

A special meeting of County of Cattaraugus Industrial Development Agency (the "Agency") was convened in public session at the offices of Agency located at 3 East Washington Street in the Village of Ellicottville, Cattaraugus County, New York on June 27, 2003, at 11:15 o'clock a.m., local time.

The meeting was called to order by the (Vice) Chairman and, upon roll being called, the following members of the Agency were:

PRESENT:

Robert G. Potter	Chairman
James M. Norton	First Vice Chairman
Joseph E. Higgins	Second Vice Chairman
Joseph K. Eade	Secretary/Treasurer
Salvatore Marranca	Member
Donald E. Furman	Member
James Stitt	Member

EXCUSED:

AGENCY STAFF PRESENT:

Norman P. Leyh	Executive Director and Assistant Secretary
----------------	--

The following resolution was offered by Mr. Eade, seconded by Mr. Marranca, to wit:

Resolution No. __

RESOLUTION TAKING OFFICIAL ACTION TOWARD THE ISSUANCE OF REVENUE BONDS IN AN AMOUNT SUFFICIENT TO FINANCE A CERTAIN CIVIC FACILITY PROJECT FOR CATTARAUGUS COUNTY REHABILITATION FUND, INC. (THE "COMPANY") AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PRELIMINARY AGREEMENT WITH THE COMPANY WITH RESPECT TO SUCH FINANCING.

WHEREAS, County of Cattaraugus Industrial Development Agency (the "Agency") is authorized and empowered by the provisions of Chapter 1030 of the 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the "Enabling Act") and Chapter 536 of the 1971 Laws of New York, as amended, constituting Section 890-b of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial,

research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, to accomplish its stated purposes, the Agency is authorized and empowered under the Act to issue its revenue bonds to finance the cost of acquisition, construction, reconstruction and installation of one or more "projects" (as defined in the Act), to acquire, construct, reconstruct and install said projects or to cause said projects to be acquired, constructed, reconstructed and installed, and to convey said projects or to lease said projects with the obligation to purchase; and

WHEREAS, Cattaraugus County Rehabilitation Fund, Inc., a not-for-profit corporation (the "Company"), presented an application, including a cost benefit analysis (the "Application") to the Agency, a copy of which is on file at the office of the Agency, requesting that the Agency consider undertaking a project (the "Project") consisting of the following: (A)(1) the acquisition of an interest in a parcel of land located at 1439 Buffalo Street in the City of Olean, Cattaraugus County, New York (the "Olean Land"), together with an existing building complex located thereon containing approximately 7,500 square feet of space (the "Existing Facility"), (2) the renovation of the Existing Facility and the construction of an approximately 7,000 square foot addition to the Existing Facility (the "Addition") (the Existing Facility and the Addition being collectively referred to as the "Olean Facility"), (3) the acquisition and installation therein and thereon of certain machinery and equipment (the "Olean Equipment") (the Olean Land, the Olean Facility and the Olean Equipment being collectively referred to as the "Olean Project Facility"), (4) the acquisition of an interest in certain parcels of land located at (a) 65 South Avenue in the City of Salamanca and (b) 338 North 15th Street in the City of Olean, Cattaraugus County, New York (collectively, the "Refinanced Land") (the Olean Land and the Refinanced Land being collectively referred to as the "Land"), together with the buildings and other improvements located on the Refinanced Land (the "Refinanced Facility") (the Olean Facility and the Refinanced Facility being collectively referred to as the "Facility") and the equipment located in the Refinanced Facility and on the Refinanced Land (the "Refinanced Equipment") (the Olean Equipment and the Refinanced Equipment being collectively referred to as the "Equipment") (the Refinanced Land, the Refinanced Facility and the Refinanced Equipment being collectively referred to as the "Refinanced Project Facility") financed with the proceeds of certain existing indebtedness incurred by the Company, all of the foregoing to constitute the acquisition, construction and refinancing of day habilitative facilities to be leased by the Company to Cattaraugus Rehabilitation Center, Inc. and NYSARC, Inc., Cattaraugus County Chapter (collectively, the "Tenant") to be used by the Tenant to provide services to the developmentally disabled and support services related thereto (the Olean Project Facility and the Refinanced Project Facility being collectively referred to as the "Project Facility"); (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue bonds of the Agency in one or more issues or series in an aggregate principal amount of approximately \$1,750,000 (the "bonds"); (C) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from real estate transfer taxes and mortgage recording taxes (collectively

with the bonds, the "Financial Assistance"); and (D) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Issuer; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Agency on May 13, 2003 (the "Preliminary SEQR Resolution"), the Agency (A) determined (1) that the Project involves more than one "involved agency", and (2) to investigate the advisability of undertaking a coordinated review with respect to the Project, and (B) authorized the Executive Director of the Agency to contact all other "involved agencies" for the purpose of ascertaining whether such "involved agencies" were interested in undertaking a coordinated review of the Project and, if so, designating a "lead agency" with respect to the Project (as such quoted terms are defined in SEQRA); and

WHEREAS, pursuant to the authorization contained in the resolution adopted by the members of the Agency on May 13, 2003 (the "Public Hearing Resolution"), the Executive Director of the Agency (A) caused notice of a public hearing of the Agency (the "Public Hearing") pursuant to Section 859-a(2) of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project, to be mailed on May 16, 2003 to the chief executive officers of the county and of each city, town, village and school district in which the Project is to be located, (B) caused notice of the Public Hearing to be published on May 17, 2003 in The Times Herald, a newspaper of general circulation available to the residents of Cattaraugus County, (C) conducted the Public Hearing on June 18, 2003 at 10:00 o'clock a.m., local time at The Municipal Building-City Hall, Room #119 in the City of Olean, Cattaraugus County, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency and to the County Legislature of the Cattaraugus County, New York (the "County Legislature"); and

WHEREAS, by further resolution adopted by the members of the Agency on June 27, 2003 (the "Final SEQR Resolution"), the Agency (A)(1) concurred in the determination that the City of Olean Planning Board is the "lead agency" (the "Planning Board") with respect to SEQRA with respect to the Olean Project Facility and (2) acknowledged receipt of a negative declaration from the Planning Board dated June 4, 2003 (the "Negative Declaration"), in which the Planning Board determined that the Olean Project Facility will not have a "significant impact on the environment" (as such quoted terms are defined in SEQRA) and (B) determined that the Refinanced Project Facility a "Type II action" and, therefore, that no further action pursuant to SEQRA is required with respect to the Refinanced Project Facility; and

WHEREAS, the Agency has given due consideration to the Application, and to representations by the Company that (A) issuance of the Bonds and the granting by the Agency of the other Financial Assistance with respect to the Project will be an inducement to the Company to retain the Project in Cattaraugus County, New York and (B) the completion of the Project will

not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State of New York; and

WHEREAS, the Agency desires to encourage the Company to preserve and advance the job opportunities, health, general prosperity and economic welfare of the people of Cattaraugus County, New York by retaining the Project in Cattaraugus County, New York; and

WHEREAS, with respect to any portion of the Bonds intended to be issued as federally tax-exempt obligations, interest on such portion of the Bonds will not be excludable from gross income for federal income tax purposes unless (A) pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations of the United States Treasury Department thereunder (the "Treasury Regulations"), the issuance of such portion of the Bonds is approved by the County Legislature after the Agency has held a public hearing on the nature and location of the Project Facility and the issuance of the Bonds as required by Section 147(f) of the Code; and (B) pursuant to Section 145(a) of the Code, all property which is to be provided by the net proceeds of such portion of the Bonds is to be owned by a Section 501(c)(3) organization or a governmental unit and at least ninety-five percent (95%) of the net proceeds of the Bonds are used with respect to (1) governmental units and/or (2) the activities of Section 501(c)(3) organizations which do not constitute "unrelated trades or businesses" (as defined in Section 513(a) of the Code) with respect to such Section 501(c)(3) organizations; and

WHEREAS, although the resolution authorizing the issuance of the Bonds and the undertaking of the Project has not yet been drafted for approval by the Agency, a preliminary agreement (the "Preliminary Agreement") relative to the proposed issuance of the Bonds and the undertaking of the Project by the Agency has been presented for approval by the Agency;

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

Section 1. The Agency has reviewed the Application and, based upon the representations made by the Company to the Agency in the Application and at this meeting, the Agency hereby makes the following findings and determinations with respect to the Project:

(A) The Project constitutes a "project" within the meaning of the Act; and

(B) The completion of the Project will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State of New York; and

(C) Although the Project Facility may constitute a project where facilities or property that are primarily used in making retail sales of goods and/or services to customers who personally visit such facilities constitute more than one-third of the total

cost of the Project Facility, the Company is a not-for-profit corporation and, accordingly, the Agency is authorized to provide financial assistance in respect of the Project pursuant to Section 862(2)(a) of the Act; and

(D) The granting of the Financial Assistance by the Agency with respect to the Project, through the issuance of the Bonds and the granting of certain exemptions from taxation with respect to the Project (the "Exemptions"), as further described in Section 2(E) of this Resolution will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of Cattaraugus County, New York and the State of New York and improve their standard of living, and thereby serve the public purposes of the Act; and

(E) It is desirable and in the public interest to issue the Bonds in a principal amount sufficient to pay the cost of undertaking the Project, together with necessary incidental expenses in connection therewith (collectively, the "Project Costs"), which Project Costs are presently estimated to be approximately \$1,750,000.

Section 2. The Agency will (A) authorize the issuance of the Bonds in such principal amount and with such maturities, interest rate or rates, redemption terms and other terms and provisions as shall be determined by a further resolution of the Agency; (B) acquire, construct, and install the Project Facility, or cause the Project Facility to be acquired, constructed, and installed; (C) sell the Project Facility to the Company pursuant to an installment sale agreement (hereinafter, the "Installment Sale Agreement") between the Agency and the Company whereby the Company will be obligated, among other things, (1) to make payments to the Agency in amounts and at times so that such payments will be adequate to pay the principal of, premium, if any, and interest on the Bonds and (2) to pay all costs incurred by the Agency with respect to the Project and/or the Project Facility, including all costs of operation and maintenance, all taxes and other governmental charges, any required payments in lieu of taxes, and all reasonable fees and expenses incurred by the Agency with respect to or in connection with the Project and/or the Project Facility; (D) secure the Bonds in such manner as the Agency, the Company and the purchasers of the Bonds shall mutually deem appropriate; and (E) provide certain exemptions from taxation with respect to the Project, in accordance with the Agency's uniform tax exemption policy (the "Exemptions", and collectively with the Bonds, the "Financial Assistance"), including (1) exemption from mortgage recording taxes with respect to any documents recorded by the Agency with respect to the Project in the office of the County Clerk of Cattaraugus County, New York or elsewhere, (2) exemption from sales taxes relating to the acquisition, construction, reconstruction and installation of the Project Facility, (3) exemption from deed transfer taxes on real estate transfers to and from the Agency with respect to the Project, and (4) exemption from real estate taxes (but not including special assessments and special ad valorem levies), subject to the obligation of the Company to make payments in lieu of taxes with respect to the Project Facility, all as contemplated by the Preliminary Agreement and the Future Resolution. If the proceeds from the sale of the Bonds are insufficient to finance the entire cost of the acquisition, construction, and installation of the Project Facility, the Agency will, upon request of the Company and subject to the provisions of the Preliminary Agreement and Section 3 hereof, use its best efforts to effect the issuance from time to time in the future of

additional bonds, whether on a parity with the Bonds or otherwise, for the purpose of paying the cost of completing the acquisition and installation of the Project Facility.

Section 3. The issuance of the Bonds and any additional bonds, as contemplated by Section 2 of this Resolution, and the granting of any other Financial Assistance with respect to the Project by the Agency, as contemplated by Section 2 of this Resolution, shall be subject to: (A) execution and delivery by the Company of the Preliminary Agreement, which sets forth certain conditions for the issuance of the Bonds and the granting of any other Financial Assistance with respect to the Project by the Agency, and satisfaction by the Company of all the terms and conditions of the Preliminary Agreement applicable to the Company; (B) agreement by the Agency, the Company and the purchasers of the Bonds on mutually acceptable terms for the Bonds and for the sale and delivery thereof and mutually acceptable terms and conditions for the security for the payment thereof; (C) agreement between the Company and the Agency as to payment by the Company of the administrative fee of the Agency with respect to the Project; (D) if any portion of the Financial Assistance to be granted by the Agency with respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance; (E) if interest on any portion of the Bonds is to be treated as excludable from gross income for federal income tax purposes, (1) pursuant to Section 145(a) of the Code, all property which is to be provided by the net proceeds of such portion of the Bonds must be owned by a Section 501(c)(3) organization or a governmental unit and at least ninety-five percent (95%) of the net proceeds of such portion of the Bonds must be used with respect to (a) governmental units and/or (b) the activities of Section 501(c)(3) organizations which do not constitute "unrelated trades or businesses" (as defined in Section 513(a) of the Code), and (2) the County Legislature of Cattaraugus County, New York must have approved the issuance of such portion of the Bonds after a public hearing on the issuance of the Bonds and the nature and location of the Project Facility has been held by the Agency, as required by Section 147(f) of the Code; (F) all property which is to be provided by the proceeds of the Bonds shall satisfy the requirements contained in Section 854(13) of the Act and any other provisions of the Act which govern the use of the proceeds of the Bonds, it being expressly understood and agreed by the Agency and the Company that any portions of the Project Facility not satisfying such requirements of the Act shall be financed from sources other than the proceeds of the Bonds; (G) if any portion of the Financial Assistance to be granted by the Agency with respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance; and (H) the following additional condition(s): None.

Section 4. The form, terms and substance of the Preliminary Agreement (in substantially the form presented to this meeting and attached hereto) are in all respects approved, and the Chairman (or Vice Chairman) of the Agency is hereby authorized, empowered and directed to execute and deliver said Preliminary Agreement in the name and on behalf of the Agency, said Preliminary Agreement to be substantially in the form presented to this meeting, with such changes therein as shall be approved by the officer executing same on behalf of the Agency, the execution thereof by such officer to constitute conclusive evidence of such officer's approval of any and all changes or revisions therein from the form now before this meeting.

Section 5. From and after the execution and delivery of the Preliminary Agreement, the officers, agents and employees of the Agency are hereby authorized, empowered and directed to proceed with the undertakings provided for therein on the part of the Agency and are further authorized to do all such acts and things and to execute all such documents as may be necessary or convenient to carry out and comply with the terms and provisions of the Preliminary Agreement as executed.

Section 6. The Company is hereby authorized to undertake the Project, and the Company is further authorized to advance such funds as may be necessary for such purpose, subject, to the extent permitted by law, to reimbursement from the proceeds of the sale of the Bonds, if the Bonds are issued.

Section 7. It is intended that this Resolution shall constitute an affirmative official action toward the issuance of the Bonds within the meaning of Section 1.103-8(a)(5) of the United States Treasury Regulations.

Section 8. The law firm of Hodgson Russ LLP is hereby appointed Bond Counsel to the Agency with respect to all matters in connection with the Project and the issuance of the Bonds. Bond Counsel for the Agency is hereby authorized, at the expense of the Company, to work with the Company, counsel to the Company, counsel to the Agency, the purchasers of the Bonds and others to prepare, for submission to the Agency, all documents necessary to effect the authorization, issuance, sale and delivery of the Bonds and the other transactions contemplated by this Resolution.

Section 9. If any portion of the Bonds is intended to be issued as federally tax-exempt obligations, the Agency hereby authorizes the Executive Director of the Agency (A) to submit a copy of the Report to the County Legislature of Cattaraugus County, New York; (B) to request that Cattaraugus County, New York, acting through its elected County Legislature, approve the issuance of such portion of the Bonds intended to be issued as federally tax-exempt obligations; and (C) to take all actions required to comply with the provisions of Section 146 (Volume Cap) of the Code.

Section 10. The Chairman, the Vice Chairman and/or the Executive Director of the Agency is hereby authorized and directed to distribute copies of this Resolution to the Company and to do such further things or perform such acts as may be necessary or convenient to implement the provisions of this Resolution.

Section 11. This Resolution shall take effect immediately.

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

Robert G. Potter
James M. Norton

VOTING Yes
VOTING Yes

Joseph E. Higgins	VOTING	<u>Excused</u>
Joseph K. Eade	VOTING	<u>Yes</u>
Salvatore Marranta	VOTING	<u>Yes</u>
Donald E. Furman	VOTING	<u>Excused</u>
James Stitt	VOTING	<u>Excused</u>

The foregoing Resolution was thereupon declared duly adopted.

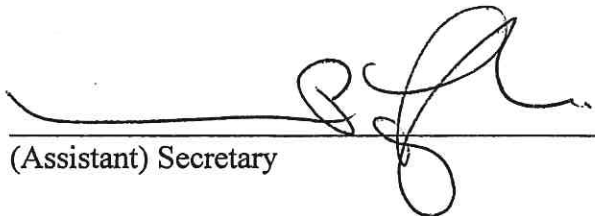
STATE OF NEW YORK)
) SS.:
COUNTY OF CATTARAUGUS)

I, the undersigned (Assistant) Secretary of County of Cattaraugus Industrial Development Agency (the "Agency"), DO HEREBY CERTIFY that I have compared the foregoing extract of the minutes of the meeting of the members of the Agency, including the resolution contained therein, held on June 27, 2003 with the original thereof on file in my office, and that the same is a true and correct copy of said original and of such resolution set forth therein and of the whole of such original so far as the same relates to the subject matters therein referred to.

I FURTHER CERTIFY that (A) all members of the Agency had due notice of said meeting; (B) said meeting was in all respects duly held; (C) pursuant to Article 7 of the Public Officers Law (the "Open Meetings Law"), said meeting was open to the general public, and due notice of the time and place of said meeting was duly given in accordance with such Open Meetings Law; and (D) there was a quorum of the members of the Agency present throughout said meeting.

I FURTHER CERTIFY that, as of the date hereof, the attached Resolution is in full force and effect and has not been amended, repealed or rescinded.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Agency this 27th day of June, 2003.



(Assistant) Secretary

(SEAL)

PRELIMINARY AGREEMENT

THIS PRELIMINARY AGREEMENT made as of June 27, 2003 between COUNTY OF CATTARAUGUS INDUSTRIAL DEVELOPMENT AGENCY (the "Agency"), a public benefit corporation organized and existing under the laws of the State of New York, and CATTARAUGUS COUNTY REHABILITATION FUND, INC. (the "Company"), a not-for-profit corporation organized and existing under the laws of the State of New York;

WITNESSETH:

WHEREAS, the Agency is authorized and empowered by the provisions of the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General

Municipal Law, Chapter 24 of the Consolidated Laws of the State of New York, as amended (the "Enabling Act") and 536 of the 1971 Laws of New York, as amended, constituting Section 890-b of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the "Act") to promote, develop, encourage and assist in the acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of industrial, manufacturing, warehousing, commercial, research, recreation and civic facilities, among others, for the purpose of promoting, attracting and developing economically sound commerce and industry to advance the job opportunities, health, general prosperity and economic welfare of the people of the State of New York, to improve their prosperity and standard of living, and to prevent unemployment and economic deterioration; and

WHEREAS, the purposes of the Act are to promote industry and develop trade and thereby advance the job opportunities, health, general prosperity and economic welfare of the inhabitants of Cattaraugus County, New York and the State of New York, to improve their prosperity and standard of living and to prevent unemployment and economic deterioration, and to that end the Act vests the Agency with all powers necessary to enable it to issue civic facility revenue bonds; and

WHEREAS, by resolution adopted by the members of the Agency on June 27, 2003 (the "Inducement Resolution"), the Agency made a determination, subject to numerous conditions, to undertake a project (the "Project") consisting of the following: (A)(1) the acquisition of an interest in a parcel of land located at 1439 Buffalo Street in the City of Olean, Cattaraugus County, New York (the "Olean Land"), together with an existing building complex located thereon containing approximately 7,500 square feet of space (the "Existing Facility"), (2) the renovation of the Existing Facility and the construction of an approximately 7,000 square foot addition to the Existing Facility (the "Addition") (the Existing Facility and the Addition being collectively referred to as the "Olean Facility"), (3) the acquisition and installation therein and thereon of certain machinery and equipment (the "Olean Equipment") (the Olean Land, the Olean Facility and the Olean Equipment being collectively referred to as the "Olean Project Facility"), (4) the acquisition of an interest in certain parcels of land located at (a) 65 South Avenue in the City of Salamanca and (b) 338 North 15th Street in the City of Olean, Cattaraugus County, New York (collectively, the "Refinanced Land") (the Olean Land and the Refinanced Land being collectively referred to as the "Land"), together with the buildings and other improvements located on the Refinanced Land (the "Refinanced Facility") (the Olean Facility and the Refinanced Facility being collectively referred to as the "Facility") and the equipment located in the Refinanced Facility and on the Refinanced Land (the "Refinanced Equipment") (the Olean Equipment and the Refinanced Equipment being collectively referred to as the "Equipment") (the Refinanced Land, the Refinanced Facility and the Refinanced Equipment being collectively referred to as the "Refinanced Project Facility") financed with the proceeds of certain existing indebtedness incurred by the Company, all of the foregoing to constitute the acquisition, construction and refinancing of day habilitative facilities to be leased by the Company to Cattaraugus Rehabilitation Center, Inc. and NYSARC, Inc., Cattaraugus County Chapter (collectively, the "Tenant") to be used by the Tenant to provide services to the developmentally disabled and support services related thereto (the Olean Project Facility and the Refinanced Project Facility being collectively referred to as the "Project Facility"); (B) the financing of all or a portion of the costs of the foregoing by the issuance of taxable and/or tax-exempt revenue

bonds of the Agency in one or more issues or series in an aggregate principal amount of approximately \$1,750,000 (the "bonds"); (C) the granting of certain other "financial assistance" (within the meaning of Section 854(14) of the Act) with respect to the foregoing, including potential exemptions from real estate transfer taxes and mortgage recording taxes (collectively with the bonds, the "Financial Assistance"); and (D) the lease (with an obligation to purchase) or sale of the Project Facility to the Company or such other person as may be designated by the Company and agreed upon by the Issuer; and

WHEREAS, pursuant to Article 8 of the Environmental Conservation Law, Chapter 43-B of the Consolidated Laws of New York, as amended (the "SEQR Act") and the regulations (the "Regulations") adopted pursuant thereto by the Department of Environmental Conservation of the State of New York (collectively with the SEQR Act, "SEQRA"), by resolution adopted by the members of the Agency on May 13, 2003 (the "Preliminary SEQR Resolution"), the Agency (A) determined (1) that the Project involves more than one "involved agency", and (2) to investigate the advisability of undertaking a coordinated review with respect to the Project, and (B) authorized the Executive Director of the Agency to contact all other "involved agencies" for the purpose of ascertaining whether such "involved agencies" were interested in undertaking a coordinated review of the Project and, if so, designating a "lead agency" with respect to the Project (as such quoted terms are defined in SEQRA); and

WHEREAS, pursuant to the authorization contained in the resolution adopted by the members of the Agency on May 13, 2003 (the "Public Hearing Resolution"), the Executive Director of the Agency (A) caused notice of a public hearing of the Agency (the "Public Hearing") pursuant to Section 859-a(2) of the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), to hear all persons interested in the Project and the financial assistance being contemplated by the Agency with respect to the Project, to be mailed on May 16, 2003 to the chief executive officers of the county and of each city, town, village and school district in which the Project is to be located, (B) caused notice of the Public Hearing to be published on May 17, 2003 in The Times Herald, a newspaper of general circulation available to the residents of Cattaraugus County, (C) conducted the Public Hearing on June 18, 2003 at 10:00 o'clock a.m., local time at The Municipal Building-City Hall, Room #119 in the City of Olean, Cattaraugus County, New York, and (D) prepared a report of the Public Hearing (the "Report") which fairly summarized the views presented at said public hearing and distributed same to the members of the Agency and to the County Legislature of the Cattaraugus County, New York (the "County Legislature"); and

WHEREAS, by further resolution adopted by the members of the Agency on June 27, 2003 (the "Final SEQR Resolution"), the Agency (A)(1) concurred in the determination that the City of Olean Planning Board is the "lead agency" (the "Planning Board") with respect to SEQRA with respect to the Olean Project Facility and (2) acknowledged receipt of a negative declaration from the Planning Board dated June 4, 2003 (the "Negative Declaration"), in which the Planning Board determined that the Olean Project Facility will not have a "significant impact on the environment" (as such quoted terms are defined in SEQRA) and (B) determined that the Refinanced Project Facility a "Type II action" and, therefore, that no further action pursuant to SEQRA is required with respect to the Refinanced Project Facility;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the Agency and the Company agree as follows:

Article 1. Representations.

Among the representations which have resulted in the execution of this Preliminary Agreement are the following:

Section 1.01. The Company hereby represents to the Agency that:

(A) The completion of the Project will not result in the removal of a plant or facility of the Company or any other proposed occupant of the Project Facility from one area of the State of New York to another area of the State of New York or in the abandonment of one or more plants or facilities of the Company or any other proposed occupant of the Project Facility located in the State of New York; and

(B) Although the Project Facility will constitute a project where facilities or property that are primarily used in making retail sales of goods and/or services to customers who personally visit such facilities constitute more than one-third of the total cost of the Project Facility, the Company is a not-for-profit corporation and, accordingly, the Agency is authorized to provide financial assistance in respect of the Project pursuant to Section 862(2)(a) of the Act.

(C) The Project Facility is and/or will be located entirely within the boundaries of Cattaraugus County, New York.

(D) The provision of the Financial Assistance by the Agency with respect to the Project, through the issuance of the Bonds and the granting of certain exemptions from taxation with respect to the Project (the "Exemptions") as further described in Section 2(E) of the Inducement Resolution (such Exemptions and such Bonds being collectively referred to as the "Financial Assistance"), will promote the job opportunities, health, general prosperity and economic welfare of the inhabitants of Cattaraugus County, New York and the State of New York and improve their standard of living, and thereby serve the public purposes of the Act.

(E) It is estimated at the present time that the costs of the planning, development, acquisition, construction and installation of the Project Facility, including the costs incurred in connection with the issuance of the Bonds (collectively, the "Project Costs") will be approximately \$1,750,000.

(F) The Company will ensure that the acquisition, construction, installation and operation of the Project Facility will comply with all applicable federal, state and local laws, ordinances, rules and regulations (the applicability of same to be determined both as if the Agency were the owner of the Project Facility and as if the Company and

not the Agency were the owner of the Project Facility), and the Company will obtain all necessary approvals and permits required thereunder.

Section 1.02. By the Inducement Resolution, the Agency has approved the execution of this Preliminary Agreement. The Agency intends this Preliminary Agreement to constitute its official binding commitment, subject to the terms hereof and of the Inducement Resolution: (A) to issue its Bonds in one or more series or issues pursuant to the Act in an aggregate principal amount sufficient to pay the Project Costs, the actual principal amount of such Bonds to be agreed upon by the Agency and the Company when the Project Costs are more definitely established; (B) to use the proceeds of the Bonds to finance the Project Costs; and (C) to grant certain other Financial Assistance with respect to the Project.

Section 1.03. Pursuant to the Final SEQR Resolution, the Agency (A)(1) concurred in the determination that the City of Olean Planning Board is the "lead agency" (the "Planning Board") with respect to SEQRA with respect to the Olean Project Facility and (2) acknowledged receipt of a negative declaration from the Planning Board dated June 4, 2003 (the "Negative Declaration"), in which the Planning Board determined that the Olean Project Facility will not have a "significant impact on the environment" (as such quoted terms are defined in SEQRA) and (B) determined that the Refinanced Project Facility a "Type II action" and, therefore, that no further action pursuant to SEQRA is required with respect to the Refinanced Project Facility.

Section 1.04. The Agency intends this Preliminary Agreement to be an affirmative official action of the Agency toward the issuance of the Bonds within the meaning of Section 1.103-8(a)(5) of the United States Treasury Regulations.

Article 2. Undertakings on the Part of the Agency.

Based upon the statements, representations and undertakings of the Company and subject to the conditions set forth herein, the Agency agrees as follows:

Section 2.01. If the Company complies with all conditions set forth in this Preliminary Agreement and the Inducement Resolution, then the Agency will (A) undertake the Project, (B) authorize, sell and deliver its Bonds, in one or more series or issues from time to time, pursuant to the terms of the Act as then in force, for the purpose of financing the Project Costs, in an aggregate principal amount necessary and sufficient to finance the Project Costs and (C) grant certain other Financial Assistance with respect to the Project. The precise amount of the Bonds shall be fixed by the resolution of the Agency at a later date and to be agreed to by the Company. Upon the sale of the Bonds, the Agency will expend the proceeds of the Bonds to finance the Project Costs, either by assuming the acquisition, construction, and installation of the Project Facility (and reimbursing the Company for its funds expended on the Project Costs subsequent to the date of adoption of the Inducement Resolution and prior to such assumption by the Agency), or by acquiring the Project Facility from the Company upon the completion thereof and paying to the Company the purchase price of the Project Facility, whichever shall be agreeable to the Agency and the Company and shall not exceed the actual Project Costs; PROVIDED, HOWEVER, that the Bonds are to be secured by and payable from the revenues to be derived by

the Agency either in accordance with the terms of an installment sale agreement, or other similar financing agreement, or any combination thereof, to be entered into by and between the Agency and the Company (all said agreements being hereinafter collectively referred to as the "Financing Agreement"); PROVIDED FURTHER, HOWEVER, that the foregoing obligation of the Agency to undertake the Project to issue the Bonds and to grant the other Financial Assistance relating to the Project is subject to the conditions hereinafter contained in this Preliminary Agreement, including but not limited to the following conditions:

(A) An interest in the real estate portion of the Project Facility (as it exists on the date of conveyance) shall be acquired by the Agency from the Company pursuant to a deed, lease agreement, license agreement or other documentation to be negotiated between the Agency and the Company (hereinafter, the "Acquisition Agreement") which contains terms mutually acceptable to the Agency and the Company for the conveyance to the Agency of an interest in the real estate portion of the Project Facility (as it exists on the date of conveyance). Any portion of the Equipment acquired by the Company prior to the execution and delivery of the Financing Agreement shall be conveyed to the Agency by a bill of sale from the Company to the Agency. After the Financing Agreement has been executed and delivered by the Agency and the Company, then, pursuant to the Financing Agreement, any Equipment acquired by the Company as part of the Project will be acquired by the Company as the agent of the Agency. The sale of the Project Facility by the Agency to the Company shall be effected by the Financing Agreement between the Agency and the Company whereby the Company will be obligated, among other things, to make payments to the Agency in such amounts and at such times so that such payments will be adequate to enable the Agency to timely pay all amounts due under the Bonds. The Financing Agreement and any other documents to be executed by the Agency in connection with the Project and the Bonds (collectively, the "Project Documents"), including the Bonds, shall in all respects comply with the requirements of, and limitations contained in, the Act and shall further specifically provide that the obligations of the Agency thereunder are payable solely from the revenues derived by the Agency from the sale or other disposition of the Project Facility (except to the extent payable out of proceeds of the Bonds); that the obligations of the Agency thereunder shall not be a general obligation of the Agency and shall not constitute an indebtedness or pledge of the general credit of the Agency; that no beneficiary of the obligations of the Agency thereunder, including any holder of any of the Bonds, shall have the right to compel any exercise of the taxing power of the Agency (if any) or of the State of New York or any political subdivision thereof, including Cattaraugus County, New York; and that the obligations of the Agency thereunder shall not create a debt or loan of credit of Cattaraugus County, New York or the State of New York, but such obligations shall be a special obligation of the Agency secured and payable solely as provided in the Project Documents or the Bonds, as the case may be, and such facts shall be plainly stated in each of such documents and on the face of each of the Bonds;

(B) The Company shall have executed the Financing Agreement between the Agency and the Company, the terms of which shall be acceptable in form and content to the Company, the Agency and the purchasers of the Bonds, and pursuant to which, among

other things, the Company shall be obligated to make aggregate basic payments (i.e. payments used to pay the principal and, premium, if any, and interest on the Bonds) to, or on behalf of, the Agency in accordance with the terms of such Financing Agreement, which basic payments shall be in an amount at least sufficient to pay the principal of, premium, if any, and interest on the Bonds, as and when the same become due and payable, and to pay all costs incurred by the Agency with respect to the Project and/or the Project Facility together with all costs of operation and maintenance of the Project Facility, including all taxes and other governmental charges, any required payments in lieu of taxes, and the reasonable fees and expenses incurred by the Agency in connection with the Project, it being understood that the Company will, prior to or contemporaneously with the issuance of the Bonds, enter into such Financing Agreement;

(C) No event shall have occurred which constitutes (or which after notice or lapse of time or both would constitute) an event of default under the Financing Agreement;

(D) One or more purchasers shall agree to purchase the Bonds, it being understood that the Company will use all reasonable efforts to find one or more purchasers for the Bonds;

(E) The Company shall provide the Agency and the purchasers of the Bonds with all information required to facilitate compliance with all applicable securities laws and all other information reasonably necessary in connection with the issue, sale, delivery and any resale of the Bonds;

(F) The Company shall provide the Agency and the other "involved agencies" (as such quoted term is defined in the Regulations) with all information and statements which may be required by said respective entities in order to facilitate compliance by said entities with SEQRA;

(G) If the costs of the Project exceed the amount of the proceeds of the Bonds, or if the Bonds shall not be issued, the Company will pay all such Project Costs or such excess Project Costs and shall not be entitled to any reimbursement for any such payment from the Agency;

(H) The Bonds shall bear such dates, mature at such time or times, bear interest at such rate or rates, and contain such other terms and provisions as shall be determined by subsequent action of the Agency and approved by the Company;

(I) The Agency shall receive, in form and substance satisfactory to the Agency, such rulings, approvals, resolutions, consents, certificates, opinions of counsel and other instruments and proceedings as shall be specified by the Agency in connection with the Bonds and (if applicable) the tax exemption of the interest thereon, the Exemptions, the Project, the Financing Agreement, and the various other documents to be executed in connection with the Project, such rulings, approvals, resolutions, consents,

certificates, opinions of counsel and other instruments and proceedings to be obtained from Bond Counsel, counsel to the Agency and such other governmental and nongovernmental agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertaining thereto, and the same shall be in full force and effect at the time of the issuance of the Bonds;

(J) Agreements shall be made as to (1) indemnity by the Company of the Agency and the members and officers of the Agency and (2) payment by the Company of the expenses incurred by the Agency in connection with the Project (including counsel fees and out-of-pocket expenses) and the administrative fee of the Agency, and such agreements shall be satisfactory in form and substance to the Agency;

(K) If interest on any portion of the Bonds is to be treated as excludable from gross income for federal income tax purposes, (1) pursuant to Section 145(a) of the Code, all property which is to be provided by the net proceeds of such portion of the Bonds must be owned by a Section 501(c)(3) organization or a governmental unit and at least ninety-five percent (95%) of the net proceeds of such portion of the Bonds must be used with respect to (a) governmental units and/or (b) the activities of Section 501(c)(3) organizations which do not constitute "unrelated trades or businesses" (as defined in Section 513(a) of the Code), with respect to such Section 501(c)(3) organizations and (2) the County Legislature of Cattaraugus County, New York must have approved the issuance of such portion of the Bonds after a public hearing on the issuance of such portion of the Bonds and the nature and location of the Project Facility has been held by the Agency, as required by Section 147(f) of the Code;

(L) All property which is to be provided by the proceeds of the Bonds shall satisfy the requirements contained in Section 854(13) of the Act, and any other provisions of the Act which govern the use of the proceeds of the Bonds, it being expressly understood and agreed by the Agency and the Company that any portions of the Project Facility not satisfying such requirements of the Act shall be financed from sources other than the proceeds of the Bonds;

(M) If any portion of the Financial Assistance to be granted by the Agency with respect to the Project is not consistent with the Agency's uniform tax exemption policy, the Agency must follow the procedures for deviation from such policy set forth in Section 874(b) of the Act prior to granting such portion of the Financial Assistance; and

(N) The following additional conditions: None.

Section 2.02. The obligations of the Agency pursuant to this Preliminary Agreement are subject to the conditions elsewhere contained in this Preliminary Agreement and to the additional condition that the Agency shall not undertake the Project Facility, nor issue its Bonds to finance

the Project Costs, nor grant any other Financial Assistance with respect to the Project, unless and until the Agency shall have complied with the provisions of SEQRA.

Section 2.03. Subject to the conditions stated in this Preliminary Agreement, the Agency from time to time will adopt, or cause to be adopted, such proceedings and authorize the execution of such documents as may be necessary or advisable for: (A) the authorization, issuance and sale of the Bonds; (B) the acquisition, construction, and installation of the Project Facility; (C) the use of the proceeds of the Bonds to finance the Project Costs; and (D) the sale of the Project Facility to the Company, all as shall be authorized by law and be mutually satisfactory to the Agency, the Company and the purchasers of the Bonds. If acceptable to the Company and the purchasers of the Bonds, such actions and documents may permit the issuance from time to time in the future of additional bonds on terms which shall be set forth therein, whether on a parity with the Bonds or otherwise, for the purpose of defraying the cost of completion of the Project.

Section 2.04. The Agency will take or cause to be taken such other acts and adopt such further proceedings as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Article 3. Undertakings on the Part of the Company.

Based upon the statements, representations and undertakings of the Agency and subject to the conditions set forth herein, the Company agrees as follows:

Section 3.01. The Company will use all reasonable efforts to find or cause to be found one or more purchasers for the Bonds and will use reasonable efforts to insure that the Bonds are sold; provided, however, that the terms of such Bonds and of the sale and delivery thereof shall be mutually satisfactory to the Agency and the Company.

Section 3.02. Contemporaneously with the sale and delivery of the Bonds, the Company will enter into the Financing Agreement with the Agency containing the terms and conditions described in Section 2.01 hereof. The Company agrees that, if the Bonds shall not be issued or if the Project Costs exceed the amount of the proceeds of the Bonds, the Company will pay all such Project Costs or such excess Project Costs and shall not be entitled to any reimbursement for any such payment either from the Agency or from the purchasers or holders of the Bonds. THE AGENCY MAKES NO WARRANTY, EITHER EXPRESS OR IMPLIED, THAT THE PROCEEDS OF THE BONDS WILL BE SUFFICIENT TO PAY ALL PROJECT COSTS, OR THAT THE PROJECT FACILITY WILL BE SUITABLE FOR THE COMPANY'S PURPOSES OR NEEDS.

Section 3.03. The Company hereby agrees to indemnify and hold the Agency (and its members, officers, agents and employees) harmless from all losses, expenses, claims and liabilities arising out of or based on (A) labor, services, materials and supplies, including equipment, ordered or used in connection with the acquisition and installation of the Project Facility, including any expenses incurred by the Agency (and its members, officers, agents and

employees) in defending any claims, suits or actions which may arise as a result of any of the foregoing and/or (B) any untrue statement or alleged untrue statement of a material fact included in any written materials relating to the offering or sale of the Bonds or the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company shall not permit to stand, and will, at its own expense, take steps reasonably necessary to remove, any mechanic's or other liens against the Project Facility for labor or material furnished in connection with the acquisition and installation of the Project Facility.

Section 3.04. The Company hereby agrees to indemnify, defend and hold the Agency (and its members, officers, agents and employees) harmless from any and all (A) claims and liabilities for the loss or damage to property or any injury to or death of any person that may be occasioned subsequent to the date hereof by any cause whatsoever in relation to the Project and/or the Project Facility, including any expenses incurred by the Agency (and its members, officers, agents and employees) in defending any claims, suits or actions which may arise as a result of the foregoing; and (B) claims and liability arising from or expenses incurred in connection with the Project or by the Agency's financing, acquisition, construction, installation, owning and sale of the Project Facility, including all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. The Company shall include the Agency (and its members, officers, agents and employees) as a named insured under all public liability insurance policies obtained by the Company with respect to the Project.

Section 3.05. The Company will take such further action and adopt such further proceedings as may be required to implement its aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Article 4. General Provisions.

Section 4.01. All commitments of the Agency under Article 2 hereof and of the Company under Article 3 hereof (excepting the obligations of the Company set forth in Sections 3.03 and 3.04 hereof, which shall survive the termination of this Preliminary Agreement) are subject to the condition that the following events shall have occurred not later than two (2) years from the date hereof (or such other date as shall be mutually satisfactory to the Agency and the Company):

(A) The Agency, the Company and the purchasers of the Bonds shall have agreed on mutually acceptable terms and conditions of the Bonds, the Financing Agreement and any agreements securing the Bonds and any other agreements referred to in Articles 2 or 3 hereof;

(B) All necessary governmental approvals shall be obtained; and

(C) All other conditions expressed in this Preliminary Agreement shall have been satisfied.

Section 4.02. Subject to the terms and conditions of Section 4.03 hereof, the Company shall have the right to unilaterally cancel this Preliminary Agreement at any time prior to the time that the Bonds are issued by the Agency upon thirty (30) days prior written notice of cancellation delivered to the Agency at the address set forth in Section 4.04 hereof.

Section 4.03. If the events set forth in Section 4.01 hereof do not take place within the time set forth in said Section 4.01, or any extension thereof, or if the Company exercises its right of cancellation as set forth in Section 4.02 hereof, the Company agrees that (A) it will promptly reimburse the Agency (and its officers, members, agents or employees) for all reasonable and necessary direct out-of-pocket expenses (including legal fees and expenses) which the Agency (and its officers, members, agents or employees) may incur with respect to the execution of this Preliminary Agreement and the performance of its obligations hereunder; and (B) the obligations of the Company set forth in Section 3.03 and 3.04 hereof shall survive the termination of this Preliminary Agreement and shall remain in full force and effect until the expiration of the period stated in the applicable statute of limitations during which a claim, cause of action or prosecution relating to the matters described therein may be brought and payment in full or the satisfaction of such claim, cause of action or prosecution and the payment of all expenses and charges incurred by the Agency (and its officers, members, agents or employees) relating to the enforcement of the provisions therein stated.

Section 4.04. (A) All notices and other communications hereunder shall be in writing and shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

- (1) To the Agency:

County of Cattaraugus Industrial Development Agency
3 East Washington Street
Ellicottville, New York 14731
Attention: (Vice) Chairman

With a copy to:

George W. Cregg, Jr., Esq.
Hodgson Russ LLP
Three City Square
Albany, New York 12207

- (2) To the Company:

Cattaraugus County Rehabilitation Fund, Inc.
1439 Buffalo Street
Olean, New York 14760
Attention: Chief Executive Officer

With a copy to:

Jack Hart, Esq.
Wagner & Hart
214 North Barry Street
Olean, New York 14760

(B) The Agency and the Company may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

Section 4.05. All covenants and agreements herein contained by or on behalf of the Agency and the Company shall bind and inure to the benefit of the respective successors and assigns of the Agency and the Company, whether so expressed or not.

Section 4.06. The obligations and agreements of the Agency contained herein shall be deemed the obligations and agreements of the Agency, and not of any member, officer, agent or employee of the Agency in his individual capacity, and the members, officers, agents and employees of the Agency shall not be liable personally hereon or be subject to any personal liability or accountability based upon or in respect hereof or of any transaction contemplated hereby. The obligations and agreements of the Agency contained herein shall not constitute or give rise to an obligation of the State of New York or of Cattaraugus County, New York and neither the State of New York nor Cattaraugus County, New York shall be liable thereon, and further, such obligations and agreements shall not constitute or give rise to a general obligation of the Agency, but rather shall constitute limited obligations of the Agency payable solely from the revenues of the Agency derived and to be derived from the sale or other disposition of the Project Facility.

Section 4.07. Notwithstanding any provision of this Preliminary Agreement to the contrary, the Agency shall not be obligated to take any action pursuant to any provision hereof unless (A) the Agency shall have been requested to do so in writing by the Company; and (B) if compliance with such request is reasonably expected to result in the incurrence by the Agency (or any member, officer, agent or employee of the Agency) of any liability, fees, expenses or other costs, the Agency shall have received from the Company security or indemnity satisfactory to the Agency for protection against all such liability and for the reimbursement of all such fees, expenses and other costs.

IN WITNESS WHEREOF, the parties hereto have entered into this Preliminary Agreement as of the day and date first written above.

COUNTY OF CATTARAUGUS
INDUSTRIAL DEVELOPMENT AGENCY

BY: 
(Vice) Chairman

CATTARAUGUS COUNTY REHABILITATION
FUND, INC.

BY: _____
Authorized Officer