless replaced with a Qualifying Alternate Credit Facility. While the Series 2003A Bonds bear interest at the Long-Term Rate, but are not yet subject to optional redemption by the Issuer, the Hospital must replace the then current Credit Facility with a Qualifying Alternate Credit Facility.

Notice of Mandatory Purchase. Notice of any mandatory purchase shall be given by the Trustee thirty (30) days prior to the date of purchase in the same manner as a notice of redemption (see “Redemption Provisions Relating to the Series 2003A Bonds - Notice of Redemption” below); provided that failure to receive notice by mailing, or any defect in that notice, as to any Series 2003A Bond shall not affect the validity of the proceedings for the purchase of any other Series 2003A Bond.

Payment of Purchase Price. Payment of the purchase price of any Series 2003A Bond shall be made only on surrender of such Series 2003A Bond, accompanied by an appropriate instrument of transfer, executed in blank by the owner thereof, with all signatures guaranteed, to the Tender Agent. Delivery of any Series 2003A Bond to be purchased at the Principal Office of the Tender Agent at or prior to 12:00 noon (New York time) on the Purchase Date shall be

required for payment of the purchase price due on such Purchase Date in same-day funds. Any Series 2003A Bond as to which a notice of demand for purchase has been given or which is subject to mandatory purchase and for which moneys for the payment of the purchase price have been deposited with the Tender Agent shall not be transferable and shall not be purchased on the Purchase Date whether or not such Series 2003A Bond has been surrendered to the Tender Agent. Thereafter, the owner of such Series 2003A Bond shall be entitled only to payment of the purchase price of such Series 2003A Bond by the Tender Agent.

Notwithstanding anything herein to the contrary, when any Series 2003A Bond is registered in the name of a Depository or its nominee, the principal and redemption price of and interest on such Series 2003A Bond shall be payable in same day federal funds delivered or transmitted to the Depository or its nominee.

Redemption Provisions Relating to the Series 2003A Bonds

Optional Redemption.

(i) Whenever the Interest Rate Determination Method for the Series 2003A Bonds is the Weekly Rate or Semi-Annual Rate, the Series 2003A Bonds shall be subject to redemption at the option of the Issuer, upon the direction of the Hospital, by exercise of its right to prepay the Sale Payments payable under the Installment Sale Agreement in whole on any date or in part on any Interest Payment Date (other than a Conversion Date), at a redemption price of 100% of the principal amount thereof.

(ii) Whenever the Interest Rate Determination Method for the Series 2003A Bonds is the Long-Term Rate, the Series 2003A Bonds shall be subject to redemption prior to the end of the then current Long-Term Rate Period at the option of the Issuer, upon the direction of the Hospital, at any time during the redemption periods and at the redemption prices set forth below, plus interest accrued to the redemption date (which redemption price and accrued interest shall be paid only from Eligible Moneys):

A) If the duration of the Long-Term Rate Period is five years or less, Series 2003A Bonds shall not be eligible for optional redemption at any time during the Long-Term Rate Period.

B) If the duration of the Long-Term Rate Period is greater than five years, Series 2003A Bonds may be optionally redeemed, with the redemption period beginning on that date which marks the expiration of one-half (1/2) of the Long-Term Rate Period, or, if such day is not a Business Day, the next succeeding Business Day. The redemption price, expressed as a percentage of principal amount, shall be 102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%.

Subject to certain conditions, the redemption periods and redemption prices may be revised, effective as of the Conversion Date or a change in the Long-Term Rate Period, by the Remarketing Agent to reflect prevailing market conditions.

Extraordinary Redemption. The Series 2003A Bonds are subject to redemption prior to maturity (A) as a whole, without premium, in the event of (1) a taking in Condemnation of, or

failure of title to, all or substantially all of the Facility, (2) damage to or destruction of part or all of the Facility and election by the Hospital or the Credit Facility Issuer to redeem the Series 2003A Bonds in accordance with the Installment Sale Agreement, (3) a taking in Condemnation of part of the Facility and election by the Hospital or the Credit Facility Issuer to redeem the Series 2003A Bonds in accordance with the Installment Sale Agreement, (4) as a result of any changes in the Constitution of the State of New York, or the Constitution of the United States of America or by legislative or administrative action (whether state or federal) or by final decree, judgment, decision or order of any court or administrative body whether state or federal), the Installment Sale Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein, (5) the Installment Sale Agreement is terminated prior to its expiration for any reason other than the occurrence of an Event of Default under the Installment Sale Agreement, or (6) upon the occurrence of unreasonable burdens or excessive liabilities shall have been imposed on the Hospital with respect to the operations of the Facility, including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Indenture that, in the judgment of the Hospital, render the continued operation of the Facility uneconomical. In any such event, the Series 2003A Bonds shall be redeemed, as a whole or in part, as the case may be, in the manner provided in the Indenture, at such time as the Trustee determines, at a Redemption Price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium or (B) in part, without premium, upon receipt by the Trustee of a written notice from the Hospital that the amount retained in the Project Fund or the Renewal Fund following the Completion Date and transferred to the Bond Fund is to be applied to reimburse the Credit Facility Issuer for the redemption of the Series 2003A Bonds.

No Mandatory Sinking Fund Requirement. The Series 2003A Bonds are **not** subject to mandatory redemption pursuant to any mandatory sinking fund requirements; however, under the Reimbursement Agreement, the Hospital may be required to use its rights under the optional redemption provisions of the Indenture to make scheduled payments to reduce the Outstanding principal of the Series 2003A Bonds. Any such requirement under the Reimbursement Agreement can be changed or eliminated by the Credit Facility Issuer and the Hospital at any time without the consent of or notice to the Bondholders.

Mandatory Redemption Directed By the Credit Facility Issuer. The Series 2003A Bonds are also subject to redemption prior to maturity upon receipt by the Trustee of a written notice from the Credit Facility Issuer of the occurrence and continuance of a default by the Hospital under the Reimbursement Agreement and the Credit Facility Issuer's election to compel redemption of the Series 2003A Bonds. In such event, the Series 2003A Bonds shall be redeemed, as a whole, as provided in the Indenture, on the earliest date for which the Trustee can give notice at a redemption price equal to the principal amount thereof, plus accrued interest, to the redemption date, without premium.

Mandatory Redemption Upon a Determination of Taxability. The Series 2003A Bonds are also subject to redemption prior to maturity upon the occurrence of a Determination of Taxability. In such event, the Series 2003A Bonds shall be subject to redemption, as a whole, as soon as possible after the discovery of such Determination of Taxability, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date, with premium as applicable. If any Series 2003A Bonds are paid at maturity or purchased by the Trustee or redeemed subsequent to a Determination of Taxability without payment of an amount at least equal to the redemption price that would have been received if such Series 2003A Bonds

had been redeemed as a result of a Determination of Taxability, the owners of such Series 2003A Bonds at the time of maturity, purchase or redemption, upon establishing their then ownership thereof, shall be entitled to receive, as an additional premium thereon, an amount equal to the difference between the amounts actually received and the amounts that would have been received if such Series 2003A Bonds had been redeemed as a result of a Determination of Taxability.

“Determination of Taxability” means a determination that the interest accrued or paid on any of the Series 2003A Bonds is included in gross income of the Holders or former Holders for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the day on which the Hospital is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that the interest on the Series 2003A Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes;

(b) the day on which the Hospital receives notice from the Trustee in writing that the Trustee has received (i) notice in writing by any Holder or former Holder that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such Holder or former Holder that asserts in effect that the interest on the Series 2003A Bonds received by such Holder or former Holder is included in the gross income of such Holder or former Holder for federal income tax purposes, or (ii) an opinion of Bond Counsel that concludes in effect that the interest on the Series 2003A Bonds is includable in the gross income of any Holder or former Holder thereof for federal income tax purposes;

(c) the day on which the Hospital is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Series 2003A Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes; or

(d) the day on which the Hospital is advised in writing by Counsel that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect to which the Hospital has been given written notice and an opportunity to participate and defend that the interest on the Series 2003A Bonds is included in the gross income of any holder or former Holder thereof for federal income tax purposes;

Provided, however, (i) no Determination of Taxability shall occur because interest on the Series 2003A Bonds is an item of tax preference or is otherwise taken into account in determining alternative minimum taxable income under the Code and (ii) during any Weekly Rate Period, no Determination of Taxability shall occur under subparagraphs (a), (b)(i) and (c) above unless the Hospital has been afforded the opportunity to contest any such advisement, notice of deficiency, ruling or other conclusion and such contest by the Hospital, if made, has been finally determined (with no further right of appeal) adversely to the Hospital or until two years shall have elapsed since receipt of such advisement, notice, ruling or conclusion without any such final determination.

Notice of Redemption. The Hospital shall exercise its option to prepay Sale Payments and all amounts due under the Installment Sale Agreement (and thereby cause a redemption of Series 2003A Bonds) by giving written notice to the Remarketing Agent, the Trustee, the Paying Agent and the Credit Issuer, if a Credit Facility is then in effect, not less than forty-five (45) days prior to the date selected for redemption; provided, however, that, if any redemption is pursuant to Section 2.18(a)(ii) of the Indenture, the Hospital shall also deliver a certificate of an Authorized Representative certifying that the conditions precedent to such redemption have been met. Notice of redemption shall be mailed by the Trustee by first-class mail, postage prepaid, at least thirty (30) days before the redemption date to each Holder of the Series 2003A Bonds to be redeemed in whole or in part at his last address appearing on the Register, but no defect in or failure to give such notice of redemption shall affect the validity of the redemption. All Series 2003A Bonds so called for redemption will cease to bear interest on the date fixed for redemption, provided funds for their redemption have been duly deposited with the Trustee and, thereafter, the Holders of such Series 2003A Bonds called for redemption shall have no rights in respect thereof except to receive payment of the redemption price from the Trustee and a new Series 2003A Bond for any portion not redeemed.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

Security for the Series 2003A Bonds

The Series 2003A Bonds will be initially secured by (A) the assignment effected by the Pledge and Assignment of the Issuer's rights and remedies under the Installment Sale Agreement (except the Unassigned Rights), including the right to collect and receive Sale Payments required to be made thereunder, (B) the Guaranty from the Hospital to the Trustee, (C) all other moneys and securities held from time to time by the Trustee for the Bondholders pursuant to the Indenture, including all proceeds of the Series 2003A Bonds prior to disbursement pursuant to the terms of the Indenture, the Installment Sale Agreement and the Reimbursement Agreement, but excepting moneys held in the Rebate Fund and moneys held for the purchase of Tendered Series 2003A Bonds, (D) the Letter of Credit, (E) the Mortgage from the Hospital to the Master Trustee, and (F) the Master Notes No. 1 and No. 2 issued under the Master Indenture to the Trustee.

Series 2003A Bonds Not Obligations of the State or Schenectady County, New York

THE SERIES 2003A BONDS ARE NOT AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK OR SCHENECTADY COUNTY, NEW YORK, AND NEITHER THE STATE OF NEW YORK, NOR SCHENECTADY COUNTY, NEW YORK, SHALL BE LIABLE THEREON. THE SERIES 2003A BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE STATE OF NEW YORK OR SCHENECTADY COUNTY, NEW YORK. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR THE INTEREST ON ANY SERIES 2003A BOND AGAINST ANY MEMBER, OFFICER, EMPLOYEE OR AGENT (OTHER THAN THE HOSPITAL) OF THE ISSUER.

THE CREDIT FACILITY

The following summarizes certain provisions of the Credit Facility and the Reimbursement Agreement, to which reference is made for the detailed provisions thereof. Capitalized words and terms used in this section and not defined in this Circular or in the Indenture have the meanings assigned in the Credit Facility and the Reimbursement Agreement.

The Letter of Credit

The Letter of Credit provides the primary credit support for the Series 2003A Bonds. As security for the payment of amounts due under the Installment Sale Agreement, the Hospital will cause to be delivered to the Trustee a Letter of Credit initially issued by the Credit Facility Issuer for the Series 2003A Bonds pursuant to the terms of the Reimbursement Agreement. The Letter of Credit is an irrevocable obligation of the Credit Facility Issuer issued in an amount equal to the principal amount of the Series 2003A Bonds plus an amount equal to 98 days' interest on the Series 2003A Bonds at a maximum interest rate of 8% per annum. The Trustee, upon compliance with the terms of the Letter of Credit, is authorized to draw under the Letter of Credit (A) an amount equal to the principal of the Series 2003A Bonds to pay (1) principal of the Series 2003A Bonds, when due whether at stated maturity, upon redemption or acceleration or (2) the principal portion of the purchase price of Series 2003A Bonds subject to mandatory purchase or purchased on demand of the owner and not remarketed plus (B) an amount up to 98 days' interest accrued on the Series 2003A Bonds at a maximum interest rate of 8% per annum, to pay (1) interest on the Series 2003A Bonds when due or (2) the interest portion of the purchase price of Series 2003A Bonds subject to mandatory purchase or purchased on demand of owners and not remarketed.

The Letter of Credit terminates automatically on the earliest of (A) the payment to the Trustee of the final drawing available to be made under the Letter of Credit, (B) receipt by the Credit Facility Issuer of a certificate of the Trustee and an authorized representative of the Hospital accepting an Alternate Credit Facility (as hereinafter defined), (C) receipt by the Credit Facility Issuer of a certificate of the Trustee stating that no Series 2003A Bonds remain outstanding, or (D) August 22, 2008, the presently stated expiration date of the Letter of Credit.

The Trustee is directed under the Indenture to draw upon the Credit Facility (A) to pay principal or redemption price of and interest on the Series 2003A Bonds when due; (B) to enable the Tender Agent to pay the purchase price of Series 2003A Bonds to be purchased on the demand of the owner thereof; and (C) to enable the Tender Agent to pay the purchase price of Series 2003A Bonds subject to mandatory purchase, in all cases to the extent that other moneys permitted by the Indenture to be applied to such purposes are not available.

The obligation of the Credit Facility Issuer under the Letter of Credit will be reduced to the extent of any drawing thereunder. With respect to a drawing to pay interest on the Series 2003A Bonds on an Interest Payment Date or the portion of the purchase price of Series 2003A Bonds equal to interest, the Trustee's right to draw under the Letter of Credit will be reinstated automatically in an amount equal to such interest drawing. With respect to a drawing to pay the purchase price of Series 2003A Bonds purchased on the demand of the owner thereof or subject to mandatory purchase, the amount available under the Letter of Credit for payment of principal or redemption price of the Series 2003A Bonds or the principal portion of the purchase price of Series 2003A Bonds shall be reinstated but only to the extent that the Credit Facility Issuer is reimbursed in accordance with the terms of the Reimbursement Agreement for the amounts so

drawn. In no event will the Trustee be entitled to make drawings under the Letter of Credit for payment of any amount due on any Series 2003A Bond purchased with the proceeds of a drawing under the Letter of Credit and not remarketed.

Upon an acceleration of the maturity of the Series 2003A Bonds due to an Event of Default under the Indenture, the Trustee will be entitled to draw on the Letter of Credit to the extent of the aggregate principal amount of the Series 2003A Bonds then outstanding plus, to the extent available under the Letter of Credit, an amount sufficient to pay interest on all outstanding Series 2003A Bonds.

The Letter of Credit will be transferable and assignable to a successor Trustee appointed in accordance with the Indenture. Amounts payable under the Letter of Credit will be general obligations of the Credit Facility Issuer. Such amounts will not be guaranteed, in whole or in part, by the United States or any agency or instrumentality thereof.

Pursuant to the Reimbursement Agreement, the Hospital has agreed to repay on demand any amounts drawn on the Letter of Credit, other than amounts drawn on the Letter of Credit to pay the Purchase Price of any Series 2003A Bond, plus reasonable charges incurred by the Credit Facility Issuer in connection with any draws on the Letter of Credit. See Appendix A-2 - SUMMARY OF THE REIMBURSEMENT AGREEMENT.

Renewal of Credit Facility

The Hospital may request the Credit Facility Issuer to extend the Expiration Date of the Credit Facility, but the Credit Facility Issuer is under no obligation to do so.

Alternate Credit Facility

The Hospital may, at its option, as provided in the Indenture, provide for the delivery to the Trustee of an Alternate Credit Facility which shall be an irrevocable direct pay letter of credit or another credit enhancement or support facility in favor of the Trustee for the benefit of the Bondholders issued by a financial institution, the terms of which shall in all respects material to the Bondholders be the same as the Letter of Credit (except for the terms and maximum interest rate but including coverage of interest on the Series 2003A Bonds for 98 days if the Series 2003A Bonds bear interest at the Weekly Rate or for 183 days if the Series 2003A Bonds bear interest at the Semi-Annual Rate or the Long-Term Rate) (the "Alternate Credit Facility") which, if the Interest Rate Mode is the Long-Term Rate, shall be a Qualified Alternate Credit Facility. Such Alternate Credit Facility shall have a term of not less than one year and set forth a maximum interest rate on the Series 2003A Bonds with respect to which drawings may be made. The Hospital must also furnish to the Trustee (a) an opinion of counsel stating that (i) the delivery of such Alternate Credit Facility to the Trustee is authorized under the Indenture and complies with its terms, and (ii) so long as such Alternate Credit Facility is in effect, the Series 2003A Bonds may be sold or transferred without registration under the provisions of the Securities Act, (b) an opinion of counsel to the financial institution issuing such Alternate Credit Facility stating that such Alternate Credit Facility is a legal, valid, binding and enforceable obligation of such financial institution in accordance with its terms, (c) written evidence that the Issuer of such Alternate Credit Facility is a commercial bank, insurance company or other financial institution organized and doing business in the United States or a branch or agency of a foreign commercial bank located and doing business in the United States and subject to

regulation by state and federal banking regulatory authorities, and (d) evidence of written approval of the Remarketing Agent.

In order to avoid the mandatory purchase of the Series 2003A Bonds while the Series 2003A Bonds bear interest at the Weekly or Semi-Annual Rate, upon the expiration of the then current Credit Facility (whether by expiration according to its terms or delivery of an Alternate Credit Facility), the Hospital shall provide for the replacement of such Credit Facility to the satisfaction of the Trustee with an Alternate Credit Facility by the then current Credit Facility Issuer and such Alternate Credit Facility must be delivered to the Trustee (together with the opinions described in the preceding paragraph) before the Interest Payment Date immediately preceding (by at least 15 calendar days) the expiration date of the Credit Facility being replaced. In order to avoid the mandatory purchase of the Series 2003A Bonds while the Series 2003A Bonds are bearing interest at the Long-Term Rate and not subject to optional redemption, the then current Credit Facility must be replaced with an Alternate Credit Facility that is a Qualifying Alternate Credit Facility and such Alternate Credit Facility must be delivered to the Trustee (together with the opinions described in the preceding paragraph) at least 35 days before the Interest Payment Date immediately preceding (by at least 15 calendar days) the expiration date of the Credit Facility being replaced. See “THE BONDS--Mandatory Purchase of Series 2003A Bonds--Mandatory Purchase for Failure to Provide Qualifying Alternate Credit Facility.”

A “Qualifying Alternate Credit Facility” means an Alternate Credit Facility in connection with which the Trustee shall have received, (a) if the Series 2003A Bonds are then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) from the Rating Service then rating the Series 2003A Bonds to the effect that such Rating Service has reviewed the proposed Alternate Credit Facility and that the substitution of the Alternate Credit Facility will not, by itself, result in (i) a permanent withdrawal of its rating of the Series 2003A Bonds or (ii) the reduction of the current rating of the Series 2003A Bonds, or (b) if the Series 2003A Bonds are not then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) that the Alternate Credit Facility would be issued by a Credit Facility Issuer which, or the parent corporation of which, has a long-term debt rating assigned by a Rating Service which is equal to or better than the rating of the Credit Facility Issuer being replaced.

The Trustee must give notice of the replacement of the Credit Facility with a Qualifying Alternate Credit Facility to the owners of the Series 2003A Bonds promptly after such replacement. The Trustee is required to give the owners of the Series 2003A Bonds notice of the expiration of the term of the then current Credit Facility (whether by expiration according to its terms or delivery of an Alternate Credit Facility).

RISKS TO BONDHOLDERS

Purchase of the Series 2003A Bonds involves a degree of risk. Prospective purchasers of the Series 2003A Bonds should give careful consideration to the matters referred to in the following summary. Such summary should not be considered exhaustive, but rather informational only.

No Obligation of the State or Schenectady County, New York

The Series 2003A Bonds are not obligations of the State of New York or Schenectady County, New York, and neither the State of New York nor Schenectady County, New York, has

any liability thereunder. The Series 2003A Bonds are special revenue bonds payable solely from the sources described in this Offering Circular and the Indenture.

Default by the Credit Facility Issuer Under the Letter of Credit

The Credit Facility Issuer's obligations under the Letter of Credit will be general obligations of the Credit Facility Issuer, which will not be guaranteed or secured, in whole or in part, by the United States or any agency or instrumentality thereof. Default by the Credit Facility Issuer under the Letter of Credit might result in insufficient revenues being available to pay the principal of and accrued and unpaid interest on the Series 2003A Bonds.

Default by the Hospital or the Issuer

No representations or assurances can be given that the Hospital or the Issuer will not default in performing their respective obligations under the Installment Sale Agreement, the Reimbursement Agreement or the Indenture. If an Event of Default occurs under the Indenture, the Trustee will accelerate the maturity of all Series 2003A Bonds Outstanding and interest will cease to accrue on the date of acceleration, notwithstanding the fact that the Bondholders may not receive notice of such acceleration until after such date. In addition, no premium will be received upon an acceleration of the Series 2003A Bonds due to a default.

Failure to Obtain Alternate Credit Facility

The Letter of Credit terminates on May 22, 2003. There are no assurances that the Credit Facility Issuer will renew the Letter of Credit beyond that date. In the event that the Letter of Credit is not renewed and the Hospital does not, to the Trustee's satisfaction, provide for delivery of an Alternate Credit Facility to secure the Series 2003A Bonds prior to the expiration date of the Letter of Credit, the Series 2003A Bonds will be subject to mandatory purchase without premium on the Interest Payment Date immediately preceding the expiration date of the Letter of Credit. There are no assurances that the Hospital will be able to obtain such Alternate Letter of Credit.

Loss of Federal Tax Exemption

In the opinion of Bond Counsel, under existing law, interest on the Series 2003A Bonds is not included in gross income for federal income tax purposes (see the caption "TAX EXEMPTION" herein). The non-inclusion of the interest on the Series 2003A Bonds for federal income tax purposes may be lost if certain events occur subsequent to the date of issuance of the Series 2003A Bonds that violate the requirements and limitations prescribed by the Code. In addition, Bond Counsel has expressed no opinion as to such non-inclusion in gross income with respect to interest accruing on or after any Conversion of the Interest Rate Determination Method payable by the Series 2003A Bonds. Although the Hospital has agreed not to violate the requirements and limitations of the Code, there can be no assurance that these events will not occur. If certain requirements are violated, the interest on the Series 2003A Bonds may be deemed to be taxable from the date of issuance. The occurrence of a Determination of Taxability subjects the Series 2003A Bonds to mandatory redemption pursuant to the Indenture. Bondholders will not receive any premium upon such mandatory redemption. See the caption "THE BONDS -- Redemption Provisions -- Mandatory Redemption Upon a Determination of Taxability" herein.

Foreclosure and Sale of the Facility

In the event of a default by the Credit Facility Issuer in making payment under the Letter of Credit, and a foreclosure and subsequent sale of the Facility, insufficient funds may be realized to pay the entire outstanding amount of principal and interest on the Series 2003A Bonds. Additionally, in such a situation, payment of the principal of and interest on the Series 2003A Bonds could be subject to, among other things, future delays in the litigation process and other conditions which are unpredictable and which may adversely affect the ability of the Trustee to obtain sufficient funds to pay the principal of and interest on the Series 2003A Bonds in full.

Limited Information on the Issuer, the Hospital and the Facility

The Series 2003A Bonds are being offered based on the security provided by the Letter of Credit. Only limited information has been provided herein with respect to the Issuer, the Hospital or the Facility. Yet, as set forth above, the failure of the Hospital to meet its obligations under the Reimbursement Agreement could result in a mandatory redemption or acceleration of the Series 2003A Bonds. Therefore, investors should assume there may be a possibility that the Hospital will not meet their obligations to the Credit Facility Issuer, and that the Series 2003A Bonds may be redeemed prior to maturity, without premium, or payment on the Series 2003A Bonds may be accelerated.

Completion of Project

The work on the Facility commence(s) in May, 2003, and the Hospital expects such work to be completed by May 1, 2005. No assurance can be given, however, that the Facility will be completed on schedule. In the event that the Facility is not completed on schedule, the Hospital's ability to make Debt Service Payments on the Series 2003A Bonds may be impaired.

Additional Bonds

The Hospital will finance the remaining portion of the Project with the proceeds of the Series 2003B Bonds. The Series 2003B Bonds will be issued and secured on a parity basis with the Series 2003A Bonds with respect to the security provided by the Trust Estate, except with regard to the Letter of Credit, which will secure **only** the Series 2003A Bonds. The Series 2003B Bonds will be secured by a separate letter of credit provided by the Letter of Credit Bank which separate letter of credit shall not secure any part of the Series 2003A Bonds.

TAX EXEMPTION

Federal Income Taxes

In the opinion of Harris Beach LLP, Bond Counsel, and subject to the limitations set forth in the immediately succeeding paragraph, under the existing statutes, regulations, court decisions and administrative rulings, as of the date of such opinion, the interest on the Series 2003A Bonds accruing prior to the Conversion Date is not included in gross income for federal income tax purposes. Furthermore, Bond Counsel is of the opinion that interest on the Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds held by a corporate taxpayer is included in the computation of adjusted current earnings for purposes of calculating the federal

alternative minimum tax imposed on corporations. Corporate purchasers of the Bonds should consult their tax advisors regarding the computation of any alternative minimum tax.

The Code establishes certain requirements which must be met at and subsequent to the issuance and delivery of the Series 2003A Bonds in order that interest on the Series 2003A Bonds will be and remain not included in gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of Series 2003A Bond proceeds and other moneys or properties, required ownership of a facility by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with the continuing requirements may cause the interest on the Series 2003A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Tax Compliance Agreement and accompanying documents, exhibits and certificates, the Issuer and the School have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2003A Bonds should be aware that the accrual or receipt of interest on the Series 2003A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2003A Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2003A Bonds, (ii) interest on the Series 2003A Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2003A Bonds, may be subject to federal income taxation under the Code for certain S corporations to have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2003A Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or contained by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2003A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Installment Sale Agreement and the Tax Compliance Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. Harris Beach LLP expresses no opinion as to any Bond or the interest thereon if any such change occurs or actions are taken or not taken upon the advice or approval of a Bond Counsel other than Harris Beach LLP.

Bond Counsel has not undertaken to provide advice after the date of issuance and delivery of the Series 2003A Bonds regarding events which may affect the tax status of interest on the Series 2003A Bonds. No assurance can be given that future legislation or amendments to the code, if enacted into law, will not contain provisions which could directly or indirectly

reduce the benefit of the exclusion of the interest on the Series 2003A Bonds from gross income for federal income tax purposes.

All quotations from and summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

State and Local Income Taxes

In the opinion of Bond Counsel, under existing law as of the date of the Series 2003A Bonds, interest on the Series 2003A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

Any noncompliance with the Federal income tax requirements set forth above would not, however, affect the exemption of interest on the Series 2003A Bonds from personal income taxes imposed by New York State or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other federal or state and local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2003A Bonds.

Attached to this Official Statement as Appendix C and made a part hereof is the form of approving opinion of Bond Counsel.

Interest on the Series 2003A Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2003A Bonds under other state or local jurisdictions. Each purchaser of Series 2003A Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2003A Bonds in a particular state or local jurisdiction other than the State of New York.

Interest on the Series 2003A Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2003A Bonds under other state or local jurisdictions. Each purchaser of Series 2003A Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2003A Bonds in a particular state or local jurisdiction other than the State of New York.

Bond Counsel is of the further opinion that interest on the Series 2003A Bonds is not an “item of tax preference” for purposes of the federal alternative minimum tax on individuals and corporations. However, interest on the Series 2003A Bonds owned by corporations (other than S corporations, Regulated Investment Companies, Real Estate Investment Trusts and Real Estate Mortgage Investment Conduits) will be included in the calculation of adjusted current earnings, a portion of which is an adjustment to corporate alternative minimum taxable income for purposes of calculating the alternative minimum tax imposed on corporations (but not individuals). Corporate purchasers of Series 2003A Bonds should consult their tax advisers concerning the computation of any alternative minimum tax.

Prospective purchasers of the Series 2003A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of tax-exempt obligations may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance

companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors as to any possible collateral consequences in respect of the Series 2003A Bonds. Bond Counsel expresses no opinion regarding such collateral consequences.

THE PRECEDING INFORMATION UNDER THE HEADING “TAX EXEMPTION” WAS NOT FURNISHED BY THE ISSUER, AND THE ISSUER MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS THEREOF.

RATING

Moody’s Investors Services, Inc. (“Moody’s”) has assigned its rating of A1/VMIG1 to the Series 2003A Bonds upon the understanding that the irrevocable direct pay letter of credit of KeyBank National Association will be delivered to the Trustee simultaneously with the delivery of the Series 2003A Bonds. See “THE CREDIT FACILITY.” The rating will expire on August 22, 2008 unless the letter of credit is extended. The purchase of the Series 2003A Bonds by the Underwriter is conditioned upon the receipt of that rating. No application for a rating has been made to any other rating service.

The rating reflects only the views of the rating organization, and any explanation of the meaning or significance of the rating may only be obtained from the rating service. Certain information and materials were furnished to the rating service, some of which may not have been included in this Offering Circular, relating to the Series 2003A Bonds and the Credit Facility and the Credit Facility Issuer. Generally, rating services base their ratings on such information and materials and on their own investigation, studies and assumptions. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating service if in its judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse affect on the marketability or market price of the Series 2003A Bonds.

UNDERWRITING OF THE BONDS

McDonald Investments Inc. (the “Underwriter”) has agreed, subject to the terms and provisions of the Bond Purchase Agreement between the Issuer and the Underwriter (the “Purchase Agreement”) to purchase the Series 2003A Bonds from the Issuer at an aggregate purchase price of \$7,968,000 (the aggregate principal amount less the Underwriter’s discount).

The obligation of the Underwriter to accept delivery of the Series 2003A Bonds is subject to various conditions set forth in the Purchase Agreement; provided, however, that the Underwriter is obligated to purchase all of the Series 2003A Bonds if any are purchased.

The Issuer has agreed in the Purchase Agreement to indemnify the Underwriter against certain liabilities.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2003A Bonds and with regard to the status of the interest thereon (see the caption “TAX EXEMPTION”

herein) are subject to the approving opinion of Harris Beach LLP, Bond Counsel. Copies of such opinion, dated and speaking only as of the date of original delivery of the Series 2003A Bonds, will be delivered to the initial purchasers of the Series 2003A Bonds at the time of delivery of the Series 2003A Bonds. The form of Bond Counsel's approving opinion is attached as Appendix C to this Offering Circular. Certain legal matters will be passed upon for the Hospital by its counsel, Higgins, Roberts, Beyerl & Coan, P.C.; for the Credit Facility Issuer by its co-counsel, Harris Beach LLP and Calfee, Halter & Griswold LLP, and for the Underwriter by its counsel, Calfee, Halter & Griswold LLP.

FINANCIAL ADVISOR

The Hospital has retained First River Advisory L.L.C. of Ann Arbor, Michigan (the "Financial Advisor") to provide certain financial advisory services in connection with the issuance of the Series 2003A Bonds. In assisting in the preparation of the Offering Circular, the Financial Advisor has relied upon Hospital management and other sources who have access to relevant data to provide accurate information for the Offering Circular. The Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm, and has not been engaged by the Hospital to compile, review, examine or audit any information in the Offering Circular in accordance with accounting standards.

The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Therefore, the Financial Advisor will not participate in the underwriting or remarketing of the Series 2003A Bonds.

OTHER MATTERS

The foregoing summaries and explanations do not purport to be comprehensive and are expressly made subject to the exact provisions of the documents referred to herein. So far as any statements are made in this Offering Circular involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Issuer with the Holders of the Series 2003A Bonds is fully set forth in the Indenture, and this Offering Circular is not to be construed as constituting an agreement with the purchasers of the Series 2003A Bonds.

APPENDIX A-1

GLOSSARY AND SUMMARIES OF CERTAIN PROVISIONS OF CERTAIN BOND DOCUMENTS

GLOSSARY

The following words and terms as used in this Offering Circular shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Acknowledgment" means the Acknowledgment of the Hospital of the Pledge and Assignment.

"Act" means Title 1 of Article 18-A of the General Municipal Law of the State, as amended from time to time, together with Chapter 389 of the Laws of 1978 of the State.

"Act of Bankruptcy" means any of the following events, as to the occurrence or non-occurrence of which the Trustee may rely upon receipt of written notification from the Hospital, the Issuer or the Credit Issuer, as appropriate:

(i) The Hospital (or any other Person obligated, as guarantor or otherwise, to make payments on the Series 2003A Bonds or under the Installment Sale Agreement or a Reimbursement Agreement), the Credit Issuer or the Issuer shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Hospital (or such other Person), the Credit Issuer or the Issuer or of all or any substantial part of its property, (b) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the Hospital (or any other Person obligated, as guarantor or otherwise, to make payments on the Series 2003A Bonds or under the Installment Sale Agreement or a Reimbursement Agreement), the Credit Issuer or the Issuer in any court of competent jurisdiction or, in the case of the Credit Issuer, before a regulatory authority having jurisdiction over the financial affairs of the Credit Issuer, seeking (a) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts, of the Hospital, the Credit Issuer or the Issuer (or any such other Person), (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Hospital, the Credit Issuer or the Issuer (or any such other Person) or of all or any substantial part of its respective property, or (c) similar relief in respect of the Hospital, the Credit Issuer or the Issuer (or any such other Person) under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

"Alternate Credit Facility" means any irrevocable, transferable direct pay letter of credit or other credit enhancement or support facility that has terms which are the same in all material respects (except for the term and maximum interest rate but including coverage of accrued

interest on the Series 2003A Bonds for ninety-eight (98) days if the Series 2003A Bonds bear interest at the Weekly Rate or for one hundred eighty-three (183) days if the Series 2003A Bonds bear interest at the Semiannual Rate or the Long-Term Rate) as the then current Credit Facility and (i) shall have a term of not less than one year (except that if the Long-Term Rate shall then be in effect, the term of such Alternate Credit Facility shall not expire prior to (a) the first par redemption date plus fifteen (15) days or (b) the first redemption date plus fifteen (15) days if the Alternate Credit Facility covers the redemption premium), (ii) shall be issued by a bank, a trust company or other financial institution or credit provider, and (iii) the Trustee shall have received the opinions required by the Indenture.

"Assignment" means the Pledge and Assignment with Acknowledgment thereof by the Hospital from the Issuer to the Trustee and the Credit Issuer dated as of May 1, 2003.

"Assignment of Construction Contracts" means the Assignment of Construction Contracts from the Hospital to the Credit Issuer, dated as of May 1, 2003.

"Assignment of Leases" means the Assignment of Leases and Rents from the Hospital to Credit Issuer dated as of May 1, 2003.

"Authorized Denomination" means \$100,000 and, in excess thereof, integral multiples of \$5,000.

"Authorized Representative" or "Designated Representative" means (a) in the case of the Issuer, the Chairman or the Vice Chairman of the Issuer; in the case of the Hospital, the President, Treasurer, any Vice President or the Secretary; and in the case of both, such additional persons as, at the time, are designated to act on behalf of the Issuer or the Hospital, as the case may be, by written certificate furnished to the Trustee and to the Issuer or the Hospital, as the case may be, containing the specimen signature of each such person and signed on behalf of (i) the Issuer by the Chairman or the Vice Chairman of the Issuer, or (ii) the Hospital by the President, Treasurer, any Vice President or the Secretary of the Hospital and (b) in the case of each Member of the Obligated Group, its chief executive officer or its chief financial officer or any other person or persons designated an Authorized Representative of the Member of the Obligated Group by an officer's certificate of such Member of the Obligated Group, signed by the its chief executive officer or chief financial officer and filed with the Master Trustee.

"Authorized Signer" means the Chairman or Vice Chairman of the Issuer.

"Bank" means the Credit Facility Issuer.

"Bank Documents" means the Letter of Credit, the Reimbursement Agreement, the Pledge and Assignment, the Bond Pledge Agreement, the Hazardous Substances Indemnity Agreement, the Assignment of Leases, the Assignment of Construction Contracts and any other document now or hereafter executed by the Issuer, the Hospital or any Guarantor in favor of the Credit Facility Issuer which affects the rights of the Credit Facility Issuer in or to the Facility, in whole or in part, or which secures or guarantees any sum due under any Bank Document.

"Bondholder," when used with reference to the Series 2003A Bonds, means Owner.

"Bond Counsel" means Harris Beach LLP, or any other attorney or a firm of attorneys, nationally recognized and experienced in legal work relating to the financing of facilities through the issuance of bonds the interest on which is not included in gross income for federal income tax purposes and approved in writing by the Issuer.

"Bond Documents" means the Series 2003A Bonds, the Bond Purchase Agreement, the Indenture, the Installment Sale Agreement, the Pledge and Assignment, the Guaranty, the Letter of Credit, the Remarketing Agreement, the Reimbursement Agreement, the Tax Compliance Agreement, the Bond Pledge Agreement, the Offering Circular and any other document now or hereafter executed by the Issuer or the Hospital in favor of the Bondholders or the Trustee which affects the rights of the Bondholders or the Trustee in or to the Project Facility, in whole or in part, or which secures or guarantees any sum due under the Series 2003A Bonds or any other Bond Document, and all documents related thereto and executed in connection therewith, each as amended from time to time.

"Bond Fund" means the fund created and so designated by the Indenture.

"Bond Pledge Agreement" means the Bond Pledge Agreement, dated as of May 1, 2003, by and among the Hospital, the Trustee in its capacities as Trustee and Tender Agent and the Bank, as said Bond Pledge Agreement may be amended or supplemented from time to time.

"Bond Proceeds" means the aggregate amount, including any accrued interest, paid to the Issuer by the initial purchasers of the Series 2003A Bonds pursuant to the Remarketing Agreement as the purchase price of the Series 2003A Bonds.

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated the Closing Date, by and among, the Issuer, the Hospital and the Underwriter pursuant to which the Issuer agrees to sell and the Underwriter agrees to purchase the Series 2003A Bonds.

"Bond Purchase Fund" means the fund created and so designated by the Indenture.

"Book Entry Form" means the form of the Series 2003A Bonds which permits book-entry registration as provided in the Indenture.

"Business Day" means any day other than (A) a Saturday or Sunday, (B) a day on which the New York Stock Exchange is closed or (C) a day on which commercial banks in New York, New York or the city or cities in which the office of the Trustee is located are authorized or required by law to close.

"Ceiling Rate" means the lesser of (i) 15% per annum or (ii) the maximum rate specified in the Credit Facility.

"Closing Date" means May 21, 2003.

"Code" means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Completion Date" means the earlier of (a) May 1, 2005 or (b) if earlier, the date of completion of the construction Improvements and installation of the Equipment and the refinancing of the Existing Indebtedness as certified to pursuant to Section 4.4 of the Installment Sale Agreement.

"Computation Date" means (a) the Business Day next preceding the first day of each Interest Period during which the Series 2003A Bonds bear interest at a Weekly Rate, (b) the tenth (10) Business Day next preceding the first day of each Interest Period during which the Series 2003A Bonds will bear interest at a Semiannual Rate and (c) a Business Day which is not later than the fifteenth (15) Business Day prior to any Conversion Date relating to conversion to a Long-Term Rate.

"Condemnation" means the taking of title to, or the use of, Property under the exercise of the power of eminent domain by any governmental entity or other Person acting under governmental authority.

"Construction Period" means the period (a) beginning on the earlier of (i) the date of commencement of construction, equipping, installation and sale of the Improvements and Equipment or (ii) the Closing Date with respect to the Series 2003A Bonds and (b) ending on the Completion Date.

"Conversion" means (a) any conversion from time to time in accordance with the terms of the Indenture of the Series 2003A Bonds from one Interest Rate Mode to another Interest Rate Mode and (b) the end of any Long-Term Rate Period.

"Conversion Date" means the first date any Conversion becomes effective.

"Conversion Notice" shall have the meaning set forth in the Indenture.

"Costs of the Project" or "Cost of the Facility" or "Project Costs" means all those costs and items of expense listed in Section 4.3 of the Installment Sale Agreement.

"Costs of Issuance" means all fees, expenses and costs incurred in connection with the authorization, sale and issuance of the Series 2003A Bonds, the execution of the Indenture and the preparation of all the documents in connection therewith.

"Costs of Issuance Fund" means the fund created and so designated by the Indenture.

"Counsel" means an attorney, or firm of attorneys, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, including any Bond Counsel.

"Credit Facility" means a letter of credit, insurance policy, surety bond or other instrument or device issued by a Credit Issuer on the Issue Date or pursuant to the Indenture in favor of the Trustee, for the account of the Hospital, which provides security for the payment of certain payments on or with respect to the Series 2003A Bonds as contemplated pursuant to the Indenture, and upon acceptance by the Trustee of any Alternate Credit Facility, such Alternate Credit Facility.

"Credit Issuance Date" means any date on which a Credit Facility is issued pursuant to the Indenture.

"Credit Issuer" or "Credit Facility Issuer" means the issuer of any Credit Facility, its successors and their respective assigns, which Credit Issuer initially shall be KeyBank National Association, as further specified in the Indenture; provided, however, that in connection with the acceptance of an Alternate Credit Facility that results in the occurrence of a mandatory purchase, until the occurrence of such mandatory purchase, "Credit Issuer" shall mean the Credit Issuer immediately prior to acceptance of such Alternate Credit Facility.

"Determination of Taxability" means a determination that the interest accrued or paid on any of the Series 2003A Bonds is included in gross income of the Holders or former Holders for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the day on which the Issuer or the Hospital is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that the interest on the Series 2003A Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes;

(b) the day on which the Issuer or the Hospital receives notice from the Trustee in writing that the Trustee has received (i) notice in writing by any Holder or former Holder that the Internal Revenue Service has issued a statutory notice of deficiency or similar notice to such Holder or former Holder that asserts in effect that the interest on the Series 2003A Bonds received by such Holder or former Holder is included in the gross income of such Holder or former Holder for federal income tax purposes, or (ii) an opinion of Bond Counsel that concludes in effect that the interest on the Series 2003A Bonds is includable in the gross income of any Holder or former Holder thereof for federal income tax purposes;

(c) the day on which the Issuer or the Hospital is advised in writing by the Commissioner or any District Director of the Internal Revenue Service that there has been issued a public or private ruling of the Internal Revenue Service or a technical advice memorandum issued by the national office of the Internal Revenue Service that the interest on the Series 2003A Bonds is included in the gross income of any Holder or former Holder thereof for federal income tax purposes; or

(d) the day on which the Issuer or the Hospital is advised in writing by Counsel that a final determination, from which no further right of appeal exists, has been made by a court of competent jurisdiction in the United States of America in a proceeding with respect

to which the Issuer or the Hospital has been given written notice and an opportunity to participate and defend that the interest on the Series 2003A Bonds is included in the gross income of any holder or former Holder thereof for federal income tax purposes;

provided, however, (i) no Determination of Taxability shall occur because interest on the Series 2003A Bonds is an item of tax preference or is otherwise taken into account in determining alternative minimum taxable income under the Code, and (ii) during any Weekly Rate Period, no Determination of Taxability shall occur under subparagraphs (a), (b)(i) and (c) of this paragraph unless the Issuer and/or the Hospital has been afforded the opportunity to contest any such advisement, notice of deficiency, ruling or other conclusion and such contest by the Issuer and/or the Hospital, if made, has been finally determined (with no further right of appeal) adversely to the Issuer and/or the Hospital or until two years shall have elapsed since receipt of such advisement, notice, ruling or conclusion without any such final determination.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the New York Banking Law, its nominee, Cede & Co., and its successors, to the extent that they act as a registered clearing agency under the Securities Exchange Act of 1934, and a securities depository.

"Eligible Funds" means moneys held by the Trustee or the Paying Agent under the Indenture which consist of any of the following:

(i) any moneys if, in the written opinion of Counsel experienced in bankruptcy law matters (which opinion shall be delivered to the Trustee at or prior to the time of the deposit of such proceeds with the Trustee), the deposit and use of such proceeds will not constitute an avoidable preferential payment pursuant to Section 547 of the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq. in the event of an Act of Bankruptcy;

(ii) moneys other than described in (iii) below, (A) deposited in the Bond Fund or the Bond Purchase Fund, or (B) transferred into the Bond Fund or the Bond Purchase Fund from the Project Fund, in either case, that have been held by the Trustee in any such fund for at least 123 (or, if any Person other than the Hospital is obligated as a guarantor on the Series 2003A Bonds or under the Installment Sale Agreement or the Reimbursement Agreement, 366) consecutive days prior to and during which no Act of Bankruptcy shall have occurred;

(iii) moneys paid by the Credit Issuer to the Trustee under the Credit Facility;

(iv) Remarketing Proceeds

(v) moneys derived from the investment of money described in clauses (i) or (ii) above.

"Environmental Laws" means all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or disposal of Hazardous Materials and the

rules, regulations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

"Equipment" means all machinery, equipment, fixtures, building materials and other personal property acquired, constructed and installed and used and/or to be acquired, constructed and installed and used in connection with the Project Facility and financed or refinanced with proceeds of the Series 2003A Bonds.

"Event of Default" means any of the events specified in the Indenture.

"Exempt Organization" means an organization described in Section 501(c)(3) of the Code and exempt from Federal income taxation pursuant to Section 501(a) of the Code.

"Existing Improvements" means the two (2) existing buildings containing in the aggregate approximately 140,000 square feet of space located on the Land.

"Existing Indebtedness" means the existing taxable indebtedness of the Hospital evidenced by that certain Permanent Promissory Note, dated December 17, 1996, from the Hospital to Key Bank of New York (predecessor to KeyBank National Association) of which Existing Indebtedness approximately \$ _____ will be refinanced out of proceeds of the Series 2003A Bonds.

"Extraordinary Expenses" means all services rendered and all expenses incurred by the Trustee or any Paying Agent under the Indenture other than Ordinary Services and Ordinary Expenses, including reasonable fees and disbursements of Trustee's counsel.

"Facility" means, collectively, the Land, the Existing Improvements, the Improvements and the Equipment.

"Financing Statements" means any and all financing statements (including continuation statements) or other instruments filed or recorded to protect the Security Interest created in the Indenture.

"Governmental Authority" means the United States, the State, any other state and any political subdivision thereof, and any agent, department, commission, board, bureau or instrumentality of any of them.

"Government Obligations" means (a) direct obligations of the United States of America upon which the full faith and credit of the United States of America is pledged, and (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the full and timely payment of the principal of and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), which obligations, in either case, are not subject to redemption prior to maturity at less than par at the option of anyone other than the holder thereof.

"Guarantor" means the Hospital, as guarantor under the Guaranty.

"Guaranty" means the Guaranty, dated as of May 1, 2003, from the Hospital to the Trustee, as said Guaranty may be amended or supplemented from time to time.

"Hazardous Materials" means all hazardous materials including, without limitation, any flammable explosives, radioactive materials, radon, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials as set forth in or regulated under or 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 (49 U.S.C. Sections 6901, et seq.), Articles 15 or 27 of the State Environmental Conservation Law, or in the regulations adopted and publications promulgated pursuant thereto, or any other federal, state or local environmental law, ordinance, rule or regulation.

"Hazardous Substances Indemnity Agreement" means the Environmental Indemnity Agreement, dated as of May 1, 2003, by and between the Hospital and the Bank.

"Holder" or "Bondholder" means the Person who shall be the registered owner of any Bond.

"Hospital" means Sunnyview Hospital and Rehabilitation Center a private, not-for-profit corporation organized and existing under the laws of the State of New York, and its successors and assigns.

"Hospital Agent" shall have the meaning set forth in the Indenture.

"Hospital Documents" means the License to Issuer, the Installment Sale Agreement, the Bond Purchase Agreement, the Reimbursement Agreement, the Mortgage, the Tax Compliance Agreement, the Acknowledgment to the Pledge and Assignment, the Master Note, the Master Trust Indenture, the Bond Pledge Agreement, the Hazardous Substances Indemnity Agreement, the Remarketing Agreement and the Guaranty.

"Indenture" means the Indenture of Trust, as the same may be amended or supplemented from time to time as permitted hereby.

"Independent Counsel" means an attorney or attorneys or firm or firms of attorneys duly admitted to practice law before the highest court of any state of the United States of America or in the District of Columbia and not a full-time employee of the Issuer, the Hospital or the Trustee.

"Independent Engineer" means an engineer or engineering firm registered and qualified to practice the profession of engineering under the laws of the State selected by the Hospital and not a full-time employee of the Issuer, the Hospital or the Trustee.

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of May 1, 2003, by and between the Issuer and the Hospital, pursuant to which the Hospital purchases the Issuer's interest in the Facility.

"Interest Payment Date" means (i) during any Weekly Rate Period, each Quarterly Interest Payment Date, and (ii) during any Semiannual Rate Period or Long-Term Rate Period, each Semiannual Interest Payment Date.

"Interest Period" means (a) with respect to the Series 2003A Bonds bearing interest at a Weekly Rate, (i) the period from and including the Issue Date to and including the Wednesday of the next succeeding calendar week and (ii) the period from and including the Conversion Date on which the Interest Rate Determination Method is changed to the Weekly Rate to and including the next Wednesday and, in each case, each succeeding period from and including each Thursday to and including the following Wednesday, (b) with respect to any Series 2003A Bonds bearing interest at a Semiannual Rate, the period from and including the Conversion Date on which the Interest Rate Determination Method is changed to the Semiannual Rate to and including the day immediately preceding the next Interest Payment Date and each successive six month period thereafter until the day preceding Conversion to a different Interest Rate Determination Method or maturity of the Series 2003A Bonds, and (c) with respect to any Series 2003A Bond bearing interest at a Long-Term Rate, the period from and including the Conversion Date on which the Interest Rate Determination Method is changed to the Long-Term Rate and ending on and including the day preceding the Interest Payment Date selected by the Hospital and each period of the same duration (or as close as possible) ending on an Interest Payment Date thereafter until the earliest of the day preceding the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Determination Method or the maturity of the Series 2003A Bonds.

"Interest Rate Determination Method" means any of the methods of determining the interest rate on the Series 2003A Bonds described in the Indenture.

"Interest Rate Mode" means the Weekly Rate, the Semi-Annual Rate or the Long-Term Rate.

"Issue Date" means the date on which the Series 2003A Bonds are delivered to the purchaser or purchasers thereof upon original issuance.

"Issuer" means Schenectady County Industrial Development Agency, a public benefit corporation duly organized and existing under the constitution and laws of the State of New York, or any successor to its rights and obligations under the Installment Sale Agreement and the Indenture.

"Issuer Documents" means the Indenture, the License to Issuer, the Installment Sale Agreement, the Bond Purchase Agreement, the Series 2003A Bonds, the Pledge and Assignment, the Offering Circular, the Tax Compliance Agreement and the Form 8038 used by the issuers of certain bonds the interest on which is not included in gross income for federal income tax purpose to provide the Internal Revenue Service with the information required and to monitor the State volume limitations.

"Land" means the approximately 6.9 acre parcel of land located at 1270 Belmont Avenue in the City of Schenectady, Schenectady County, New York, as more particularly described in Schedule A attached to the Installment Sale Agreement.

"Letter of Credit" means the irrevocable, transferable, direct-pay Letter of Credit issued by the Bank and delivered to the Trustee upon the issuance of the Series 2003A Bonds.

"License to Issuer" means the License to Issuer, dated as of May 1, 2003, from the Hospital to the Issuer, pursuant to which the Hospital grants to the Issuer a license to enter the Land to undertake the Project.

"Lien" means any interest in Property securing an obligation owed to a Person whether such interest is based on the common law, statute or contract, and including but not limited to, the security interest arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" includes reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other similar title exceptions and encumbrances, including but not limited to mechanics', materialmen's, warehousemen's, carriers' and other similar encumbrances, affecting real property. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

"Local Time" means Eastern Time (daylight or standard, as applicable).

"Long-Term Rate" means the Interest Rate Determination Method for the Series 2003A Bonds pursuant to the Indenture.

"Long-Term Rate Period" means any period during which the Series 2003A Bonds bear interest at the Long-Term Rate.

"Master Note" means, collectively, (i) Master Note No. 1, dated May 1, 2003, issued by the Obligated Group to the Issuer (which Master Note No. 1 shall be immediately endorsed over without recourse to the Trustee for the benefit of the holders of the Series 2003A Bonds pursuant to the Master Note No. 1 Endorsement) pursuant to and in accordance with the Master Trust Indenture, (ii) Master Note No. 2, dated May 1, 2003, issued by the Obligated Group to the Credit Issuer in accordance with the Master Trust Indenture and (iii) any other note or evidence of indebtedness issued by the Obligated Group in accordance with the Master Trust Indenture.

"Master Note No. 1 Endorsement" means the endorsement over of Master Note No. 1 from the Issuer to the Trustee.

"Master Trust Indenture" means the Master Trust Indenture, dated as of May 1, 2003, by and between the Obligated Group and the Master Trustee.

"Master Trustee" means Wells Fargo Bank Minnesota, N.A., as trustee under the Master Trust Indenture.

"Maturity Date" means the date on which all unpaid principal, redemption premium, if any, and interest on the Series 2003A Bonds shall be due and payable, that date being August 1, 2033.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Hospital with the approval of the Remarketing Agent, by written notice to the Issuer, the Credit Issuer and the Trustee.

"Mortgage" means the Mortgage, dated as of May 1, 2003, from the Hospital to the Master Trustee, as the same may be amended from time to time.

"Net Proceeds" means so much of the gross proceeds with respect to which that term is used as remain after payment of all expenses, costs and taxes (including attorneys' fees) incurred in obtaining such gross proceeds from insurance, Condemnation and recovery from contractors.

"Non-payment Event of Default" means any Event of Default pursuant to Sections 10.1(a)(ii), (iii), (iv), (v), (vi) and of the Installment Sale Agreement.

"Obligated Group" means the Sunnyview Hospital and Rehabilitation Center Obligated Group created pursuant to the Master Trust Indenture, initially consisting of the Hospital and any Members that join the Obligated Group pursuant to the Master Trust Indenture.

"Offering Circular" means the Offering Circular dated the Closing Date and any Preliminary Offering Circular issued with respect to the offering of the Series 2003A Bonds for purchase.

"Opinion of Bond Counsel" means any opinion of Bond Counsel required to be delivered pursuant to the Indenture with respect to the non-inclusion of interest on the Series 2003A Bonds in gross income for federal income tax purposes. Each such opinion shall be addressed to the Trustee, the Remarketing Agent, the Hospital, the Credit Issuer, the Issuer and the Paying Agent. No such opinion delivered pursuant hereto shall be deemed unsatisfactory when required as a condition to any provision under the Indenture because such opinion states that interest on the Series 2003A Bonds is an item of tax preference or is includable in determining alternative minimum taxable income under the Code.

"Optional Redemption Drawing" means any request or drawing demand under any Credit Facility to pay any principal, premium, if any, or accrued interest on the Series 2003A Bonds being redeemed at the direction or option of the Hospital under the Indenture.

"Optional Tender Date" means (i) during any Weekly Rate Period, any Business Day selected by the Holder, and (ii) during any Semiannual Rate Period, each Interest Payment Date (or, if such Interest Payment Date is not a Business Day, the next succeeding Business Day).

"Ordinary Expenses" means those services normally rendered and those expenses normally incurred by a trustee or paying agent, as the case may be, under instruments similar to the Indenture, including reasonable fees and disbursements of counsel for the Trustee.

"Original Credit Facility" means the irrevocable Letter of Credit issued by the Credit Issuer to the Trustee on the Issue Date, and any extensions and renewals thereof.

"Outstanding" means, when used with reference to the Series 2003A Bonds at any date as of which the amount of outstanding Series 2003A Bonds is to be determined, all Series 2003A Bonds that have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Series 2003A Bonds canceled or delivered for cancellation at or prior to such date;
- (b) Series 2003A Bonds deemed to be paid in accordance with the Indenture;
- (c) Series 2003A Bonds in lieu of which others have been authenticated under the Indenture;
- (d) Untendered Series 2003A Bonds; and
- (e) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Holders of a specified percentage of Outstanding Series 2003A Bonds under the Indenture, all Series 2003A Bonds held by or for the account of the Issuer or the Hospital; provided, however, that for purposes of any such consent, request, demand, authorization, direction, notice, waiver or action the Trustee shall be obligated to consider as not being outstanding only Series 2003A Bonds known by the Trustee by actual notice thereof to be so held.

"Owner" means the registered owner of any Series 2003A Bond as shown on the registration books maintained by the Registrar pursuant to the Indenture.

"Paying Agent" means the Trustee, and its successors appointed and serving under the Indenture.

"Permitted Encumbrances" means (i) exceptions to title set forth in the Title Report, (ii) the Installment Sale Agreement, (iii) the Pledge and Assignment, (iv) the Mortgage, (v) utility,

access and other easements and rights-of-way, restrictions and exceptions that do not materially impair the utility or the value of the Property affected thereby for the purposes for which it is intended, (vi) mechanics', materialmen's, warehousemen's, carrier's and other similar Liens to the extent permitted by Section 8.9 of the Installment Sale Agreement, (vii) purchase money security interests in Hospital-financed acquisitions, (viii) Liens for taxes not yet delinquent, (ix) any mortgage given by the Hospital as collateral for funds borrowed by the Hospital, which will be and remain subordinate in lien to the Mortgage, the Installment Sale Agreement and the Indenture, provided that no Event of Default is caused by the Hospital incurring and paying the debt supported by such mortgage and (x) Permitted Liens, as defined in Section 503(c) of the Master Trust Indenture.

"Permitted Investments" means any one or more of the following investments, if and to the extent the same are then legal investments under the applicable laws of the State for moneys proposed to be invested therein:

- (a) Government Obligations;
- (b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Corporations; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, "Agency Obligations");
- (c) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated, if by Moody's, "Aa" or better, and "AA" or better if by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated, if by Moody's, "Aa" and "AA" or better if by S&P;
- (d) commercial paper rated, if by Moody's, "Prime-1" and, "A-1", if by S&P;
- (e) obligations rated, if by Moody's "A3", or better, and "A-" or better if by S&P;
- (f) deposits, Federal funds or bankers acceptances of any domestic bank (which may include the Trustee, or any of its affiliates), including a branch office of a foreign bank which branch office is located in the United States, which has an unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better if by Moody's, and "A-1" or "A-" or better if by S&P;
- (g) variable rate demand securities redeemable within seven (7) days or able to be tendered for remarketing or purchase upon no more than seven (7) days' notice and secured by a credit facility issued by a financial institution, which financial institution (or its corporate

parent) maintains a long term debt rating assigned by Moody's and S&P which is not lower than the third highest long term debt category (without regard to numerical or other modifiers assigned within the category) by either Rating Service, or by both Rating Services, if rated by both Rating Services;

(h) investments in a money-market fund (which may be a fund of the Trustee) rated "Am" or "Am-G" or better by S&P, shares of investment companies registered under the Investment Company Act of 1940 which invest in (a) or (c) above, rated "Am" or "Am-G" or better by S&P, including those for which the Trustee or any of its affiliates provide services for a fee, whether as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, manager or otherwise;

(i) repurchase agreements with a term of one year or less with any institution with debt rated "AA-" or commercial paper rated "A-1" (in each case by S&P);

(j) repurchase agreements collateralized by Government Obligations or agency obligations listed above in subparagraphs (b) or (c) with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has, at the time such repurchase agreement is entered into, an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better, if by Moody's, and "A-1" or "A-" or better if by S&P, provided:

(i) a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, or (iii) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(iii) a perfected first security interest under the Uniform Commercial Code, or bond entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of thirty (30) days or less, or the collateral securities will be valued no less frequently than monthly and will be liquidated if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; and

(v) the repurchase agreement matures at least five (5) days (or other appropriate liquidation period) prior to an Interest Payment Date; and

(vi) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

(k) investment agreements with a bank or insurance company which has, at the time such investment agreement is entered into, an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's, and "A-" or better by S&P, provided:

(i) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, consistent with Interest Payment Dates, and

(ii) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(iii) the agreement is not subordinated to any other obligations of such insurance company or bank.

All such securities so purchased shall mature or be redeemable on a date or dates prior to the time when, in the judgment of the Hospital, the funds so invested will be required for expenditure. The express judgment of the Hospital as to the time when any funds will be required for expenditure or be redeemable shall be final and conclusive.

"Person" means any natural person, firm, partnership, association, corporation, limited liability company, limited liability partnership or public body.

"Plans and Specifications" means the plans and specifications for the Facility, prepared for the Hospital, as revised from time to time in accordance with the Installment Sale Agreement.

"Pledge and Assignment" means the Assignment.

"Pledged Bonds" means any Series 2003A Bond at any time purchased, in whole or in part, with the proceeds of a draw on the Credit Facility upon tender of such Series 2003A Bond and held by the Trustee pursuant to the provisions of the Indenture.

"Prime Rate" shall mean the KeyBank National Association Prime Rate, which is that per annum interest rate announced from time to time publicly by the Bank as a reference rate for determining interest rates charged on certain loans, but is not necessarily the lowest rate at which the Bank lends. Any change in the Prime Rate shall be effective on the date such rate is raised or lowered at the Bank, with or without notice to the Hospital.

"Principal Office" of the Tender Agent means the office thereof designated as such in writing to the Trustee, the Hospital and the Remarketing Agent.

"Project" means (A)(1) the acquisition of an interest in an approximately 6.9 acre parcel of land located at 1270 Belmont Avenue in the City of Schenectady, Schenectady County, New

York (the "Land"), together with two (2) existing buildings containing in the aggregate approximately 140,000 square feet of space located thereon (collectively, the "Existing Improvements"), (2) the construction of an approximately 18,000 square foot addition and the renovation of approximately 18,000 square feet to one of the existing buildings (collectively, the "Improvements"), (3) the acquisition and installation in and around the Existing Improvements and Improvements of certain items of machinery, equipment, furniture and other tangible personal property (the "Equipment" and, collectively with the Land, the Existing Improvements and the Improvements, the "Facility"); and (4) the refinancing of a portion of certain existing indebtedness incurred by the Hospital to finance construction, renovation and equipping of the foregoing and other capital financing needs of the Hospital, all of the foregoing to constitute the upgrading of an existing hospital and rehabilitation facility (the "Existing Indebtedness" and, collectively with the Facility, the "Project Facility"); (B) paying certain costs and expenses incidental to the issuance of the Series 2003A Bonds (the costs associated with items (A) and (B) above being hereinafter collectively referred to as the "Project Costs"); and (C) the sale of the Issuer's interest in the facilities financed with the Series 2003A Bonds to the Hospital.

"Project Facility" means, collectively, the acquisition, construction and equipping of the Improvements, the installation of the Equipment and the refinancing of the Existing Indebtedness.

"Project Fund" means the fund created and designated by the Indenture.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Purchase Price" means an amount equal to 100% of the principal amount of any Series 2003A Bond tendered or deemed tendered for purchase pursuant to the Indenture, plus accrued and unpaid interest thereon to the date of purchase.

"Qualifying Alternate Credit Facility" means an Alternate Credit Facility in connection with which the Trustee shall have received, (a) if the Series 2003A Bonds are then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) from the Rating Service then rating the Series 2003A Bonds to the effect that such Rating Service has reviewed the proposed Alternate Credit Facility and that the substitution of the Alternate Credit Facility will not, by itself, result in (i) a permanent withdrawal of its rating of the Series 2003A Bonds or (ii) the reduction of the current rating of the Series 2003A Bonds, or (b) if the Series 2003A Bonds are not then rated by a Rating Service, written evidence (or such other evidence satisfactory to the Trustee) that the Alternate Credit Facility would be issued by a Credit Facility Issuer which, or the parent corporation of which, has a long-term debt rating assigned by a Rating Service which is equal to or better than the rating of the Credit Facility Issuer being replaced.

"Quarterly Interest Payment Date" means the first Thursday of each February, May, August and November; provided, however, that in any case, the final Interest Payment Date shall be the Maturity Date.

"Rate Period" means any Weekly Rate Period, Semiannual Rate Period or Long-Term Rate Period.

"Rating Agency" or "Rating Service" means Moody's when the Series 2003A Bonds are rated by Moody's, and S&P when the Series 2003A Bonds are rated by S&P.

"Rebate Amount" means with respect to the Series 2003A Bonds, the amount computed as described in Section 8.5 of the Tax Compliance Agreement.

"Rebate Fund" means the fund created and designated by the Indenture.

"Record Date" means with respect to each Interest Payment Date (i) during any Weekly Rate Period or Semiannual Rate Period, the Trustee's close of business on the Business Day next preceding such Interest Payment Date, and (ii) during any Long-Term Rate Period, the Trustee's close of business on the fifteenth (15th) day of the calendar month next preceding the calendar month during which such Interest Payment Date occurs, regardless of whether such day is a Business Day.

"Register" means the register of the record owners of Series 2003A Bonds maintained by the Registrar.

"Registrar" means the Paying Agent.

"Reimbursement Agreement" means the Letter of Credit Reimbursement Agreement, dated as of May 1, 2003, by and between the Hospital and the Credit Issuer relating to the Credit Facility, as such agreement may be amended or supplemented from time to time pursuant to its terms.

"Related Person" with reference to any Substantial User, means a "related person" within the meaning of Section 147 (a) (2) of the Code.

"Remarketing Agent" means McDonald Investments Inc. and its successors appointed and serving in such capacity under the Indenture and under the Remarketing Agreement.

"Remarketing Agreement" means the Remarketing Agreement, dated as of May 1, 2003, by and between the Hospital and a Remarketing Agent relating to the remarketing and sale of the Series 2003A Bonds, as such agreement may be amended or supplemented from time to time pursuant to its terms.

"Remarketing Proceeds" means the proceeds received by the Remarketing Agent and transferred to the Trustee from a remarketing of Series 2003A Bonds tendered for purchase.

"Renewal Fund" means the fund created and so designated by the Indenture.

"Replacement Bonds" means Series 2003A Bonds issued pursuant to the Indenture, which Series 2003A Bonds shall contain the terms and provisions specified in the Indenture as

being applicable to the Series 2003A Bonds following an Optional Tender Date and have excised therefrom the terms and provisions that are not so applicable and added thereto terms that have become applicable.

"Representation Letter" means a letter of the Issuer delivered to DTC and any amendment thereto setting out the relationship among the Issuer, the Trustee, DTC and the "Beneficial Owner" of the Series 2003A Bonds (as such quoted term is defined in the Representation Letter).

"Sale Payment" means all amounts required to be paid by the Hospital to the Issuer (and the Trustee, as the assignee of the Issuer) pursuant to Section 5.3 of the Installment Sale Agreement.

"Sale Term" means the duration of the sale term created in the Installment Sale Agreement as specified in Section 5.2 of the Installment Sale Agreement.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Hospital with the approval of the Remarketing Agent, by written notice to the Issuer and the Trustee.

"Security" means the revenues, funds, rights and interests specified in the Indenture.

"Security Interest" or "Security Interests" means the security interests created the Indenture and shall have the meanings set forth in the U.C.C.

"Semiannual Interest Payment Date" means each February 1 and August 1; provided, however, that in any case the final Interest Payment Date shall be the Maturity Date of the Indenture.

"Semiannual Rate" means the interest rate on the Series 2003A Bonds established from time to time pursuant to the Indenture.

"Semiannual Rate Period" means any period during which the Series 2003A Bonds bear interest semi-annually at the Semiannual Rate.

"SEQRA" means the New York State Environmental Quality Review Act and the regulations thereunder.

"Series 2003A Bond" or "Series 2003A Bonds" means the Schenectady County Industrial Development Agency \$8,000,000 Multi-Mode Variable Rate Demand Civic Facility Revenue Bonds (Sunnyview Hospital and Rehabilitation Center Project), Series 2003A.

"State" means the State of New York.

"Substantial User" means, with respect to any "facilities" (as the term "facilities" is used in Section 144(a) of the Code), a "substantial user" of such "facilities" within the meaning of Section 147(a) of the Code.

"Successor Securities Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, operating and maintaining, with its participants or otherwise, a book-entry system to record ownership of beneficial interests in the Series 2003A Bonds, and to effect transfers of the Series 2003A Bonds, in Book-Entry Form, other than DTC.

"Tax Compliance Agreement" means the Tax Compliance Agreement, dated the Closing Date, between the Issuer and the Hospital, as the same may be amended, modified or supplemented from time to time in accordance with the terms thereof and with the terms of the Indenture.

"Tender Agent" means the initial and any successor tender agent appointed in accordance with the Indenture.

"Title Reports" or "Title Insurance Policy" means the preliminary binder for title insurance issued by Higgins, Roberts, Beyer and Coan, P.C. as agent for Monroe Title Insurance Corporation (Loan Policy No. 216-00465).

"Trust Estate" means the rights assigned to the Trustee pursuant to the Pledge and Assignment and all Property which may from time to time be subject to the Lien of the Indenture.

"Trustee" means Wells Fargo Bank Minnesota, N.A., or any successor trustee appointed under the Indenture.

"U.C.C." means the Uniform Commercial Code of the State as now in effect or hereafter amended.

"Unassigned Rights" means (A) the rights of the Issuer and moneys payable pursuant to and under Sections 2.2(b), 2.2(c), 2.2(d), 2.2(e), 2.2(g) through 2.2(o), 3.4, 3.5, 4.1(b), 4.1(c) through 4.1(g), 4.3, 4.5, 4.7, 5.2(c), 5.2(d), 5.3(b), 5.3(c), 5.3(d), 5.4, 6.1, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 7.1, 7.2, 8.2, 8.3, 8.4, 8.6, 8.7, 8.8, 8.12, 8.13, 9.1, 9.2, 9.3, 10.1, 10.2, 10.3, 10.4, 11.1, 11.2, 11.5, 12.1, 12.4, 12.8 and 12.10 of the Installment Sale Agreement, (B) the moneys due and to become due to the Issuer for its own account or the members, officers, agents and employees of the Issuer for their own account pursuant to Sections 2.2(n), 2.2(o), 3.4, 4.1(g), 4.3, 5.2(c), 5.3(b), 5.3(d), 6.7, 8.2, 9.2(b), 10.2(c), 10.4, 11.2(b), 11.2(c) and 12.8 of the Installment Sale Agreement and (C) the right to enforce the foregoing pursuant to Article X of the Installment Sale Agreement. Notwithstanding the preceding sentence, to the extent the obligations of the Hospital under the Sections of the Installment Sale Agreement listed in (A), (B), and (C) above do not relate to the payment of moneys to the Issuer for its own account or to the members, officers, directors, agents (other than the Hospital) and employees of the Issuer for their own

account, such obligations, upon assignment of the Installment Sale Agreement by the Issuer to the Trustee pursuant to the Pledge and Assignment, shall be deemed to and shall constitute obligations of the Hospital to the Issuer and the Trustee, jointly and severally, and either the Issuer or the Trustee may commence an action to enforce the Hospital's obligations under the Installment Sale Agreement.

"Underwriter" means McDonald Investments, Inc., with a principal office located at OH-01-02-1766, 800 Superior Avenue, Cleveland, Ohio 44114.

"Untendered Bond" means any Untendered Bond as defined in the Indenture.

"Weekly Rate" means the interest rate on the Series 2003A Bonds established pursuant to the Indenture.

"Weekly Rate Period" means the period from Thursday in any given week to and including the following Wednesday, during which the Series 2003A Bonds bear interest at a Weekly Rate.

SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. Such summary does not purport to be complete and reference is made to the Indenture for the complete details of the terms thereof.

Bond Fund.

The Indenture creates the Bond Fund and, while a Credit Facility is in effect, within such Fund a special account designated the "Current Account". There shall be deposited in the Bond Fund (i) any accrued interest received on the initial sale of the Series 2003A Bonds, (ii) all Sale Payments specified in the Installment Sale Agreement to be deposited in the Bond Fund, including all proceeds resulting from the enforcement of the Security or its realization as collateral, and (iii) all other moneys received by the Trustee under the Installment Sale Agreement for deposit by it in the Bond Fund. While a Credit Facility is in effect, each deposit into the Bond Fund not constituting Eligible Funds shall be placed in the Current Account within the Bond Fund and shall not be commingled with other moneys in the Bond Fund until such deposit becomes Eligible Funds. Moneys in the Bond Fund shall be held in trust for the Holders and, except as otherwise expressly provided in the Indenture, shall be used solely for the payment of the interest on the Series 2003A Bonds and for the payment of principal, and premium, if any, on the Series 2003A Bonds upon maturity, whether stated or accelerated, or upon mandatory or optional redemption.

The Trustee shall establish a subaccount of the Bond Fund designated the "Credit Facility Account" that, while a Credit Facility is in effect, shall be used for depositing moneys drawn by the Trustee under the Credit Facility for the payment of principal of, and interest on the Series 2003A Bonds. The Trustee shall not commingle proceeds of a drawing under the Credit Facility with any other funds.

The Issuer hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw and make available at the principal office of the Paying Agent sufficient funds from the Bond Fund to pay the principal of, and interest on the Series 2003A Bonds as the same become due and payable in the following order of priority:

FIRST: Amounts drawn by the Trustee under a Credit Facility then in effect (provided, however, that such amounts shall not be used to pay any premium on the Series 2003A Bonds unless such Credit Facility provides for the payment of such premium).

SECOND: If a Credit Facility is not then in effect, from the sources provided in clause (i) and (ii) of the definition of Eligible Funds, other than amounts received by the Trustee in respect of drawings under the Credit Facility.

THIRD: Any other amounts (whether or not Eligible Funds) in the Bond Fund.

If a Credit Facility is not then in effect, or if, while a Credit Facility is in effect, moneys in the Bond Fund available pursuant to items FIRST and SECOND are insufficient to make any payment of the principal of, and interest on the Series 2003A Bonds, whether due by maturity, acceleration, redemption or otherwise or if the Credit Issuer has dishonored its obligations under the Credit Facility, the Trustee, on or after the date such payment is to be made, shall apply any moneys described in THIRD above.

After payment in full of all principal of, premium, if any, and interest then due on the Series 2003A Bonds, or provision for the payment of the Series 2003A Bonds having been made pursuant to the Indenture, and the payment of all other amounts owing under the Indenture, any amounts remaining in the Bond Fund not required to provide for payment of the Series 2003A Bonds shall be paid first to the Credit Issuer, if any, if there is then any amount owing by the Hospital to the Credit Issuer as evidenced by a certificate filed with the Trustee by the Credit Issuer, and, if any amounts still remain in the Bond Fund, second, to the Hospital.

In the event the Trustee receives moneys drawn under the Credit Facility in an amount sufficient to pay in full the principal of, premium, if any, Purchase Price and redemption price of, and interest on the Series 2003A Bonds, the Trustee shall execute and deliver to the Bank an instrument prepared by the Bank in form for recording executed by the Trustee assigning to the Bank all of its right, title and interest to, in and under the Bond Documents.

Project Fund.

The Indenture creates the Project Fund. A portion of the proceeds of the Series 2003A Bonds, shall be delivered to the Trustee for deposit into the Project Fund. Moneys in the Project Fund shall be applied and expended by the Trustee in accordance with the provisions of the Indenture and the Installment Sale Agreement. The Trustee is hereby directed to issue its checks or make wire transfers, at the Hospital's sole cost and expense, for each disbursement from the Project Fund upon being furnished with a written requisition for each disbursement as required by the Indenture. All Requisitions must be approved in writing by the Credit Issuer. The Trustee shall be entitled to rely upon such duly approved Requisition without the need for any further investigation whatsoever. The Trustee shall issue its check or make wire transfers, at the Hospital's sole cost and expense, in accordance with the Indenture within five (5) Business Days upon receipt of a Requisition.

The completion of the Project Facility and payment or provision for payment of all Costs of the Facility shall be evidenced by the filing with the Trustee of the certificate required by Section 4.4 of the Installment Sale Agreement. As soon as practicable and in any event not more than sixty (60) days from the date the certificate referred to in the preceding sentence was received by the Trustee, any balance remaining in the Project Fund, except amounts the Hospital shall have directed the Trustee to retain for any Cost of the Facility not then due and payable and after making any transfer to the Rebate Fund as required by the Tax Compliance Agreement and the Indenture, shall without further authorization be transferred to the Bond Fund and thereafter applied to redeem the Series 2003A Bonds in accordance with the Indenture.

In the event of the redemption of all of the Series 2003A Bonds pursuant to the Indenture or an Event of Default which causes acceleration of the Series 2003A Bonds, the Trustee shall, after making any transfer to the Rebate Fund as required by the Tax Compliance Agreement and the Indenture, transfer any moneys then remaining in the Project Fund to the Bond Fund and all moneys in the Bond Fund, to the extent such moneys constitute Eligible Funds, shall be used to pay, pro rata, the principal of the Series 2003A Bonds if such principal is not paid with proceeds from a Credit Facility, or, if paid with proceeds from a Credit Facility, to reimburse the Credit Issuer.

Costs of Issuance Fund.

The Indenture creates the Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance for the Series 2003A Bonds, upon a requisition signed by an Authorized Representative of the Issuer or the Hospital, approved by the Credit Issuer, and filed with the Trustee. Any moneys remaining in the Costs of Issuance Fund on the first (1st) anniversary of the Issue Date shall be transferred to the Project Fund.

Bond Purchase Fund.

The Indenture creates the Bond Purchase Fund. There shall be deposited in the Bond Purchase Fund all moneys required to be paid by the Hospital to provide for the payment of the Purchase Price of Series 2003A Bonds pursuant to the Indenture, together with any other moneys received by the Trustee pursuant to the Indenture, the Installment Sale Agreement or otherwise (including proceeds of the remarketing of Series 2003A Bonds pursuant to the Indenture and draws under the Credit Facility pursuant to the Indenture) that are required or directed to be paid into the Bond Purchase Fund. The Trustee shall establish with the Paying Agent subaccounts of the Bond Purchase Fund into which the proceeds of the remarketing of Series 2003A Bonds to purchasers (other than the Issuer or the Hospital or any affiliated entity of the Hospital) and all amounts drawn under the Credit Facility pursuant to the Indenture will be deposited. The Trustee shall not commingle such amounts with any other funds.

Moneys in the Bond Purchase Fund shall be held in trust for the Holders and, except as otherwise expressly provided in the Indenture, shall be used solely for the payment of the Purchase Price of the Series 2003A Bonds required to be purchased as set forth in the Indenture.

Any amounts remaining in the Bond Purchase Fund after payment in full of the Purchase Price of the Series 2003A Bonds as contemplated by the Indenture, or provision having been made for payment of the Series 2003A Bonds pursuant to the Indenture, and payment of all other amounts required to be paid under the Indenture, shall be paid first to the Credit Issuer, if any, if there is any amount then owing by the Hospital to the Credit Issuer as evidenced by a certificate filed with the Trustee by the Credit Issuer and, if any amounts still remain in the Bond Purchase Fund, second to the Hospital.

SECTION 1.01 Renewal Fund.

The Net Proceeds resulting from insurance award, Condemnation award or recovery from any contractor or subcontractor with respect to the Facility shall be deposited in the Renewal Fund. The amounts in the Renewal Fund shall be subject to a security interest, lien and charge in favor of the Trustee until disbursed as provided in the Indenture.

In the event the Series 2003A Bonds shall then be subject to redemption in whole (either by reason of such damage, destruction or Condemnation or otherwise) pursuant to the terms thereof or the Indenture, the Trustee shall, after making any transfer to the Rebate Fund as required by the Tax Compliance Agreement and the Indenture, transfer the amounts deposited in the Renewal Fund to the Bond Fund. If, on the other hand, the Hospital is permitted to replace, repair, rebuild, restore, or relocate the Facility pursuant to Article VII of the Installment Sale Agreement, the Trustee shall apply the amounts on deposit in the Renewal Fund, after making any transfer to the Rebate Fund as required by the Tax Compliance Agreement and the Indenture hereof, to such replacement, repair, rebuilding, restoration, or relocation. Any moneys remaining in the Renewal Fund after such replacement, repair, rebuilding or relocation is completed shall be transferred to the Bond Fund and thereafter applied to redeem the Series 2003A Bonds in accordance with the Indenture.

If any Event of Default shall exist at the time of the receipt by the Trustee of the Net Proceeds in the Renewal Fund and the outstanding principal amount of the Series 2003A Bonds shall have been declared due and payable, the Trustee, unless it exercises the remedy provided by Section 10.2(a)(iv) of the Installment Sale Agreement, shall, after making any transfer to the Rebate Fund as required by the Tax Compliance Agreement and the Indenture, transfer the amounts deposited in the Renewal Fund to the Bond Fund to be applied in accordance with the Indenture.

Investment of Moneys.

Moneys held as part of the Project Fund, the Costs of Issuance Fund, the Bond Fund, the Bond Purchase Fund and the Renewal Fund shall be held by the Trustee, or its agents, and shall be invested and reinvested in Permitted Investments as instructed in writing by an Authorized Representative; provided, however, that (i) any moneys from a drawing under a Credit Facility or any moneys received from the proceeds of a remarketing of Series 2003A Bonds and any moneys held by the Trustee to pay the principal of, premium, if any, Purchase Price and redemption price of, and interest that has become payable with respect to the Series 2003A Bonds shall not be invested and (ii) the Paying Agent shall not invest any moneys it receives under the Indenture. All Permitted Investments shall be held by or under the control of the Trustee, or its agents, and shall be deemed at all times to be a part of the fund and account which was used to purchase the same. All interest accruing thereon and any profit realized from Permitted Investments shall be credited to the respective fund or account and any loss resulting from Permitted Investments shall be similarly charged. The Trustee is authorized to cause to be sold and reduced to cash a sufficient amount of Permitted Investments whenever the cash balance in any fund or account under the Indenture is or will be insufficient to make a requested

or required disbursement if instructed in writing by an Authorized Representative to do so. The Trustee shall not be responsible for any depreciation in the value of any Permitted Investment or for any loss resulting from such sale, so long as the Trustee performs its obligations under the Indenture in accordance with the provisions of the Indenture. Notwithstanding anything to the contrary, moneys constituting Eligible Funds shall only be invested in Permitted Investments with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the date on which it is estimated that such moneys will be required by the Trustee.

Arbitrage; Rebate Fund.

ARTICLE II The Indenture creates a Rebate Fund. The amounts credited to the Rebate Fund shall be free and clear of any lien under the Indenture.

The Trustee shall deposit in the Rebate Fund the amount forwarded to the Trustee by the Hospital pursuant to Article VII of the Tax Compliance Agreement. Within 30 days after the end of each fifth anniversary of the Issue Date, commencing on the fifth anniversary of the Issue Date, the Trustee, acting on behalf of the Issuer, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the Hospital may in writing direct the Trustee to pay) of the amount certified by the Hospital to be the required rebate to the United States as calculated under Section 148(a)(2) of the Code (hereinafter called the "Rebate Amount"). Within 60 days after the payment in full of all Outstanding Series 2003A Bonds, the Trustee shall pay to the United States from the moneys then on deposit in the Rebate Fund an amount equal to 100% of the Rebate Amount and any moneys remaining in the Rebate Fund following such payment shall be paid to the Hospital.

The Trustee shall be entitled to rely on the calculations, directions and certificates made pursuant to the Indenture and neither the Issuer or the Trustee shall be responsible for any loss or damage resulting from any good faith action taken or omitted to be taken in reliance upon such calculations, directions and certificates.

The Hospital shall provide the Trustee with such records of the computations made pursuant to the Indenture as are required under Section 148(f) of the Code and the Trustee shall retain such records for six (6) years after payment in full of all Outstanding Series 2003A Bonds.

If all the gross proceeds of the Series 2003A Bonds are expended for the governmental purpose for which the Series 2003A Bonds were issued within six (6) months of the date of issuance of the Series 2003A Bonds, within the meaning of section 148(f) of the Code, and it is not anticipated that any other gross proceeds will arise during the remainder of the term of the Series 2003A Bonds, and if no Rebate Amount is otherwise payable with respect to the Series 2003A Bonds, the provisions of the Indenture shall not be applicable to the Series 2003A Bonds except to the extent of any gross proceeds that actually become available more than six (6) months after the date of issuance. In determining whether the Indenture is applicable to the Series 2003A Bonds and whether gross proceeds become available as in the Indenture described, the Trustee shall rely upon a certificate of an Authorized Representative.

Discharge of Lien and Security Interest.

Upon payment in full of all of the Series 2003A Bonds and all amounts due under the Reimbursement Agreement, the presents and the security interests and the trusts and rights granted by the Indenture shall cease, terminate and be void, and thereupon the Trustee, upon receipt by the Trustee of an opinion of Counsel stating that all conditions precedent to the satisfaction and discharge of the Indenture have been complied with shall cancel and discharge the Indenture and the security interests, and shall execute and deliver to the Issuer and the Hospital, at the Hospital's expense, such instruments in writing as shall be required to cancel and discharge the Indenture and the security interests and reconvey to the Issuer and the Hospital the Security, and assign and deliver to the Issuer and the Hospital so much of the Security as may be in its possession or subject to its control, except for moneys and Government Obligations held in the Bond Fund for the purpose of paying Series 2003A Bonds and except for moneys held in the Bond Purchase Fund for the purpose of paying the Purchase Price of the Series 2003A Bonds which have been purchased pursuant to the Indenture and except for moneys held in any fund (other than the Rebate Fund) which are required for payments due under the Reimbursement Agreement; provided, however, that the cancellation and discharge of the Indenture shall not terminate the powers and rights granted to the Trustee, the Registrar, and the Paying Agent with respect to the payment, transfer and exchange of the Series 2003A Bonds and shall not terminate the rights of the Holders to tender their Series 2003A Bonds for purchase in accordance with the Indenture; and provided, further, that the rights of the Issuer, the Trustee, the Registrar, and the Paying Agent to indemnify, non-liability and payment of all reasonable fees and expenses shall survive the cancellation and discharge of the Indenture.

Events of Default.

Any one of the following shall constitute an Event of Default under the Indenture:

- (a) Default in the payment of any interest on any Series 2003A Bond when and as the same shall have become due;
- (b) Default in the payment of the principal of, premium, if any, and redemption price of any Series 2003A Bond when and as the same shall become due, whether at the stated maturity or redemption date thereof or by acceleration;
- (c) Default in the payment of the Purchase Price of any Bond required to be purchased under the Indenture when and as the same shall become due;
- (d) Default in the observance or performance of any other of the covenants, agreements or conditions on the part of the Issuer included in the Indenture or in the Series 2003A Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer, the Credit Issuer, if a Credit Facility is then in effect, and the Hospital has been given by the Trustee, provided that the Credit Issuer shall have consented in writing to the same constituting an Event of Default;

(e) The occurrence of an Event of Default under the Installment Sale Agreement;

(f) If a Credit Facility is in effect, the Trustee shall have received a written notice from the Credit Issuer of the occurrence and continuance of an Event of Default as defined in the Reimbursement Agreement together with written instructions to cause an acceleration of the Series 2003A Bonds;

(g) If a Credit Facility is then held by the Trustee, the Credit Facility Issuer fails to honor any proper drawing under the Credit Facility;

(h) If a Credit Facility is then held by the Trustee, a decree or order of a court or agency or supervisory authority, having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceeding, or for the winding-up or liquidation of its affairs, shall have been entered against the Credit Facility Issuer or the Credit Facility Issuer shall have consented to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshaling of assets and liabilities or similar proceedings of or relating to the Credit Facility Issuer or of or relating to all or substantially all of its property and the lapse of 60 days during which an Alternate Credit Facility Issuer complying with the terms of the Indenture has not been delivered to the Trustee; or

(i) The occurrence of an "Event of Default" under the Master Trust Indenture.

Acceleration.

Upon (i) the occurrence of an Event of Default under paragraphs (f) or (h) above, the Trustee shall, and (ii) subject to the requirement that the written consent of the Credit Issuer to any acceleration must be obtained in the case of an Event of Default described in paragraphs (d), (e), (f) or (i) above, upon the occurrence of any other Event of Default under the Indenture the Trustee may and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Series 2003A Bonds then Outstanding, the Trustee immediately shall, by notice in writing sent to the Issuer, the Hospital and the Paying Agent, and, if a Credit Facility is then in effect, the Credit Issuer, declare the principal of all Series 2003A Bonds then Outstanding (if not then due and payable) and the interest accrued thereon to be due and payable immediately, and, upon said declaration, such principal and interest shall become and be immediately due and payable. Pursuant to such declaration, interest on the Series 2003A Bonds shall accrue to the date of such declaration. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately exercise such rights as it may have under the Installment Sale Agreement to declare all payments thereunder to be immediately due and payable and, if a Credit Facility is in effect, to the extent it has not already done so and to the extent necessary, shall immediately draw upon the Credit Facility as provided in the Indenture. The Trustee shall pay the principal of, premium, if any, Purchase Price and redemption price of, and interest on the Series 2003A Bonds to the Holders as soon as is practicable following the receipt of funds from such drawing; provided, however, such Series 2003A Bonds shall be

deemed to continue to be outstanding and secured by the Lien of the Indenture and deemed to be held by the Credit Issuer, as the subrogee of the rights of the Trustee and of the Holders to the extent of such amounts drawn upon the Bond Facility.

Other Remedies; Rights of Holders.

Upon the happening and continuance of an Event of Default under the Indenture the Trustee may, only with the prior written consent of the Credit Issuer, if any, in the case of an Event of Default described in paragraphs (d), (e), (f) or (i) above, with or without taking action under the Indenture, pursue any available remedy to enforce the performance of or compliance with any other obligation or requirement of the Indenture or the Installment Sale Agreement.

Subject to the requirement that the written consent of the Credit Issuer, if any, to the exercise by the Trustee of any such available remedy must be obtained in the case of an Event of Default described in paragraphs (d), (e), (f) or (i) above, upon the happening and continuance of an Event of Default, and if requested to do so by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Series 2003A Bonds then Outstanding and if the Trustee is indemnified as provided in the Indenture, the Trustee shall exercise such of the rights and powers conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most effective to enforce and protect the interests of the Holders and, except to the extent inconsistent with the interests of the Holders, the Credit Issuer, if any.

Right of Holders and Credit Issuer to Direct Proceedings.

Anything in the Indenture to the contrary notwithstanding, and subject, if a Credit Facility is then in effect, to the rights of the Credit Issuer as provided in the Indenture, the Holders of a majority in aggregate principal amount of Series 2003A Bonds then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or any other proceedings under the Indenture; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture or unduly prejudicial to Holders not joining therein, and provided that the Trustee shall be indemnified to its satisfaction and the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. No Holder shall individually have the right to present a draft to, or otherwise make a demand on, the Credit Issuer to collect amounts available under the Credit Facility.

No Holder shall have the right to institute any proceeding for the enforcement of the Indenture unless such Holder has given the Trustee and the Hospital written notice of an Event of Default, the Holders of a majority in aggregate principal amount of the Series 2003A Bonds then Outstanding shall have requested the Trustee in writing to institute such proceeding, the Trustee shall have been afforded a reasonable opportunity to exercise its powers or to institute such proceeding, there shall have been offered to the Trustee indemnity satisfactory to it against the cost, expense and liability to be incurred in connection with such request and the Trustee shall have thereafter failed or refused to exercise such powers or to institute such proceeding within sixty days (60) after receipt of notice with no inconsistent direction given during such sixty days

(60) by the Holders of a majority in aggregate principal amount of the Series 2003A Bonds then Outstanding. Nothing in the Indenture shall affect or impair any right of enforcement conferred on any Holder by the Act to enforce (i) the payment of the principal of, premium, if any, Purchase Price and redemption price of, and interest on Series 2003A Bonds at and after the maturity thereof, or (ii) the obligation of the Issuer to pay the principal of, premium, if any, Purchase Price and redemption price of, and interest on Series 2003A Bonds to such Holder at the time, place, from the sources and in the manner as provided in the Indenture.

Application of Moneys.

ARTICLE III All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture shall be deposited in the Bond Fund and, after payment (out of moneys derived from a source other than the Credit Facility, Eligible Funds, moneys held for the purchase of Untendered Bonds, Series 2003A Bonds for which notice of redemption has been given and proceeds from the remarketing of Series 2003A Bonds) of, first, the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including reasonable attorneys' fees, including the costs and expenses of in-house counsel and legal staff, and all other outstanding fees and expenses of the Trustee, and thereafter any fees, expenses, liabilities and advances due to, or incurred or made by, the Paying Agent and the Registrar, and, second, any sums due to the Issuer under the Installment Sale Agreement (other than Sale Payments), such moneys shall be applied in the order set forth below:

(a) Unless the principal of all Series 2003A Bonds shall have become or been declared due and payable, all such moneys shall be applied:

First: To the payment of all installments of interest then due on the Series 2003A Bonds in order of priority first to installments past due for the greatest period and, if the amount available shall not be sufficient to pay in full any particular installment, then to the ratable payment of the amounts due on such installment;

Second: To the payment of the unpaid principal of and premium, if any, of the Series 2003A Bonds which shall have become due (other than Series 2003A Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on such Series 2003A Bonds from the respective dates upon which they became due (at the rate borne by the Series 2003A Bonds, to the extent permitted by law) and, if the amount available shall not be sufficient to pay in full Series 2003A Bonds due on any particular date, together with such premium, then to the ratable payment of the amounts due on such date; and

Third: To the payment of any indebtedness outstanding pursuant to the Reimbursement Agreement.

(b) If the principal of all the Series 2003A Bonds shall have become or been declared due and payable, all such moneys shall be applied to the payment of the principal of, premium, if any, and interest then due and unpaid upon the Series 2003A

Bonds, without preference or priority as between principal, premium, interest, installments or interest on the Series 2003A Bonds, ratably according to the amounts due respectively for principal, premium and interest to the persons entitled thereto.

(c) If the principal on all Series 2003A Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded under the Indenture then, subject to subsection (b) above in the event that the principal of all the Series 2003A Bonds shall become or be declared due and payable, the moneys shall be applied in accordance with subsection (a) above.

Notwithstanding the foregoing, unless the Credit Facility permits drawings to pay premium with respect to Series 2003A Bonds, the Trustee shall be obligated to apply moneys received under a Credit Facility then in effect and Eligible Funds taken into account in calculating the required draw under such Credit Facility, only to principal and Purchase Price of, and interest on the Series 2003A Bonds (except Series 2003A Bonds that are not entitled to any benefit of the Credit Facility as provided in the Indenture). Whenever moneys are to be applied pursuant to the Indenture, the Trustee shall fix the date upon which such application is to be made which shall be not more than seven days after receipt of such moneys to be applied and upon such date interest on the principal amount of Series 2003A Bonds to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Supplemental Indentures.

ARTICLE IV The Issuer and the Trustee, with the written consent of the Credit Issuer, if any, but without the consent of or notice to any Holders, may enter into an indenture or indentures supplemental to the Indenture that do not materially adversely affect the interest of the Holders for one or more of the following purposes:

(a) To grant to or confer upon the Trustee for the benefit of the Holders and the Credit Issuer, if any, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(b) To grant or pledge to the Trustee for the benefit of the Holders and such Credit Issuer, if any, any additional security other than that granted or pledged under the Indenture;

(c) To modify, amend or supplement the Indenture or any indenture supplemental hereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute then in effect or to permit the qualification of the Series 2003A Bonds for sale under the securities laws of any of the states of the United States;

(d) To appoint a successor Trustee, separate trustees or co-trustees, or successor Paying Agents or Remarketing Agents, in the manner provided in the Indenture;

(e) To modify, amend or supplement the Indenture for the purpose of obtaining or retaining a rating on the Series 2003A Bonds from a Rating Agency;

(f) To modify, amend or supplement the Indenture to provide that the Series 2003A Bonds will be registered under a book-entry only system and to facilitate the registration of the Series 2003A Bonds under such a system;

(g) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indenture that may be defective or inconsistent with any provision contained in the Indenture or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Indenture which shall not materially adversely affect the interest of the Holders or Credit Issuer, if any;

(h) To modify, amend or supplement the Indenture to permit the Paying Agent, the Registrar, or any tender agent to be appointed under a supplemental indenture to assume any administrative duties of the Trustee under the Indenture (except any duties of the Trustee with respect to the acceptance, modification, reduction or release of or drawing on, any Credit Facility) or for the Trustee to assume any administrative duties of the Paying Agent or the Registrar under the Indenture;

(i) To make any change in the Indenture necessary, in the Opinion of Bond Counsel, to maintain the non-inclusion in gross income for federal income tax purposes of the interest on any Outstanding Series 2003A Bonds;

(j) To make any change to the administrative provisions of the Indenture in order to accommodate the provisions of an Alternate Credit Facility, or convert to a Long-Term Rate; and

(k) To make any change in the Indenture requested by a Credit Issuer or the Hospital in connection with the provision of financing and refinancing, for the Project Facility in addition to the Series 2003A Bonds or in connection with the refinancing of the Series 2003A Bonds; provided, that the Hospital receives an opinion of Bond Counsel affirming (i) the non-inclusion in gross income for federal income tax purposes, and (ii) that such change is permitted under the Indenture.

When requested by the Issuer, and if all conditions precedent under the Indenture have been met, the Trustee shall join the Issuer in the execution of any such supplemental indenture unless it imposes additional obligations on the Trustee or affects the Trustee's rights and immunities under the Indenture or otherwise. A copy of all such supplemental indentures shall be promptly furnished to the Credit Issuer and the Paying Agent and the Registrar shall be promptly advised of any modifications of their rights, duties and obligations under the Indenture. The Trustee may rely upon an Opinion of Bond Counsel that any amendment under this paragraph is in accordance with the Indenture.

Amendments to Indenture; Consent of Holders, the Credit Issuer and the Hospital.

Exclusive of supplemental indentures covered above and subject to the terms and provisions contained in the Indenture, and not otherwise, the Holders of a majority in aggregate principal amount of the Series 2003A Bonds then Outstanding and affected by such indenture or indentures supplemental hereto, with the consent of the Credit Issuer, if any, shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and direct the execution by the Trustee (upon the receipt by the Trustee of an opinion of Bond Counsel that any amendment is in accordance with the Indenture) of such other indenture or indentures supplemental hereto as shall be consented to by the Issuer in its sole discretion on for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that nothing in this paragraph shall permit, or be construed as permitting (a) an extension of the maturity of the principal of, or the mandatory redemption date of, or interest on, any Series 2003A Bond, or (b) a reduction in the principal and Purchase Price, the premium, or the rate of interest on, any Series 2003A Bond, (c) a preference or priority of any Series 2003A Bond or Series 2003A Bonds over any other Series 2003A Bond or Series 2003A Bonds, (d) the creation of a lien in parity with or prior to the lien of the Indenture, or (e) a reduction in the aggregate principal amount of the Series 2003A Bonds required for any consent to any supplemental indenture without the consent of all Holders. The giving of notice to and consent of the Holders to any such proposed supplemental indenture shall be obtained pursuant to the Indenture.

Amendments to Installment Sale Agreement.

Without the consent of or notice to any of the Owners, but with the consent of the Credit Issuer, the Issuer may enter into, and the Trustee may consent to, any amendment, change or modification of the Installment Sale Agreement as may be required (i) by the provisions thereof or of the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission therein, (iii) in connection with the description of the Facility and the substitution, addition, release or removal of a portion of the Facility as provided in the Installment Sale Agreement and the Indenture, (iv) in connection with additional real estate that is to become part of the Facility, (v) in connection with any other change therein that, in the sole judgment of the Trustee, does not adversely affect the interests of the Trustee or the Owners of the Series 2003A Bonds, (vi) to make any change which in the opinion of Bond Counsel is reasonably necessary to protect the non-inclusion of interest on the Series 2003A Bonds in gross income for federal income tax purposes, and (vii) to make any change required in order to obtain or maintain a rating on the Series 2003A Bonds by any nationally recognized Rating Agency. The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such amendment, change or modification complies with the provisions of the Indenture.

Except for amendments, changes or modifications as provided in the paragraph above, neither the Issuer nor the Trustee shall consent to any amendment, change or modification of the Installment Sale Agreement without mailing of notice and the written approval or consent of the Credit Issuer and the Owners of not less than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Series 2003A Bonds at the time Outstanding procured and

given in the manner set forth in the Indenture; provided, however, that no such amendment shall be permitted that changes the terms of payment thereunder without the consent of the Credit Issuer and the Owners of all the Series 2003A Bonds then Outstanding. The Trustee may rely on an opinion of Independent Counsel as conclusive evidence that any such amendment, change or modification and the evidence of the requisite Credit Issuer and the Owner consents comply with the requirements of the Indenture.

Amendments of Tax Compliance Agreement.

Without the consent of or notice to any of the Owners, but with the consent of the Credit Issuer, the Issuer and the Trustee may consent to any amendment, change or modification of the Tax Compliance Agreement as may be required (i) for the purpose of curing any ambiguity or formal defect or omission, (ii) to make any change which in the opinion of Bond Counsel is reasonably necessary to protect the non-inclusion of interest on the Series 2003A Bonds in gross income for federal income tax purposes, and (iii) in connection with any other change therein that, in either case, in the sole judgment of the Trustee does not adversely affect the interests of the Trustee or the Owners of the Series 2003A Bonds. The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such amendment, change or modification complies with the provisions of the Indenture.

Except for amendments, changes or modifications as provided in the Indenture, neither the Issuer nor the Trustee shall enter into any amendment, change or modification of the Tax Compliance Agreement, without mailing of notice and the written approval or consent of the Credit Issuer and the Owners of not less than sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) in aggregate principal amount of the Series 2003A Bonds at the time Outstanding procured and given in the manner set forth in the Indenture. The Trustee may rely upon an opinion of Independent Counsel as conclusive evidence that any such amendment, change or modification complies with the provisions of the Indenture.

Amendments, Changes and Modifications to the Credit Facility.

Except as otherwise provided in the Indenture, subsequent to the initial issuance of the Series 2003A Bonds and prior to payment of the Series 2003A Bonds in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), no Credit Facility may be effectively amended, changed or modified without the prior written consent of the Trustee, which consent shall not be unreasonably withheld or delayed. The Trustee may, without the consent of the Holders of the Series 2003A Bonds, consent to any amendment of the Credit Facility that may be required (i) to extend the term thereof or (ii) for purposes of curing any ambiguity, formal defect or omission or for obtaining or retaining a rating on the Series 2003A Bonds from a Rating Agency or (iii) for any other purpose (subject to the provisions of the Indenture) as long as such amendment does not prejudice in any material respect the interests of the Holders as evidenced by (a) a rating confirmation letter from the Rating Agencies rating the Series 2003A Bonds and (b) an Opinion of Bond Counsel (such Opinion required only for amendments of the Credit Facility under (iii) above). The foregoing shall not limit the Trustee's obligation to send notice to the Credit Issuer to reduce amounts available to be drawn under a currently effective Credit Facility under the circumstances set forth therein.

SUMMARY OF THE INSTALLMENT SALE AGREEMENT

The following is a summary of certain provisions of the Installment Sale Agreement. Reference is made to the Installment Sale Agreement for complete details of the terms thereof. The following is a brief summary of certain provisions of the Installment Sale Agreement and should not be considered in full statement thereof.

Agreement to Convey to Issuer.

The Hospital has conveyed or caused to be conveyed to the Issuer an interest in the Facility pursuant to the License to Issuer. Pursuant to the License to Issuer, the Hospital has conveyed to the Issuer a license to enter the Land in order to undertake the Project.

SECTION 4.01 Application of Series 2003A Bond Proceeds.

Except as provided in the Installment Sale Agreement, Series 2003A Bond Proceeds, upon the written direction of an Authorized Representative of the Hospital, and upon satisfaction of the conditions provided for in the Indenture and the Reimbursement Agreement, shall be applied to pay only the following costs and items of expense paid and incurred by or on behalf of the Issuer on or after _____, except as may otherwise be provided under the Tax Compliance Agreement:

- (a) the cost of preparing the Plans and Specifications (including any preliminary study or planning of the Facility or any aspect thereof),
- (b) all costs of acquiring, constructing and equipping the Improvements (including architectural, engineering and supervisory services with respect to the Improvements) and refinancing the Existing Indebtedness,
- (c) all fees, taxes, charges and other expenses for recording or filing, as the case may be, the instrument or instruments conveying an interest in the Land to the Issuer, and any other documents that the Issuer or the Credit Issuer may deem desirable in order to protect or perfect the title to the Land and any security interest contemplated by the Mortgage, the Indenture, the Installment Sale Agreement and the Master Trust Indenture,
- (d) the premium on any fee or mortgagee title insurance procured on the Land and the Facility.
- (e) interest payable on the portion of the Series 2003A Bonds applied to finance the Facility during the Construction Period and interest payable during the Construction Period on such interim financing as the Hospital may have secured with respect to the Facility in contemplation of the issuance of the Series 2003A Bonds,
- (f) all legal, accounting and any other fees, costs and expenses incurred in connection with the preparation, printing, reproduction, authorization, issuance, execution, sale and

distribution of the Series 2003A Bonds and the Bond Documents and all other documents in connection herewith or therewith, with the acquisition of an interest in the Facility and with any other transaction contemplated by the Installment Sale Agreement or the Indenture; provided, however, no more than two percent (2%) of the aggregate principal amount of the Series 2003A Bonds may be expended on such costs described in the Installment Sale Agreement,

(g) any administrative fee and fee for services of the Issuer,

(h) reimbursement to the Hospital for any of the above-enumerated costs and expenses, to the extent allowed under the Tax Compliance Agreement, and

(i) such other costs relating to the acquisition, construction, equipping or initial operation of the Improvements and the refinancing of the Existing Indebtedness which are permitted by the Act and the Code without adversely affecting the non-inclusion of interest on the Series 2003A Bonds for federal income tax purposes, provided that any requisition for moneys from the Project Fund submitted to the Trustee in accordance with Section 4.02 of the Indenture relating to costs described in this item (i) shall be accompanied by (1) an opinion of Bond Counsel to the effect that the application of Series 2003A Bond Proceeds to such costs will not adversely affect the non-inclusion in gross income for federal income tax purposes of interest on the Series 2003A Bonds and (2) if applicable, an amendment to the Tax Compliance Agreement entered into and consented to in accordance with Section 8.04 of the Indenture.

SECTION 4.02 Completion by Hospital.

In the event that the Net Proceeds of the Series 2003A Bonds are not sufficient to pay in full all costs of acquiring, constructing and equipping the Improvements in accordance with the Plans and Specifications and all costs of refinancing the Existing Indebtedness, the Hospital agrees to pay, for the benefit of the Issuer, the Credit Issuer and the Trustee, all such sums as may be in excess of the Net Proceeds of the Series 2003A Bonds. Title to all portions of the Facility installed or constructed at the Hospital's cost or expense shall immediately upon such installation or construction vest in the Issuer. The Hospital shall execute, deliver and record or file such instruments as the Issuer or the Credit Issuer may request in order to perfect or protect the Issuer's interest in or the lien of the Mortgage on such portions of the Facility.

The Hospital shall not be entitled to any reimbursement for such excess cost or expense from the Issuer or the Trustee or the Owner of the Series 2003A Bonds nor shall it be entitled to any diminution or abatement of any other amounts payable by the Hospital under the Installment Sale Agreement.

SECTION 4.03 Sale Payments and Other Amounts Payable.

The Hospital shall make Sale Payments in immediately available funds to the Trustee for deposit in the Bond Fund no later than 12:00 p.m. Noon Local Time on each Interest Payment Date in an amount equal to the interest and principal then coming due on the Series 2003A Bonds. Moneys received by the Trustee from draws made on the Credit Facility to fund such payments of interest and principal shall be credited against the foregoing payment obligations of

the Hospital to the Trustee. The Hospital may make payments to the Bond Fund earlier than required by the Installment Sale Agreement, but such payments shall not affect the accrual of interest.

The payments to be made under the foregoing paragraph shall be appropriately adjusted to reflect the date of issue of the Series 2003A Bonds, the date of conversion of the Interest Rate Mode in effect on the Series 2003A Bonds, accrued interest deposited in the Bond Fund, if any, and any purchase or redemption of Series 2003A Bonds. The Hospital shall make payments to the Trustee for deposit in the Bond Fund so that there will be available in immediately available funds no later than 12:00 p.m. Noon New York City time on each payment date on the Series 2003A Bonds the amount necessary to pay the principal of, premium, if any, and interest due or coming due on the Series 2003A Bonds.

At any time when any principal of the Series 2003A Bonds is overdue, the Hospital shall also have a continuing obligation to pay to the Trustee for deposit in the Bond Fund an amount equal to interest on the overdue principal but the Sale Payments required under the Installment Sale Agreement shall not otherwise bear interest. Redemption premiums shall not bear interest.

No later than 11:00 a.m. Local Time on each date that the Series 2003A Bonds are subject to optional or mandatory tender for purchase pursuant to Section 2.06 of the Indenture, the Hospital shall pay, or provide for the payment of, immediate available funds to the Trustee for deposit into the Series 2003A Bond Purchase Fund in an amount equal to the Purchase Price of the Series 2003A Bonds to be purchased. The Hospital's obligation under this paragraph (iv) shall be deemed satisfied to the extent of (1) the aggregate amount of remarketing proceeds delivered to the Trustee in accordance with Section 2.07(a) of the Indenture, and (2) the aggregate amount of moneys received by the Trustee from draws on the Credit Facility made in accordance with Sections 2.07(b) and 3.08(a) of the Indenture.

In addition to the Sale Payments pursuant to the Installment Sale Agreement, throughout the Sale Term, the Hospital shall pay to the Issuer within ten (10) days of the receipt of demand therefor, an amount equal to the sum of the expenses of the Issuer and the members thereof incurred

(i) by reason of the Issuer's interest in, financing or sale of the Project Facility or

(ii) in connection with the carrying out of the Issuer's duties and obligations under the Issuer Documents, the payment of which is not otherwise provided for under the Installment Sale Agreement. The foregoing shall not be deemed to include any annual or continuing administrative or management fee beyond any initial administrative fee or fee for services rendered by the Issuer;

In addition, the Hospital shall pay as an additional Sale Payment within fifteen (15) days after receipt of a written demand therefor the Ordinary Expenses and Extraordinary Expenses payable by the Issuer to the Trustee pursuant to and under the Indenture.

The Hospital, agrees to make the payments required under the Installment Sale Agreement in immediately available funds and without any further notice in lawful money of the United States of America. In the event the Hospital shall fail to timely make any payment required in the Installment Sale Agreement the Hospital shall pay the same together with all late payment penalties specified in the Series 2003A Bonds. In the event the Hospital shall fail to timely make any payment required in the Installment Sale Agreement, the Hospital shall pay the same together with interest on such payment at the rate of eighteen percent (18%) per annum but in no event at a rate higher than the maximum lawful prevailing rate, from the date on which such payment was due until the date on which such payment is made.

Notwithstanding anything contained in the Installment Sale Agreement to the contrary, the Hospital's payment obligations under the Installment Sale Agreement shall be deemed satisfied to the extent the Trustee receives corresponding payments from the Obligated Group under and pursuant to the Master Note.

SECTION 4.04 Obligations of Hospital Under the Installment Sale Agreement Unconditional.

The obligations of the Hospital to make the payments required above and to perform and observe any and all of the other covenants and agreements on its part contained in the Installment Sale Agreement shall be a general obligation of the Hospital, and shall be absolute and unconditional irrespective of any defense or any rights of setoff, recoupment or counterclaim it may otherwise have against the Issuer.

SECTION 4.05 Payment of Additional Moneys in Prepayment of Series 2003A Bonds.

In addition to any other moneys required or permitted to be paid pursuant to the Installment Sale Agreement, the Hospital may, subject to the terms of the Indenture, pay moneys to the Trustee (i) to be applied as the prepayment of amounts to become due and payable by the Hospital pursuant to the Installment Sale Agreement, or (ii) to be used for the redemption or prepayment of any Series 2003A Bonds at such time or times and on such terms and conditions as are provided in Section 2.18 of the Indenture and in the Series 2003A Bonds. The Hospital shall notify the Issuer, the Credit Issuer and the Trustee in writing as to the purpose of any such payment.

Rights and Obligations of the Hospital Upon Prepayment of Series 2003A Bonds.

In the event the Series 2003A Bonds shall have been paid in full prior to the termination date specified in the Installment Sale Agreement or provision for such payment shall have been made in accordance with the Indenture, (i) all references in the Installment Sale Agreement to the Series 2003A Bonds, the Guaranty, the Assignment, and the Indenture shall be ineffective and (ii) the Hospital shall be entitled, at its option, to the exclusive use, occupancy and enjoyment of the Facility from the date of such payment until the scheduled expiration of the Sale Term, without the payment of any further basic rent under the Installment Sale Agreement, but otherwise on all of the terms and conditions of the Installment Sale Agreement except that the Hospital shall not be required to carry any insurance for the benefit of the Trustee, or the Hospital may, at its option, require the Issuer to convey the Facility to the Hospital pursuant to

the terms of the Installment Sale Agreement. In the event of any such payment or the making of any such provision, the Issuer, at the sole cost of the Hospital, shall obtain and record or file appropriate discharges or releases of the Assignment and any other security interest relating to the Facility or the Installment Sale Agreement.

SECTION 4.06 Maintenance and Modifications of Facility by Hospital.

The Hospital shall not abandon the Facility or cause or permit any waste to the Facility. During the Sale Term, the Hospital shall not remove any part of the Facility outside of the jurisdiction of the Issuer and shall (i) keep the Facility in as reasonably safe condition as its operations shall permit; (ii) make all necessary repairs and replacements to the Facility (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen); and (iii) operate the Facility in a sound and economic manner.

SECTION 4.07 Taxes, Assessments and Utility Charges.

The Hospital agrees to pay, as the same become due and before any fine, penalty, interest (except interest that is payable in connection with legally permissible installment payments) or other cost may be added thereto or become due or be imposed by operation of law for the non-payment thereof, (i) all taxes, payments in lieu of taxes and governmental charges of any kind whatsoever that at any time be lawfully assessed or levied against or with respect to the Facility and any machinery, equipment or other property installed or brought by the Hospital therein or thereon, including, without limiting the generality of the foregoing, any sales or use taxes imposed with respect to the Facility or any part or component thereof, or the rental or sale of the Facility or any part thereof and any taxes levied upon or with respect to the income or revenues of the Issuer from the Facility; (ii) all utility and other charges, including service charges, incurred or imposed for or with respect to the operation, maintenance, use, occupancy, upkeep and improvement of the Facility; and (iii) all assessments and charges of any kind whatsoever lawfully made by any governmental body for public improvements; provided that, with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Hospital shall be obligated under the Installment Sale Agreement to pay only such installments as are required to be paid during the Sale Term.

The Hospital may in good faith contest any such taxes, assessments and other charges. In the event of any such proceedings, the Hospital may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such proceedings and any appeal therefrom, provided, however, that (i) neither the Facility nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited or lost by reason of such proceedings and (ii) the Hospital shall have set aside on its books adequate reserves with respect thereto and shall have furnished such security, if any, as may be required in such proceedings or requested by the Issuer or the Credit Issuer.

SECTION 4.08 Insurance.

At all times throughout the Sale Term, including, when indicated in the Installment Sale Agreement, during the Construction Period, the Hospital shall, at its sole cost and expense,

maintain or cause to be maintained insurance against such risks and for such amounts as are customarily insured against by facilities of like size and type and shall pay, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:

(a) Insurance against loss or damage by fire, lightning and other casualties customarily insured against, with a uniform standard extended coverage endorsement, such insurance to be in an amount not less than the full replacement value of the completed Facility, exclusive of footings and foundations, as determined by a recognized appraiser or insurer selected by the Hospital, but in no event less than the principal amount of the Series 2003A Bonds. During the Construction Period, any such policy covering the Facility shall be written in the so-called "Builder's Risk Completed Value Non-Reporting Form" and shall contain a provision granting the insured permission to complete and/or occupy.

(b) Workers' compensation insurance, disability benefits insurance and each other form of insurance that the Hospital is required by law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Hospital who are located at or assigned to the Facility. This coverage shall be in effect from and after the Completion Date or on such earlier date as any employees of the Hospital first occupy the Facility.

(c) Insurance protecting the Issuer, the Trustee, the Credit Issuer and the Hospital against loss or losses from liability imposed by law or assumed in any written contract (including the contractual liability assumed by the Hospital under the Installment Sale Agreement) and arising from personal injury, including bodily injury or death, or damage to the property of others, caused by an accident or occurrence with a limit of liability of not less than \$1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage) and with a blanket excess liability coverage in an amount not less than \$5,000,000 protecting the Issuer, the Trustee, the Credit Issuer and the Hospital against any loss or liability or damage for personal injury, including bodily injury or death, or property damage. This coverage shall also be in effect during the Construction Period.

(d) During the Construction Period (and for at least one year thereafter in the case of Products and Completed Operations as set forth below), the Hospital shall cause those contractors as the Credit Issuer shall require to carry liability insurance of the type and providing the minimum limits set forth below:

(i) Workers' compensation and employer's liability with limits in accordance with applicable law.

(ii) Comprehensive general liability providing coverage for:

Premises and Operations
Products and Completed Operations
Owners/Contractors Protective
Contractual Liability
Personal Injury Liability
Broad Form Property Damage (including completed operations)

Explosion Hazard
Collapse Hazard
Underground Property Damage Hazard

Such insurance shall have a limit of liability of not less than \$1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage).

(iii) Business auto liability, including all owned, non-owned and hired autos, with a limit of liability of not less than \$1,000,000 (combined single limit for personal injury, including bodily injury or death, and property damage).

(iv) Excess "umbrella" liability providing liability insurance in excess of the coverages in (i), (ii) and (iii) above with a limit of not less than \$5,000,000.

(e) A policy or policies of flood insurance in an amount not less than [(i) \$5,000,000 or such greater amount as the Credit Issuer may from time to time reasonably require but not in any event to exceed the principal amount of the Series 2003A Bonds; or (ii)] the maximum amount of flood insurance available with respect to the Facility under the Flood Disaster Protection Act of 1973 as amended, whichever is less. This requirement will be waived upon presentation of evidence satisfactory to the Credit Issuer that no portion of the Land is located within an area identified by the U.S. Department of Housing and Urban Development as having special flood hazards.

Right of Issuer and Credit Issuer to Pay Taxes, Insurance Premiums and Other Charges.

If the Hospital fails (i) to pay any tax, together with any fine, penalty, interest or cost that may have been added thereto or become due or been imposed by operation of law for nonpayment thereof, or assessment or other governmental charge required to be paid by the Installment Sale Agreement, (ii) to maintain any insurance required to be maintained by the Installment Sale Agreement, (iii) to pay any amount required to be paid by any law or ordinance relating to the use or occupancy of the Facility or by any requirement, order or notice of violation thereof issued by any governmental person, (iv) to pay any mechanic's Lien that is recorded or filed against the Facility or any part thereof (unless contested in accordance with the provisions of the Installment Sale Agreement), (v) to pay any real property transfer gains tax, together with any interest and penalties thereon, that is due and payable by reason of a conveyance of the estate in and to the Facility pursuant to a judicial sale in any foreclosure action or by deed and/or assignment in lieu of foreclosure or (vi) to pay any other amount or perform any act under the Installment Sale Agreement required to be paid or performed by the Hospital under the Installment Sale Agreement, the Issuer or the Credit Issuer may, but shall not be obligated to, pay or cause to be paid such tax, assessment or other governmental charge or the premium for such insurance or any such other payment or may perform any such act. No such payment shall be made or act performed by the Issuer or the Credit Issuer until at least ten (10) days shall have elapsed since written notice shall have been given by the Credit Issuer to the Issuer, with a copy of such notice being given to the Hospital (or by the Issuer to the Hospital and the Credit Issuer), and in the case of any tax, assessment or governmental charge or the amounts specified in the Installment Sale Agreement, no such payment shall be made in any event if the Hospital is

contesting the same in good faith to the extent and as permitted by the Installment Sale Agreement unless an Event of Default under the Installment Sale Agreement shall have occurred and be continuing. No such payment by the Issuer or the Credit Issuer shall affect or impair any rights of the Issuer under the Installment Sale Agreement or of the Trustee under the Indenture or the Mortgage arising in consequence of such failure by the Hospital. The Hospital shall, on demand, reimburse the Issuer or the Credit Issuer for any amount so paid or for expenses or costs incurred in the performance of any such act by the Issuer or the Credit Issuer pursuant to the Installment Sale Agreement (which shall include all reasonable legal fees and disbursements), together with interest thereon from the date of payment of such amount, expense or cost by the Issuer or the Credit Issuer at the Maximum Rate, and such amount together with such interest shall become additional indebtedness secured by the Mortgage.

SECTION 4.09 Damage or Destruction of the Facility.

If the Facility shall be damaged or destroyed (in whole or in part) or if title to or use of the Facility shall be taken by Condemnation (in whole or in part) at any time during the Sale Term:

(i) the Issuer shall have no obligation to replace, repair, rebuild, restore or relocate the Facility or acquire, by construction or otherwise, facilities substantially the same nature as the Facility ("Substitute Facilities"); and

(ii) there shall be no abatement or reduction in the amounts payable by the Hospital under the Installment Sale Agreement (whether or not the Facility is replaced, repaired, rebuilt, restored or relocated or Substitute Facilities acquired); and

(iii) the Hospital shall promptly give written notice thereof to the Issuer, the Trustee and the Credit Issuer; and

(iv) upon the occurrence of such damage, destruction or Condemnation, the Net Proceeds derived therefrom shall be paid to the Trustee and deposited in the Renewal Fund and except as otherwise provided in the Installment Sale Agreement, the Hospital shall at its option (subject to the terms of the Master Trust Indenture), either (A) in compliance with the Installment Sale Agreement, replace, repair, rebuild, restore or relocate the Facility or acquire Substitute Facilities or (B) redeem a principal amount of Series 2003A Bonds equal to such Net Proceeds in accordance with the Indenture; and

(v) if the Facility is not replaced, repaired, rebuilt, restored or relocated (except with respect to a partial loss which does not materially impact the utilization of the Facility for its intended use and purpose) as provided in the Installment Sale Agreement, the Installment Sale Agreement shall be terminated.

SECTION 4.10 Hold Harmless Provisions.

The Hospital agrees that the Issuer and any of its members, directors, officers, agents (except the Hospital) or employees shall not be liable for and agrees to defend, indemnify,

release and hold the Issuer and any of its members, directors, officers, agents (except the Hospital) or employees harmless from and against any and all (i) liability for loss or damage to Property or injury to or death of any and all Persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Facility or arising by reason of or in connection with the occupation or the use thereof or the presence of any Person or Property on, in or about the Facility or the Land or (ii) liability arising from or expense incurred by the Issuer's financing, refinancing, acquisition, construction and equipping and sale of the Issuer's interest in the Facility, including without limiting the generality of the foregoing, all claims arising from the breach by the Hospital of any of its covenants contained in the Installment Sale Agreement, the exercise by the Hospital of the authority conferred upon it pursuant to the Installment Sale Agreement and all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions that may arise as a result of any of the foregoing, provided that any such losses, damages, liabilities or expenses of the Issuer are not incurred or do not result from the gross negligence or intentional or willful wrongdoing of the Issuer and any of its members, directors, officers, agents (except the Hospital) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence (other than gross negligence or willful misconduct) on the part of the Issuer and any of its members, directors, officers, agents (except the Hospital) or employees and irrespective of the breach of a statutory obligation or the application of any rule of comparative or apportioned liability. The foregoing indemnities are limited only to the extent of any prohibitions imposed by law.

The Hospital agrees that the Credit Issuer and the Trustee and any of their respective members, directors, officers, agents (except the Hospital) or employees shall not be liable for and agrees to defend, indemnify, release and hold the Credit Issuer and the Trustee and any of their respective members, directors, officers, agents (except the Hospital) or employees harmless from and against any and all (i) liability for loss or damage to Property or injury to or death of any and all Persons that may be occasioned by, directly or indirectly, any cause whatsoever pertaining to the Facility or arising by reason of or in connection with the occupation or the use thereof or the presence of any Person or Property on, in or about the Facility or the Land or (ii) liability arising from or expense incurred by the Issuer's financing, refinancing, acquisition, construction and equipping and sale of the Issuer's interest in the Facility, including without limiting the generality of the foregoing, all claims arising from the breach by the Hospital of any of its covenants contained in the Installment Sale Agreement, the exercise by the Hospital of the authority conferred upon it pursuant to the Installment Sale Agreement and all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions that may arise as a result of any of the foregoing, provided that any such losses, damages, liabilities or expenses of the Credit Issuer or the Trustee are not incurred or do not result from the gross negligence or intentional or willful wrongdoing of the Credit Issuer or the Trustee and any of their respective members, directors, officers, agents (except the Hospital) or employees. The foregoing indemnities shall apply notwithstanding the fault or negligence (other than gross negligence or willful misconduct) on the part of the Credit Issuer or the Trustee and any of their respective members, directors, officers, agents (except the Hospital) or employees and irrespective of the breach of a statutory obligation or the application of any rule of comparative or apportioned liability. The foregoing indemnities are limited only to the extent of any prohibitions imposed by law.

In the event of any claim against the Issuer, the Credit Issuer, the Trustee or their respective members, directors, officers, agents (except the Hospital) or employees by any employee or contractor of the Hospital or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, the obligations of the Hospital under the Installment Sale Agreement shall not be limited in any way by any limitation on the amount or type of damages, compensation, disability benefits or other employee benefit acts.

SECTION 4.11 Restriction on Lease or Transfer of Facility; Release of Certain Land.

Except as otherwise specifically provided in the Installment Sale Agreement, the Hospital shall not sell, convey, transfer, encumber or otherwise dispose of the Facility or any part thereof or any of its rights under the Installment Sale Agreement, without the prior written consent of the Credit Issuer.

With the prior written consent of the Credit Issuer (which consent may not be unreasonably withheld but may be subject to such reasonable conditions as the Credit Issuer may deem appropriate) and subject to the terms of the Master Trust Indenture, the Issuer and the Hospital from time to time may release from the provisions of the Installment Sale Agreement and the estate created hereby any part of, or interest in, the Land. In such event, the Issuer, at the Hospital's sole cost and expense, shall execute and deliver, and request the Trustee and/or the Credit Issuer to execute and deliver, any and all instruments necessary or appropriate to so release such part of, or interest in, the Land and convey such title thereto or interest therein, free from the lien of the Mortgage, to the Hospital or such other Person as the Hospital may designate. As a condition to such conveyance, the Trustee and the Credit Issuer shall be provided with a copy of the instrument transferring such title or interest in such Land, an instrument survey (if the Trustee and/or the Credit Issuer so requests) of the Land to be conveyed, together with a certificate of an Authorized Officer of the Hospital stating that there is then no Event of Default under the Installment Sale Agreement. Notwithstanding the foregoing provisions of this paragraph or any other provision of the Installment Sale Agreement, the prior consent of the Issuer, the Trustee or the Credit Issuer will not be required for a release from the Installment Sale Agreement of any portion of the Facility which is not, as of the date of such release, subject to the Lien of the Mortgage.

No conveyance of any part of, or interest in, the Land effected under the provisions of the Installment Sale Agreement shall entitle the Hospital to any abatement or diminution of the Sale Payments payable by it under the Installment Sale Agreement.

SECTION 4.12 Assignment and Leasing.

The Installment Sale Agreement may not be assigned, in whole or in part, and the Facility may not be leased, in whole, without the prior written consent of the Credit Issuer and the Issuer in each instance, and which lease complies with the conditions set forth in the Installment Sale Agreement.

SECTION 4.13 Events of Default.

The Installment Sale Agreement provides that each of the following shall constitute an Event of Default:

(i) the failure by the Hospital to pay or cause to be paid on the date due, the amount specified to be paid pursuant to the Installment Sale Agreement;

(ii) the failure by the Hospital to observe and perform any covenant contained in the Installment Sale Agreement;

(iii) the Hospital or its Authorized Representative shall have made, in any certificate, statement, representation, warranty or financial statement heretofore or hereafter furnished to the Issuer, the Trustee, the Underwriter or the Credit Issuer in connection with the financing and refinancing of the Project Facility, a material representation which proves to have been false and misleading as of the time such statement was made, or any such certificate, statement, representation, warranty or financial statement shall omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and

(iv) (A) Subject to clause (B) below, the failure by the Hospital to observe and perform any covenant, condition or agreement on its part to be observed or performed (except obligations referred to in certain parts of the Installment Sale Agreement) for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Hospital by the Issuer, the Trustee, the Credit Issuer or by the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Series 2003A Bonds Outstanding.

(B) provided, however, if the covenant, condition, or agreement which the Hospital has failed to observe or perform is of such a nature that it cannot reasonably be fully cured within such thirty (30) day period, the Hospital shall not be in default if it commences a cure within such period and thereafter diligently proceeds with all action required to complete such cure and, in any event, completes such cure within sixty (60) days of such written notice from the Issuer, the Trustee, the Credit Issuer or the Holders of not less than fifty-one percent (51%) of the aggregate principal amount of the Series 2003A Bonds Outstanding, unless the party giving such notice shall give its written consent to a longer period;

(v) the dissolution or liquidation of the Hospital; or the failure by the Hospital to release, stay, discharge, lift or bond within thirty (30) days any execution, garnishment, judgment or attachment of such consequence as may materially impair its ability to carry on its operations; or the failure by the Hospital generally to pay its debts as they become due; or an assignment by the Hospital for the benefit of creditors; the commencement by

the Hospital (as the debtor) of a case in Bankruptcy or any proceeding under any other insolvency law; or the commencement of a case in Bankruptcy or any proceeding under any other insolvency law against the Hospital (as the debtor) and a court having jurisdiction in the premises enters a decree or order for relief against the Hospital as the debtor in such case or proceeding, or such case or proceeding is consented to by the Hospital or remains undismissed for sixty (60) days, or the Hospital consents to or admits the material allegations against it in any such case or proceeding; or a trustee, receiver or agent (however named) is appointed or authorized to take charge of substantially all of the Property of the Hospital for the purpose of enforcing a Lien against such Property or for the purpose of general administration of such Property for the benefit of creditors;

(vi) an Event of Default the Indenture, the Guaranty, the Master Trust Indenture or the Master Note shall have occurred and be continuing; or

(vii) the invalidity, illegality or unenforceability of any of the Bond Documents; or

(viii) the removal of the Equipment or any portion thereof outside Schenectady County, New York, without the prior written consent of the Issuer.

If by reason of force majeure any party hereto shall be unable in whole or in part to carry out its obligations under the Installment Sale Agreement and if such party shall give notice and full particulars of such force majeure in writing to the other party and to the Trustee, within a reasonable time after the occurrence of the event or cause relied upon, such obligations under the Installment Sale Agreement of the party giving such notice (and only such obligations), so far as they are affected by such force majeure, shall be suspended during continuance of the inability, which shall include a reasonable time for the removal of the effect thereof. The term "force majeure" as used in the Installment Sale Agreement shall include, without limitation, acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, acts, priorities or orders of any kind of the government of the United States of America or of the State or any of their departments, agencies, governmental subdivisions, or officials, any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accident to machinery, transmission pipes or canals, shortages of labor or materials or delays of carriers, partial or entire failure of utilities, shortage of energy or any other cause or event not reasonably within the control of the party claiming such inability and not due to its fault. The party claiming such inability shall remove the cause for the same with all reasonable promptness. It is agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the party having difficulty, and the party having difficulty shall not be required to settle any strike, lockout and other industrial disturbances by acceding to the demands of the opposing party or parties.

Remedies on Default.

Whenever any Event of Default shall have occurred and be continuing, the Issuer, the Credit Issuer or the Trustee may take, to the extent permitted by law, any one or more of the following remedial steps:

(i) declare, by written notice to the Hospital, to be immediately due and payable, whereupon the same shall become immediately due and payable: (A) all unpaid Sale Payments payable pursuant to the Installment Sale Agreement in amount equal to the aggregate unpaid principal balance of all Series 2003A Bonds Outstanding together with all interest that has accrued and will accrue thereon to the date of payment, and (B) all other payments due under the Installment Sale Agreement;

(ii) re-enter and take possession of the Facility, on sixty (60) days' written notice to the Hospital, without terminating the Installment Sale Agreement and without being liable for any prosecution or damages therefor, and lease or sell the Facility for the account of the Hospital, holding the Hospital liable for the amount, if any, by which the aggregate of the Sale Payments and other amounts payable by the Hospital under the Installment Sale Agreement exceeds the aggregate of the rents, purchase price and other amounts received from the lessee or purchaser under such lease or other transfer instrument or document;

(iii) terminate, on sixty (60) days written notice to the Hospital, the Sale Term and all rights of the Hospital under the Installment Sale Agreement and, without being liable for any prosecution or damages therefor, exclude the Hospital from possession of the Facility and lease or sell the Facility to another Person for the account of the Hospital, holding the Hospital liable for the amount, if any, by which the aggregate of the rents and other amounts payable by the Hospital under the Installment Sale Agreement exceeds the aggregate of the rents, purchase payments and other amounts received from such other Person under the such lease or other transfer document or instrument;

(iv) enter upon the Facility and complete the acquisition, construction and equipping of the Improvements in accordance with the Plans and Specifications (with such changes as the Trustee may deem appropriate) (and complete the refinancing of the Existing Indebtedness to the extent necessary) and in connection therewith (a) engage architects, contractors, materialmen, laborers and suppliers and others, (b) employ watchmen to protect and preserve the Facility, (c) assume any contract relating to the Facility and take over and use all labor, materials, supplies and equipment, whether or not previously incorporated into the Facility, (d) pay, settle or compromise all bills or claims, (e) discontinue any work or change any course of action already undertaken with respect to the Facility, (f) take or refrain from taking such action under the Installment Sale Agreement as the Trustee may from time to time determine; (g) apply any undisbursed money in the Project Fund and Renewal Fund to the payment of the costs and expenses incurred in connection with the foregoing; and (h) apply any undisbursed moneys in the

Project Fund and the Renewal Fund to the payment of the outstanding principal on the Series 2003A Bonds;

(v) terminate the disbursement of any moneys in the Project Fund in accordance with the Installment Sale Agreement and apply such moneys to the payment of any amounts due or thereafter to become due under the Installment Sale Agreement;

(vi) take any other action at law or in equity that may appear necessary or desirable to collect the payments then due or thereafter to become due under the Installment Sale Agreement, to secure possession of the Facility, and to enforce the obligations, agreements or covenants of the Hospital under the Installment Sale Agreement.

In the event the Facility is leased or sold to another Person pursuant to the Installment Sale Agreement, the Issuer or the Trustee, as appropriate, may (but shall be under no obligation to) make such repairs or alterations in or to the Facility as it may deem necessary or desirable for the implementation of such lease or other transfer instrument or document, and the Hospital shall be liable and agrees to pay the costs of such repairs or alterations and the expenses incidental to the effecting of such lease or other transfer instrument or document, together with interest on such costs and expense paid by the Trustee at the Default Rate (as defined in the Reimbursement Agreement), notwithstanding that the Sale Term and all rights of the Hospital under the Installment Sale Agreement may have been terminated pursuant thereto.

Any sums payable to the Issuer as a consequence of any action taken pursuant to the Installment Sale Agreement (other than those sums attributable to Unassigned Rights and except for the moneys and investments from time to time in the Rebate Fund) shall be paid to the Trustee and applied to the payment of their unpaid fees and disbursements and the balance applied to the reimbursement of the Credit Issuer or the payment of the Series 2003A Bonds.

Early Termination of Installment Sale Agreement.

If any of the following events shall occur, the Hospital shall have the option to terminate the Installment Sale Agreement prior to the conclusion of the Sale Term of the Installment Sale Agreement upon compliance with the requirements set forth therein:

(i) The Facility or any material part thereof shall have been damaged or destroyed to such extent that, in the sole opinion of the Hospital, it is not practical or desirable to replace, repair, rebuild or restore the Facility; or

(ii) Title to, or the use of, all or any material part of the Facility shall have been taken by Condemnation or a defect in title to all or a material part of the Facility is determined to exist so that, in the sole opinion of the Hospital, it is not practical or desirable to restore the Facility.

The Hospital shall have an additional option, in its sole discretion, to terminate the Installment Sale Agreement on any date on which the Series 2003A Bonds are subject to

optional redemption pursuant to Section 2.18(a) of the Indenture or on any date on which the Series 2003A Bonds could be defeased in accordance with the Indenture, upon filing with the Issuer, the Credit Issuer and the Trustee a certificate signed by an Authorized Representative of the Hospital stating the Hospital's intention to do so pursuant to the Installment Sale Agreement and upon compliance with the requirements set forth therein.

The Hospital shall terminate the Installment Sale Agreement and shall comply with the requirements set forth in the Installment Sale Agreement so as to provide for payment of the then Outstanding Series 2003A Bonds in full within one hundred twenty (120) days after the occurrence of a Determination of Taxability (as defined in the Indenture). The obligation of the Hospital to comply with the requirements of the Installment Sale Agreement shall be absolute and unconditional.

Conditions to Early Termination of Installment Sale Agreement.

In the event the Hospital exercises its option, or is required, to terminate the Installment Sale Agreement, the Hospital shall comply with the requirements set forth in the following three subsections:

(a) The following payments shall be made:

(i) To the Trustee for the account of the Issuer, an amount which, when added to the total amount of moneys on deposit with the Trustee for the account of the Issuer and the Hospital, will be sufficient (A) to pay the amount required by the Indenture upon title to or use of the Facility being taken by Condemnation or the Facility is damaged or destroyed, or (B) to pay the Series 2003A Bonds Outstanding together with all interest which will accrue to the date of payment of the Bonds and any premium due on the Series 2003A Bonds if the Bonds are subject to optional redemption, or (C) to pay the amount required the Indenture, if such termination is pursuant to a Determination of Taxability;

(ii) To the Trustee: an amount sufficient to pay all unpaid reasonable out-of-pocket fees and expenses of the Trustee and any additional Paying Agents under the Indenture;

(iii) To the Issuer: an amount certified by the Issuer as sufficient to pay all unpaid reasonable out-of-pocket fees and expenses of the Issuer and its members, officers, agents, servants and employees incurred under the Installment Sale Agreement and any other Bond Documents and/or Bank Documents; and

(iv) To the appropriate Person: an amount sufficient to pay all other fees, expenses or charges, if any, due and payable or to become due and payable under the Installment Sale Agreement and the other Bond Documents and/or Bank Documents and not otherwise paid or provided for.

No Recourse Against Issuer.

The Series 2003A Bonds are not a general obligation of the Issuer and shall not be deemed to constitute a debt or liability of the State of any political subdivision thereof, including without limitation Schenectady County, New York, or a pledge of the faith and credit of the Issuer or the State or any such political subdivision, including without limitation Schenectady County, New York, but shall be payable solely from and to the extent of the payments made by the Hospital pursuant to the Installment Sale Agreement, and any other funds held under the Indenture for such purpose, including moneys drawn upon the Credit Facility. Neither the faith and credit of the Issuer or the State nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2003A Bonds. All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Installment Sale Agreement shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, director, officer, employee or agent (except the Hospital) of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal of any debt or interest thereon or for any claim based thereon or under the Installment Sale Agreement against any member, director, officer, employee or agent (except the Hospital) of the Issuer or any natural person executing the Installment Sale Agreement on behalf of the Issuer. No covenant contained in the Installment Sale Agreement shall be deemed to constitute a debt of the State of New York nor Schenectady County, New York and neither the State of New York nor Schenectady County, New York shall be liable on any covenant contained in the Installment Sale Agreement, nor shall any obligations under the Installment Sale Agreement be payable out of any funds of the Issuer.

No order or decree of specific performance with respect to any of the obligations of the Issuer under the Installment Sale Agreement shall be sought or enforced against the Issuer unless (1) the party seeking such order or decree shall first have requested the Issuer in writing to take the action sought in such order or decree of specific performance, and ten (10) days shall have elapsed from the date of receipt of such request, and the Issuer shall have refused to comply with such request (or, if compliance therewith would reasonably be expected to take longer than ten days, shall have failed to institute and diligently pursue action to cause compliance with such request within such ten day period) or failed to respond within such notice period, (2) if the Issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it will incur fees and expenses, the party seeking such order or decree shall have placed in an account with the Issuer an amount or undertaking sufficient to cover such reasonable fees and expenses and (3) if the issuer refuses to comply with such request and the Issuer's refusal to comply is based on its reasonable expectation that it or any of its members, officers, agents (other than the Hospital) or employees shall be subject to potential liability, the party seeking such order or decree shall (a) agree to indemnify, defend and hold harmless the Issuer and its members, officers, directors, agents (other than the Hospital) and employees against any liability incurred as a result of its compliance with such demand, and (b) if requested by the Issuer, furnish to the Issuer satisfactory security to protect the Issuer and its members, officers, directors, agents (other than the Hospital) and employees against all liability expected to be incurred as a result of compliance with such request. Any failure to provide the indemnity

and/or security required in the Installment Sale Agreement shall not affect the full force and effect of an Event of Default under the Installment Sale Agreement.

SUMMARY OF THE PLEDGE AND ASSIGNMENT

The following is a summary of certain provisions of the Pledge and Assignment. Such summary does not purport to be complete and reference is made to the Pledge and Assignment for the detailed provisions thereof and the discussion herein is qualified by such reference.

Security.

The Pledge and Assignment is made to secure the moneys due and payable to the Credit Issuer pursuant to the Letter of Credit Reimbursement Agreement while the Credit Facility (or any substitute Credit Facility) is in effect, and to secure the payment of the principal of, premium, if any, Purchase Price and redemption price of, and interest on the Bonds if the Credit Facility (or any substitute Credit Facility) is not in effect or if the Credit Issuer is in default with respect to its obligations thereunder or the Credit Issuer fails to honor any draw on the Credit Facility within the times set forth therein.

Assignment.

The Issuer grants to the Trustee and the Credit Issuer a security interest in and pledges, assigns, transfers and sets over to the Trustee and the Credit Issuer any and all moneys due or to become due and any and all other rights and remedies of the Issuer under or arising out of a certain Installment Sale Agreement covering the Facility located on the Land (except for Unassigned Rights and except for the moneys and investments from time to time in the Rebate Fund), which Installment Sale Agreement (or a memorandum thereof) is intended to be recorded immediately prior to the recordation of the Pledge and Assignment; provided, however, that the assignment made by the Pledge and Assignment shall not permit the amendment of the Installment Sale Agreement without the prior written consent of the Issuer. Notwithstanding anything to the contrary, so long as the Credit Facility is in full force and effect and the Credit Issuer is not in default with respect to its obligations thereunder and the Credit Issuer has not failed to honor a draw on the Credit Facility on the times set forth therein, the Credit Issuer shall have a first priority lien over the Trustee under the Pledge and Assignment; provided, however, if the Credit Facility is not in effect or if the Credit Issuer is in continued default without cure with respect to its obligations thereunder or if the Credit Issuer has wrongfully failed to honor a draw under the Credit Facility on the times set forth therein, the Trustee shall have a first priority lien over the Credit Issuer under the Pledge and Assignment.

SUMMARY OF THE GUARANTY

The following is a summary of certain provisions of the Guaranty. Such summary does not purport to be complete and reference is made to the Guaranty for the detailed provisions thereof and the discussion herein is qualified by such reference.

Guaranty of Payment and Performance.

The Guarantor absolutely, irrevocably and unconditionally guarantees to the Trustee the full and prompt payment of (i) the principal of, Purchase Price of and redemption price due on the Series 2003A Bonds when and as the same shall become due, whether at the stated maturity thereof, by acceleration or upon redemption or otherwise, (ii) any interest on the Series 2003A Bonds when and as the same shall become due and (iii) all other sums payable by the Issuer or the Hospital to the Trustee under any of the Bond Documents when and as the same shall become due. The Guarantor irrevocably and unconditionally agrees that upon any default by the Issuer in the payment, when due, of the principal of, Purchase Price and redemption price of, and or interest on the Series 2003A Bonds or of any sum payable by the Issuer or the Hospital to the Trustee under any of the Bond Documents, the Guarantor will promptly pay the same.

The Guarantor shall pay to the Trustee all reasonable costs and expenses (including legal fees) incurred by the Trustee in the protection of any of its rights or in the pursuance of any of its remedies in respect of the Installment Sale Agreement, the Series 2003A Bonds, this Guaranty or any of the other Bond Documents.

Obligations Unconditional.

The obligations of the Guarantor under the Guaranty shall be absolute and unconditional and shall remain in full force and effect until the entire aggregate principal amount of the Series 2003A Bonds and premium, if any, and interest thereon together with all other sums payable by the Issuer or the Hospital to the Trustee under any of the Bond Documents, have been paid or provided for in full and until any obligation of indemnification under the Bond Documents shall have terminated (except in either case the covenants and obligations of indemnification guaranteed in the Guaranty which shall remain in full force and effect for the term of the Indenture), and the other conditions in the Guaranty have been met and, to the extent permitted by law, such obligations shall not be affected, modified or impaired by any state of facts or the happening from time to time of any event including those described in the Guaranty.

APPENDIX A-2

SUMMARY OF THE REIMBURSEMENT AGREEMENT

The Bank will agree to issue the Letter of Credit pursuant to the terms of the Reimbursement Agreement with the Hospital (referred to as "Borrower" in the Reimbursement Agreement). Reference is made to the Reimbursement Agreement for complete details of the terms thereof. The following is a brief outline of certain provisions of the Reimbursement Agreement and should not be considered a full statement thereof.

Issuance of the Letter of Credit

The Bank will agree, subject to the terms and conditions set forth in the Reimbursement Agreement and at the request of and for the account of the Hospital, to issue the Letter of Credit in favor of the Trustee.

Payments

The Hospital agrees to pay to the Bank all amounts that are drawn under the Credit Facility, together with interest on all such amounts.

Fees, Commissions and Expenses

Pursuant to the Reimbursement Agreement, the Hospital also agrees to pay to the Bank a commission on the face amount of the Credit Facility and an administrative fee for each drawing under the Credit Facility. The Hospital must also pay any costs and expenses incurred by the Bank with respect to each drawing under the Credit Facility, each transfer of the Credit Facility from the Trustee to a successor trustee under the Indenture, the enforcement of the Bank's rights under the Reimbursement Agreement, and the preparation and issuance by the Bank of the Credit Facility and the Reimbursement Agreement. Further, if a change in any law or regulation or interpretation thereof causes an increase or decrease in the costs of the Bank to issue or maintain letters of credit, such increase or decrease will be passed on to the Hospital pursuant to the Reimbursement Agreement.

Certain Affirmative and Negative Covenants

The Hospital makes certain affirmative and negative covenants in the Reimbursement Agreement with respect to its legal, business and financial affairs. The Hospital is required under the Reimbursement Agreement to make scheduled payments to reduce the outstanding principal of the Initial Bonds pursuant to its right to optionally redeem the Initial Bonds; however, this requirement of the Reimbursement Agreement can be changed at any time by the Bank and the Hospital without the consent of or notice to the Bondholders.

Security for Reimbursement Agreement

The obligation of the Hospital to pay to the Bank all amounts that are drawn under the Credit Facility is evidenced by the Reimbursement Agreement. As additional security for its obligations under the Reimbursement Agreement, the Hospital has granted the Master Trustee, in

favor of the Bank and other future Credit Issuers, a security interest in personal property pursuant to the Reimbursement Agreement and mortgage liens pursuant to a mortgage (the “Mortgage”) on the Hospital’s interest in the Project Facility. The Hospital has granted a security interest in certain of their properties to the Bank pursuant to the Mortgage, and the Hospital has granted assignments in favor of the Bank in all permits, contracts, plans, approvals, licenses, warranties and other agreements of the Hospital (the “Assignments”). The Hospital has also granted the Master Trustee, in favor of the Bank and other future Credit Issuers, an Assignment of Leases and Rents (the “Assignment of Rents”). The Hospital has also executed a bond pledge agreement (the “Bond Pledge Agreement”) in favor of the Bank. In addition, the Hospital has executed an environmental indemnity agreement (the “Indemnity Agreement”) in favor of the Bank.

THE MORTGAGE, THE ASSIGNMENTS, THE BOND PLEDGE AGREEMENT, THE INDEMNITY AGREEMENT, THE REIMBURSEMENT AGREEMENT AND THE GUARANTY SECURE PAYMENTS DUE FROM THE HOSPITAL TO THE BANK UNDER THE REIMBURSEMENT AGREEMENT AND DO NOT SECURE THE INITIAL BONDS OR THE PAYMENT OF BOND SERVICE CHARGES UNDER THE INDENTURE AND ARE NOT FOR THE BENEFIT OF THE HOLDERS OF THE INITIAL BONDS.

Events of Default

The following events constitute “Events of Default” under the Reimbursement Agreement:

- (a) Hospital fails to make or cause to be made any payment to the Bank required to be made pursuant to the terms of the Credit Documents, or
- (b) If any material representation or warranty made by the Hospital or any officer or manager thereof in the Reimbursement Agreement, in the Credit Documents or in any other written statement, certificate, report, or financial statement at any time furnished by or for the Hospital in connection therewith, proves to be incorrect in any material respect when made, or
- (c) If the Hospital fails to perform or observe any other provision, covenant, or agreement contained in the Reimbursement Agreement or in any other of the Credit Documents and such failure remains unremedied for thirty (30) calendar days after the Bank shall have given written notice thereof to the Hospital, or
- (d) If the Hospital (i) fails to pay any indebtedness for borrowed money exceeding \$250,000 individually or in the aggregate (other than as arising under the Reimbursement Agreement) owing by the Hospital when due, whether at maturity, by acceleration, or otherwise or (ii) fails to perform any term, covenant, or agreement on its part to be performed under any agreement or instrument (other than the Reimbursement Agreement) evidencing, securing or relating to such Indebtedness when required to be performed, or is otherwise in default thereunder, if the effect of such failure is to accelerate, or to permit the holder(s) of such Indebtedness or the trustee(s) under any such agreement or instrument to

accelerate, the maturity of such Indebtedness, unless waived by such holder(s) or trustee(s), or

- (e) If the Hospital discontinues business except as otherwise permitted under the Reimbursement Agreement, or
- (f) An Event of Default shall have occurred under the Indenture, or
- (g) If the Hospital (i) is adjudicated a debtor or insolvent, or ceases, is unable, or admits in writing its inability, to pay its debts as they mature, or makes an assignment for the benefit of creditors, (ii) applies for, or consents to, the appointment of any receiver, trustee, or similar officer for it or for all or any substantial part of its property, or any such receiver, trustee, or similar officer is appointed without the application or consent of the Hospital respectively, (iii) institutes, or consents to the Hospital of by petition, application, or otherwise any bankruptcy reorganization, arrangement, readjustment or debt, dissolution, liquidation, or similar proceedings relating to it under the laws of any jurisdiction, (iv) any such proceeding described in clause (iii) instituted against it and such proceeding remains thereafter undismissed for a period of thirty (30) days or (v) any judgment, writ, warrant or attachment or execution or similar process is issued or levied against a substantial part of its property in excess of \$250,000 and such judgment, writ, or similar process is not released, vacated, or fully bonded within thirty (30) days after its issue or levy; or
- (h) If an Event of Default occurs under any of the Credit Agreements; or
- (i) If Hospital defaults under any other credit facility with Bank; or
- (j) If Hospital fails to maintain adequate insurance insuring the Pledged Collateral (as defined in the Reimbursement Agreement), which insurance shall name Bank as named insured, or to maintain appropriate Workers Compensations insurance; or
- (k) If any party to the General Contract fails duly to perform any obligation thereunder or any bankruptcy, insolvency, reorganization or similar proceeding is commenced by or against, the General Contractor; or
- (l) The Department or the Health Agency suspends or revokes the certificate of authority, increases any reserve requirement, imposes any Lien in connection with the Project or files a petition for the appointment of an administrator for the Project; or
- (m) Construction of the Project is stopped for five (5) consecutive working days or more by reason of cause within the Hospital's control, for an aggregate of forty-five (45) consecutive days or more by reason of cause beyond the Hospital's control; or
- (n) A Determination of Taxability shall have been made under the Indenture; or
- (o) Any default or Event of Default in standard Bank loan document or any of the Bond Documents executed by Hospital as requested by the Bank or the Issuer to

consummate the issuance of any additional bonds, including, but not limited to, the issuance of Multi-Mode Variable Rate Demand Civic Facility Revenue Bonds (Sunnyview Hospital and Rehabilitation Center Project), Series 2003B.

If any Event of Default occurs under the Reimbursement Agreement, the Bank may exercise any and all remedies, legal or equitable, to collect the amounts due from Hospital, pursuant to the Reimbursement Agreement.

Upon any such Event of Default, the Bank shall be entitled to notify the Trustee with the effect contemplated by the Indenture.

Upon the satisfaction of certain financial criteria, Hospital may undertake additional limited lending, a portion of which potentially becoming equal in secured priority under the Mortgage and security documents.

APPENDIX B

INFORMATION CONCERNING THE BANK

General

KeyBank National Association (the “Bank”) is a national banking association headquartered in Cleveland, Ohio serving markets throughout the United States. The Bank provides customized financial services to individuals, businesses and other institutions.

At March 31, 2003, the Bank had total assets of approximately \$77 billion and total shareholder’s equity of approximately \$5 billion. The Statement of Condition of the Bank at March 31, 2003, is set forth on the following page.

All of the Bank’s capital stock is owned by KeyCorp, a publicly-held multiline financial services company headquartered in Cleveland, Ohio, the common stock of which is registered under the Securities Exchange Act of 1934. At March 31, 2003, the Bank represented approximately 89% of the assets of KeyCorp. KeyCorp files annual and other reports containing audited, consolidated financial and other information with the Securities and Exchange Commission, 450 Fifth Street, NW, Washington, D.C. 20659 and copies of this information may be obtained from the Commission upon payment of copying charges, or examined at the Commission’s offices without charge. THE LETTER OF CREDIT IS AN UNSECURED OBLIGATION OF THE BANK AND NOT OF KEYCORP. KEYCORP HAS NOT GUARANTEED THE BANK’S OBLIGATION UNDER THE LETTER OF CREDIT OR THE REIMBURSEMENT AGREEMENT AND IS NOT AND WILL NOT BECOME OBLIGATED IN ANY MANNER WITH RESPECT THERETO.

The Bank will supply, without charge to any person to whom this Offering Circular is delivered, a copy of the KeyCorp Form 10-K for the year ended December 31, 2002, as well as copies of subsequently filed annual, quarterly and other reports on Forms 10-K, 10-Q, or 8-K as filed with the Securities and Exchange Commission, by calling our Toll Free Financial Report Request Line 1-888-539-3322.

Limitation of Responsibilities

The Bank is responsible only for the information contained in this Appendix and in the section entitled “The Letter Of Credit Bank,” and did not participate in the preparation of, or in any way verify the information contained in any other part of the Offering Circular. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Offering Circular.

KEYBANK NATIONAL ASSOCIATION
Consolidated Statement of Condition
March 31, 2003

ASSETS	<u>In thousands</u>
Cash and balances due from depository institutions	\$ 3,100,099
U. S. Treasury securities	18,259
U. S. Government agency and corporation obligations	7,657,523
Securities issued by states and political subdivisions in the U.S.	139,500
Other debt and equity securities	16,124
Federal funds sold and securities purchased under agreements to resell	5,278,093
Loans and lease financing receivables, net of unearned income and allowance	52,617,735
Assets held in trading accounts	1,842,645
Premises and fixed assets	567,265
Other real estate owned	43,296
Customers' liability to this bank on acceptances outstanding	52,978
Intangible assets	579,411
Other assets	4,756,141
Total Assets	<u>\$ 76,669,069</u>
LIABILITIES	
Deposits	
Individuals, partnerships and corporations	\$ 41,268,237
U. S. Government	35,168
States and political subdivisions in the U.S.	2,222,360
Commercial banks in the U. S.	182,585
Banks in foreign countries	1,960
Foreign office	5,097,676
Total Deposits	<u>48,807,986</u>
Federal funds purchased and securities sold under agreements to repurchase	4,151,047
Trading liabilities	1,612,678
Other borrowed money	11,266,228
Bank's liability on acceptances executed and outstanding	52,978
Subordinated notes and debentures	2,774,358
Other liabilities	3,090,015
Total Liabilities	<u>71,755,290</u>
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	-
Common stock	50,000
Surplus	600,484
Retained earnings	4,163,809
Accumulated other comprehensive income	99,486
Total Equity Capital	<u>4,913,779</u>
Total Liabilities and Equity Capital	<u>\$ 76,669,069</u>

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon the delivery of the Series 2003A Bonds, Harris Beach LLP, Rochester, New York, Bond Counsel proposes to issue its approving opinion as to the Series 2003A Bonds in substantially the following form:

[HARRIS BEACH LETTERHEAD]

May __, 2003

Schenectady County Industrial Development Agency
One Broadway Center, 7th Floor
Schenectady, New York 12305

**Re: \$_____ Schenectady County Industrial Development Agency
Multi-Mode Variable Rate Demand Civic Facility Revenue Bonds
(Sunnyview Hospital and Rehabilitation Center Project), Series 2003A**

Ladies and Gentlemen:

We have examined the validity of the above-referenced Bonds (the "Series 2003A Bonds") by the Schenectady County Industrial Development Agency (the "Issuer"). The Series 2003A Bonds are authorized to be issued pursuant to (i) Article 18-A of the General Municipal Law of the State of New York and Chapter 389 of the Laws of 1978 of the State of New York (collectively, the "Act"), and (ii) a bond resolution (the "Bond Resolution"), adopted by the members of the Issuer on May 8, 2003, for the purpose of providing funds to assist in the financing of a certain project (the "Project") for the benefit of Sunnyview Hospital and Rehabilitation Center, a not-for-profit corporation organized under the Laws of the State of New York (the "Hospital") consisting of (A)(1) the acquisition of an interest in an approximately 6.9 acre parcel of land located at 1270 Belmont Avenue in the City of Schenectady, Schenectady County, New York (the "Land"), together with two (2) existing buildings containing in the aggregate approximately 140,000 square feet of space located thereon (collectively, the "Existing Improvements"), (2) the construction of an approximately 18,000 square foot addition and the renovation of approximately 18,000 square feet to one of the existing buildings (collectively, the "Improvements"), (3) the acquisition and installation in and around the Existing Improvements and Improvements of certain items of machinery, equipment, furniture and other tangible personal property (the "Equipment" and, collectively with the Land, the Existing Improvements and the Improvements, the "Facility"); and (4) the refinancing of a portion of certain existing indebtedness incurred by the Hospital to finance construction, renovation and equipping of the foregoing and other capital financing needs of the Hospital, all of the foregoing to constitute the upgrading of an existing hospital and rehabilitation facility (the "Existing Indebtedness" and, collectively with the Facility, the "Project Facility"); (B) paying certain costs and expenses

incidental to the issuance of the Series 2003A Bonds (the costs associated with items (A) and (B) above being hereinafter collectively referred to as the "Project Costs"); and (C) the sale of the Issuer's interest in the facilities financed with the Series 2003A Bonds to the Hospital.

Contemporaneously with the issuance of the Series 2003A Bonds, the Issuer and the Hospital have entered into (i) a certain License to Issuer, dated as of May 1, 2003 (the "License to Issuer"), from the Hospital to the Issuer, pursuant to which the Hospital has granted to the Issuer a license to enter the Land for the purposes of undertaking the Project, and (ii) a certain Installment Sale Agreement, dated as of May 1, 2003 (the "Installment Sale Agreement"), by and between the Issuer and the Hospital, pursuant to which the Issuer agrees to sell its interest in the Project Facility back to the Hospital and the Hospital agrees to purchase such interest in the Project Facility with the installment purchase payments thereunder being sufficient to pay the principal of and interest on the Series 2003A Bonds.

The Series 2003A Bonds are being issued pursuant to a certain Indenture of Trust, dated as of May 1, 2003 (the "Indenture"), by and between the Issuer and Wells Fargo Bank Minnesota, N.A., as trustee (the "Trustee").

The Series 2003A Bonds are being purchased by McDonald Investments Inc. (the "Underwriter") pursuant to a certain Bond Purchase Agreement, dated May ____, 2003, by and among the Underwriter, the Issuer and the Hospital (the "Bond Purchase Agreement").

As security for the Series 2003A Bonds, the Hospital has entered into a certain Letter of Credit Reimbursement Agreement, dated as of May 1, 2003 (the "Reimbursement Agreement"), with KeyBank National Association (the "Credit Issuer"), pursuant to which the Credit Issuer has issued in favor of the Trustee an irrevocable direct-pay letter of credit (the "Letter of Credit") in an aggregate maximum amount equal to \$_____, which includes ninety-eight (98) days' interest thereon while the Series 2003A Bonds bear interest at the Weekly Rate, at a maximum rate of eight percent (8%) per annum under which the Credit Issuer is obligated to pay the Trustee, upon presentation of the required documentation, the amount necessary to pay, when added to certain other moneys held by the Trustee under the Indenture available for the benefit of the Bondholders, the principal of, premium, if any, Purchase Price and redemption price of, and interest on the Series 2003A Bonds then due and payable.

As additional security for the Series 2003A Bonds (i) the Hospital has guaranteed the payment of the principal of, Purchase Price and redemption price of, and interest on Series 2003A Bonds pursuant to the terms of a certain Guaranty, dated as of May 1, 2003 (the "Guaranty"), from the Hospital to the Trustee, and (ii) the Issuer has assigned to the Trustee and the Credit Issuer substantially all of its rights under the Installment Sale Agreement (except the Unassigned Rights), pursuant to a certain Pledge and Assignment, dated as of May 1, 2003, from the Issuer to the Trustee and the Credit Issuer (the "Pledge and Assignment")

As further security for the Hospital's obligations under the Installment Sale Agreement and the payment of the Series 2003A Bonds, the Sunnyview Hospital and Rehabilitation Center Obligated Group, consisting of the Hospital and any Member to subsequently join the Obligated Group (the "Obligated Group"), has issued its Master Note No. 1 in favor of the Issuer ("Master Note No. 1"), pursuant to and in accordance with a certain the Master Trust Indenture, as supplemented by Supplemental Master Trust Indenture No. 1, each to be dated as of May 1, 2003 (collectively, the "Master Trust Indenture"), and each by and between the Obligated Group and

Wells Fargo Bank Minnesota, N.A., as master trustee (the "Master Trustee"), which Master Note No. 1 evidences the Obligated Group's joint and several obligation to satisfy the Hospital's obligations under the Installment Sale Agreement. The Issuer has assigned Master Note No. 1 to the Trustee.

As further security for the Hospital's obligations under the Reimbursement Agreement to reimburse the Credit Issuer for moneys drawn on the Letter of Credit, the Obligated Group has, pursuant to the Master Trust Indenture, issued its Master Note No. 2 ("Master Note No. 2") in favor of the Credit Issuer, which Master Note No. 2 evidenced the Obligated Group's joint and several obligation to satisfy the Hospital's obligations under the Reimbursement Agreement.

As security for the Obligated Group's obligations under the Master Notes and the Master Trust Indenture, the Hospital has granted the Master Trustee a mortgage lien on and a security interest in the Facility, pursuant to a Mortgage and Security Agreement, dated as of May 1, 2003 (the "Mortgage"), from the Hospital to the Master Trustee.

The Issuer and the Hospital have entered into a certain Tax Compliance Agreement, dated the date of issuance of the Series 2003A Bonds (the "Tax Compliance Agreement"), in which the Issuer and the Hospital have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and regulations and rulings of the United States Treasury Department promulgated thereunder (collectively, the "Code").

The Series 2003A Bonds are dated the date hereof, and bear interest from that date on the unpaid principal amount at the rates set forth therein and in the Indenture. The Series 2003A Bonds are subject to redemption prior to maturity, in the manner and upon the terms and conditions set forth in the Indenture and the Series 2003A Bonds.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of the opinions rendered below. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

In rendering the opinions set forth below, we have relied upon the opinions of counsel to the Issuer, Hodgson Russ LLP; counsel to the Hospital, Higgins, Roberts, Beyerl & Coan, P.C. and in-house counsel to the Trustee and Master Trustee, Gordon Glaza, Esq., as to certain matters set forth in each of such opinions, without making any independent investigation of the factual basis therefore or the legal conclusions set forth therein.

All capitalized terms, not otherwise defined herein, shall have the meaning given such terms in Article I of the Indenture.

Based upon and in reliance upon the foregoing, it is our opinion that:

(a) The Issuer is a duly organized and existing corporate governmental agency constituting a public benefit corporation of the State.

(b) The Issuer is duly authorized and entitled by law to issue, execute, sell and deliver the Series 2003A Bonds for the purposes of assisting in financing and refinancing certain costs incurred by the Hospital in its acquisition, installation and equipping of Project Facility and to execute and deliver the Financing Documents to which it is a party.

(c) The Bond Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect, and is valid and binding upon the Issuer in accordance with its terms.

(d) Each of the Issuer Documents have been each duly authorized, executed and delivered by the Issuer and each is a valid and legally binding obligation of the Issuer enforceable in accordance with its terms.

(e) The Series 2003A Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Issuer and are the valid and legally binding special obligations of the Issuer payable in accordance with their terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(f) The Series 2003A Bonds do not constitute a debt of Schenectady County, New York nor the State of New York, and neither Schenectady County, New York nor the State of New York will be liable thereon.

(g) Under statutes, regulations, court decisions and administrative rulings existing as of the date hereof, interest on the Series 2003A Bonds accruing prior to the Conversion Date is not included in gross income for federal income tax purposes and is not an “item of tax preference” for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2003A Bonds held by a corporate taxpayer is included in the computation of adjusted current earnings for purposes of calculating the Federal alternative minimum tax imposed on corporations. Corporate purchasers of the Series 2003A Bonds should consult their tax advisors regarding the computation of any alternative minimum tax.

(h) Under statutes existing as of the date hereof, interest on the Series 2003A Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York).

(i) The Series 2003A Bonds are exempt securities within the meaning of the Securities Exchange Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, and no registration of the Series 2003A Bonds or the Installment Sale Agreement under the Securities Exchange Act of 1933, as amended, or of the Indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the Series 2003A Bonds.

In rendering the opinion set forth in paragraph (g) above that interest on the Series 2003A Bonds is not included in gross income for Federal income tax purposes, we have relied upon, among other things, certain representations and covenants of the parties to this transaction, including: (A) the Hospital in (1) the Installment Sale Agreement, (2) the Tax Compliance

Agreement and (3) the General Certificate of the Hospital, dated the date hereof, and (B) the Issuer in (1) the Indenture, (2) the Installment Sale Agreement, (3) the Tax Compliance Agreement and (4) the General Certificate of the Issuer, dated the date hereof. We call your attention to the fact that there are certain requirements contained in the Code with which the Issuer and the Hospital must comply after the date of issuance of the Series 2003A Bonds in order for interest on the Series 2003A Bonds to be and remain not included in gross income for federal income tax purposes. The Issuer, the Hospital or any other Person, by failing to comply with such requirements, may cause interest on the Series 2003A Bonds to become includable in gross income for Federal income tax purposes, retroactive to the date of issue of the Series 2003A Bonds. We render no opinion as to the non-inclusion in gross income of interest on the Series 2003A Bonds for Federal income tax purposes on or after any date on which any change occurs or action is taken or omitted under the Indenture, the Installment Sale Agreement, or the Tax Compliance Agreement by the Issuer or the Hospital, or under any other relevant documents without the advice or approval of, or upon the advice or approval of any Bond Counsel other than, Harris Beach LLP.

Except for the opinion as set forth in paragraph (g) above, we express no opinion regarding other Federal income tax consequences arising with respect to the Series 2003A Bonds. Purchasers of the Series 2003A Bonds, including, without limitation, purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security benefits or other Federal retirement benefits are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 2003A Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Series 2003A Bonds, any of the Financing Documents and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the State of New York or the Federal government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the Facility, (ii) the sufficiency of the description of the Facility in the Indenture, the License to Issuer, the Installment Sale Agreement, the Mortgage or any other document and (iii) the priority of any liens, charges or encumbrances on the Facility. Further, we have not been requested to examine and have not examined any documents or information relating to the Hospital other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the Trustee, the initial purchaser of the Series 2003A Bonds or any other person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States.

Very truly yours,