SALE, PURCHASE AND OPERATION AGREEMENT

By and Between

THE COUNTY OF ERIE, NEW YORK

and

ERIE COUNTY MEDICAL CENTER CORPORATION.

Dated: January 1, 2004

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SALE, PURCHASE AND OPERATION AGREEMENT

By and Between

THE COUNTY OF ERIE, NEW YORK

and

ERIE COUNTY MEDICAL CENTER CORPORATION.

THIS SALE PURCHASE AND OPERATION AGREEMENT [the "Agreement"] is effective as of the 1st day of January, 2004, and entered into by and between the County of Erie, New York, a municipal corporation of the State of New York, having an office and place of business in the Rath County Office Building, 95 Franklin Street, Buffalo, New York 14202, [the "County"], and the Erie County Medical Center Corporation, a public benefit corporation existing under the laws of the State of New York, having an office and principal place of business at 462 Grider Street, Buffalo, New York [the "Corporation"] [the Corporation and the County shall be collectively referred to as the "Parties"].

WHEREAS, the State of New York has enacted legislation, codified at Article 10-C of the Public Authorities Law of the State of New York, creating the Corporation in response to the efforts of the County to secure a form of governance for the Erie County Medical Center Healthcare Network [the "Network"] with the flexibility to cope with a rapidly changing health care environment, become more competitive, and continue to provide Erie County and area residents with quality health care in an efficient and progressive manner, while reducing the fiscal burden of taxpayer support; and

WHEREAS, the Parties have a common intention that the Corporation will purchase certain assets of the Network, now owned by the County, and the Corporation will lease certain

real property from the County, and the Corporation will continue the operation of the Network in accordance with all applicable laws and regulations; and

WHEREAS, the Parties recognize that by entering into this Agreement the Parties will be entering a transition period during which the Corporation will be developing financial independence, increased flexibility, additional and alternate revenue streams and independent decision making, while maintaining its traditional public service mission to serve the underinsured and uninsured; and

WHEREAS, it is intended that the hospital continue as a general, municipal hospital available to the residents of the City of Buffalo, County of Erie, and Western New York State generally, that the health care services provided by the Corporation's public employees will continue, and that the Network's role as a leading provider of services to Medicaid patients also will continue.

NOW, THEREFORE, in consideration of the terms, conditions and covenants set forth below, the Parties agree as follows:

ARTICLE ONE DEFINITIONS

Section 1.0 The following terms shall have the meanings ascribed to them when used in this Agreement:

Section 1.1 "Act" shall mean Title 6 of Article 10-C, enacted by Chapter 143 of the 2003 Session Laws of New York, entitled "Public Authorities Law" enacted to amend the Public

Authorities Law that creates and provides the rights, powers, duties and jurisdiction of the Corporation.

Section 1.2 "Assets" shall have the meaning ascribed in Article Two of this Agreement.

Section 1.3 "Assumed Liabilities" shall have the meaning ascribed in Article Two of this Agreement.

Section 1.4 "Board" means the Board of Directors of the Corporation established under the terms of the Act.

Section 1.5 "Bonds" means the bonds, notes, or other evidence of indebtedness.

Section 1.6 "Closing Date" shall mean January 28, 2004, the closing date of the sale of assets contemplated under this Agreement, by the County to the Corporation.

Section 1.7 "Code" shall mean the Internal Revenue Code of 1986, as amended, and to the extent they are applicable to any County Bonds at issue, the corresponding provisions of prior law.

Section 1.8 "Corporation Bonds" shall mean any Bonds issued by the Corporation under the Master Indenture.

Section 1.9 "Corporation" means Erie County Medical Center Corporation.

Section 1.10 "County Bonds" shall mean any obligations of the County (i) which have been or will be issued with an opinion of bond counsel to the County that interest on such obligations is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Code and (ii) all or a portion of the proceeds of which finance or refinance any property, whether real or personal, tangible or intangible, used or to be used by the Corporation or to provide any services to the Corporation.

Section 1.11 "County" means the County of Erie.

Section 1.12 "Director" means a voting director appointed to the Corporation pursuant to the Act.

Section 1.13 "Effective Date" shall mean January 1, 2004, the effective date of the Agreement between the County and the Corporation.

Section 1.14 "Erie County Medical Center Corporation" shall mean the public benefit corporation created by the New York State Legislature pursuant to the Act.

Section 1.15 "Erie County Medical Center" or "ECMC" shall mean the Network programs, services and operations owned and operated by the County of Erie until the Closing Date.

Section 1.16 "Excluded Assets" shall have the meaning ascribed in Article Two of this Agreement.

Section 1.17 "Excluded Liabilities" shall have the meaning ascribed in Article Two of this Agreement.

Section 1.18 "Health Facility" means a building, structure, or unit, or any improvement to real property, including all necessary and usual attendant and related equipment, facilities, or fixtures, or any part or parts thereof, or any combination or combinations thereof, including but not limited to, a general hospital, psychiatric hospital, ambulatory clinic or center, chronic disease hospital, nursing home, extended-care facility, dispensary, laboratory, or any other related facility, or any combination of the foregoing, constructed, acquired, or otherwise provided by or for the use of the Corporation or the County in providing medical research and health and medical services to the public.

Section 1.19 "Master Indenture" shall mean the Master Trust Indenture dated January 1, 2004 between the Corporation and The Bank of New York, providing for the issuance of Corporation Bonds to finance the acquisition and operation of its health care system.

Section 1.20 "Material Adverse Effect" shall mean any event, circumstance or condition that, individually or when aggregated with all other similar events, circumstances or conditions, could reasonably be expected to have an effect that could limit or impose obligations which, in the reasonable judgment of the Corporation, are not insubstantial on: (i) the business, property, operations, condition (financial or otherwise), or results of operations of the Corporation taken as a whole; (ii) the Assets; (iii) the ability of the Corporation to consummate the transactions contemplated in this Agreement in the manner contemplated; or (iv) the ability of the Corporation to perform and conduct the operations of the Network or its programs or to utilize personnel, after the consummation of the transactions contemplated by this Agreement, in a manner substantially similar to that conducted by the County prior to the consummation of such transactions.

Section 1.21 "Network" shall mean the Erie County Medical Center Healthcare Network that includes a general hospital, nursing home, several clinics in Erie County, and all of the services and programs implemented thereby.

Section 1.22 "Tobacco Proceeds" shall mean any amount received by the County upon sale by the County of its rights and interests in tobacco settlement revenues to be received under the Master Settlement Agreement with tobacco manufacturers.

Section 1.23 "Transaction Documents" shall mean all documents associated with the consummation of this Agreement.

Section 1.24 "Transition Period" shall mean the period of time from January 1, 2004 through and including December 31, 2004.

Section 1.25 "Trustee" shall mean The Bank of New York, acting pursuant to the terms and conditions of the Master Trust Indenture between the Corporation and the Bank of New York.

ARTICLE TWO PURCHASE AND SALE OF CERTAIN ASSETS

Section 2.0 Purchase and Sale of Certain Assets. Subject to the terms, conditions and exclusions set forth in this Agreement, including those relating to Excluded Assets and Excluded Liabilities, by the Closing Date, the County shall sell, convey, transfer, assign and deliver to the Corporation, and the Corporation shall purchase, acquire and accept from the County, free and clear of all liens or liabilities other than permitted liens and Assumed Liabilities arising after the Effective Date as set forth in this Article, the facilities, and all right, title and interest of the County arising under, related to or in connection with, all of the business, properties and assets relating to the Network and the operation thereat, excluding certain land located at 462 Grider Street, Buffalo, New York and land located at 11580 Walden Avenue, Alden, New York (which land is the subject of a separate Ground Lease between the Parties), including and together with all of the Assets as are more fully described in the schedules referenced below, and more generally described as:

a. certain buildings and structures located at 462 Grider Street, Buffalo, New York and 11580 Walden Avenue, Alden, New York currently used by the Network to provide health care services. The buildings and structures included in this sale are more fully described on Schedule A. The transfer of buildings and structures described in Schedule A includes all ongoing or contemplated capital projects or programs that are or will be funded by the County in accordance with Sections 12.3 or 12.4 of this Agreement;

b. all right, title and interest of the County in and to all machinery, apparatus, equipment, furniture, fixtures, tangible and intangible assets including but not limited to office and hospital equipment, telecommunication and computer equipment and

systems, film and video equipment, security systems, tools, storage systems, spare parts, and other tangible personal property of the County or of the Network under the jurisdiction, custody or control of the County, or owned or used or held for use by the County, or which the County has permitted any personnel to utilize or be in possession of, in each case with respect to the operation of any of the Health Facilities or Network. The fixtures, equipment and tangible and intangible assets included in this sale are more fully described in Schedule B. The transfer of fixtures, equipment, and tangible and intangible assets includes all ongoing or contemplated capital projects or programs that are or will be funded by the County in accordance with Section 12.3 or 12.4 of this Agreement, whether or not listed in Schedule B.;

c. all right, title and interest of the County and the Network in and to all written or oral assignable contracts and agreements, including but not limited to, indemnification agreements; service (including professional service) agreements; maintenance and supply agreements; patient and staff agreements, staff rotation agreements; affiliation agreements; software licenses and agreements; purchase orders; managed care contracts; and leases and licenses used by or available to the Network as of the Effective Date of this Agreement. The contracts and licenses included in this sale are more fully described in Schedule C;

d. all assignable interests of the County in licenses of any governmental authority or any regulatory body, including existing and applied-for governmental authority or regulatory body licenses, credentials, certifications, including operating certificates and permits issued by the New York State Department of Health, registrations, accreditations, approvals, consents or permissions and permits,

[collectively, the "Licenses"] in each case, to the extent assignable, that pertain to (i) the Network or Health Facilities, or their operation, any personnel, real property, leased premises, or to any other Assets; or (ii) services or programs, located at or utilized by, or being performed at any of the Health Facilities of the Network. The assignable interests of the County in licenses of any governmental authority or any regulatory body included in this transaction are more fully described in Schedule D;

e. "Files," which are defined collectively as all medical and other healthcare records, and business books and records, that pertain to or are used in the operations of the Health Facilities included in the Network, including but not limited to, instruments; documents; all patient records, data or files; manuals and operating procedures; correspondence; customer vendor and mailing lists; laboratory data; records; provider information; patient management information; patient profiling information; billing and collection information; governmental authority and regulatory body reports; applications and correspondence; personnel employment and payroll benefits records; and information pertaining to independent contractors and consultants, in each case in any written or electronic form;

f. all consumable inventories available to the Network including medications, other medicinal consumables, food stuffs, fuels, supplies and similar assets in the possession of the Network at the time of Closing. All consumable inventories available to the Network are described more fully in Schedule E;

g. all intellectual property rights and other intangible rights owned by the County used for the benefit of the Network at the time of the Closing. All intellectual

property rights and other intangible rights owned by the County and used for the benefit of the Network are described more fully in Schedule F;

h. all rights of the County accruing after the Effective Date including but not limited to claims, demands, judgments or choses in action, credits and refunds relating to the Network or any Assets relating to or arising out of or under express or implied warranties from suppliers, manufacturers, contractors, subcontractors or vendors and indemnification rights under any contract with respect to the Network or the personnel thereof and/or the other Assets, security deposits, relating in each case to the operations, programs or activities of the Network and/or the other Assets.

i. all accounts receivable accruing on or after the Effective Date.

j. $3,221,230 of restricted cash and cash equivalents as that phrase is used in the December 31, 2003 "Erie County Medical Center (Enterprise Fund of the County of Erie, New York) Statement of Net Assets."

Section 2.1 Excluded Assets. Notwithstanding anything to the contrary in this Agreement, the County shall retain and shall not sell, transfer, convey or assign to the Corporation, and the Corporation shall not purchase, acquire or assume any obligation or benefit with respect to any of the following [the "Excluded Assets" or individually the "Excluded Asset"] from the County:

a. all accounts receivable accrued prior to the Effective Date. The Corporation assumes responsibility for the collection of all accounts receivable in accordance with Section 6.10 of this Agreement. To assist in measuring the amount of

accounts receivable the Corporation owes the County, the Parties agree that the Corporation shall provide a schedule of accounts receivable as of the Effective Date by applying generally accepted accounting principles on a consistent basis. The actual amount of accounts receivable will be determined from and in accordance with the audited financial statements of the Network as of December 31, 2003;

b. certain buildings, structures and appurtenances located near the Grider Street Network facilities or at the Walden Avenue property not immediately necessary to accomplish the current mission of the Corporation and not included in Schedule A of this Agreement. As a guide to the Parties, County buildings, structures and appurtenances excluded from the Sale are more fully described in Schedule G. The County shall remain obligated to maintain (including snow and ice removal) all buildings, structures and appurtenances not identified on Schedule A, including that area within 24 inches of the exterior walls of the buildings, structures and appurtenances not identified on Schedule A;

c. the buildings, fixtures and equipment of School 84 operated by the City of Buffalo Board of Education. The County shall remain obligated to maintain the School 84 facility to the same extent it was so obligated before the Effective Date of this Agreement. The Corporation shall have no obligation to maintain School 84 after the Closing Date. The County and the Corporation agree that they will enter into a separate agreement concerning services that the Corporation will provide to School 84 at the County's sole expense;

d. all prepaid taxes and any tax refunds relating to the operations of the Network for periods prior to the Effective Date;

e. payments paid to the County on or after the Effective Date as indemnification or contribution in connection with any third party actions arising in connection with claims made against the Network prior to the Effective Date;

f. proceeds of property insurance claims regarding losses that occurred prior to the Effective Date to the extent that such proceeds represent reimbursement to the County of expenditures made prior to the Effective Date in connection with an insured loss;

g. the real property located at 462 Grider Street, Buffalo, New York, and 11580 Walden Avenue, Alden, New York. The County and the Corporation will enter into a separate, 50-year Lease [the "Lease"], concerning the real property at these locations. The real property excluded from the sale is more fully described in Schedule A and Schedule B to the Lease.

Section 2.2 Assumed Liabilities. Consistent with the understanding that the Corporation shall be obligated to pay and satisfy obligations or liabilities of the Network and its programs which arise, are incurred or accrue after the Effective Date, the Corporation hereby assumes and agrees to pay, satisfy and discharge in accordance with their terms, liabilities, payments and obligations [the "Assumed Liabilities" or individually the "Assumed Liability"] arising out of events occurring after the Effective Date, other than Excluded Liabilities, and more particularly described as:

a. all accounts payable incurred in operation of the Network on or after the Effective Date;

b. all of the Network's claims, contingencies and liabilities arising from occurrences on or after the Effective Date. For purposes of measuring when a claim, contingency or liability occurs, the Parties agree that a claim, contingency or liability occurs on the date when the last act necessary to create the claim, contingency or liability takes place;

c. all employer pension contributions payable in year 2004 and thereafter;

d. principal and interest on the Corporation Bonds or any bridge financing described more fully in Section 3.0 of this Agreement;

e. obligations under contracts for goods and services ordered with respect to the operations of the Network prior to the Effective Date, but delivered after the Effective Date to the extent such obligations relate to operation of the Health Facilities in any respect;

f. all obligations arising after the Effective Date under the contracts described in Section 2.0(c) of this Agreement.

Section 2.3 Excluded Liabilities. Consistent with the understanding that the County shall remain obligated to pay and satisfy obligations or liabilities of the Network which arose, were incurred or accrued prior to the Effective Date, and claims which arise after the Effective Date based upon actions or omissions of the County prior to the

Effective Date [the "Excluded Liabilities" or individually the "Excluded Liability"], the County shall remain liable and responsible for those Excluded Liabilities more fully described as:

a. all payments, claims, obligations, costs, settlement amounts, expenses, fines, charges, judgments and liabilities (including, but not limited to worker's compensation, malpractice liability, general liability and environmental liability), arising out of events occurring prior to the Effective Date. The County shall, to the fullest extent permitted by law, defend, indemnify and hold the Corporation harmless against any related expense, liability, cost or damage to the Corporation;

b. payment of all of the Network's accounts payable prior to the Effective Date of the sale. The Corporation assumes responsibility for processing payment of all accounts payable in accordance with Section 6.11 of this Agreement. The accounts payable to be satisfied by the County are more fully described on Schedule H;

c. payment of all employer pension contributions up to the Effective Date;

d. payment of principal, interest and all other charges associated with all bonded indebtedness of the County, as of the Effective Date, attributable to Network facilities or services.

Section 2.4 Shared Liabilities. In the event that both the Corporation and the County are potentially liable under a claim or are both named as defendants in a claim that results from occurrences or transactions taking place both before and after the

Effective Date, the County and the Corporation will reasonably cooperate with each other to determine how the claim, contingency and/or liability will be shared by them, if at all.

Section 2.5 Supplemental Payments. The Parties acknowledge that the State of New York has provided various supplemental payments directly to the Network, commonly referred to as intergovernmental transfer payments, Upper Payment Limit payments, and disproportionate share medical assistance payments [the "Supplemental Payments"]. In the past, the County's General Fund has been required to pay to New York State an amount equal to ninety (90) percent of these Supplemental Payments received by the Network. In turn, the Network has been required to reimburse the County's General Fund for the ninety (90) percent share of the Supplemental Payments remitted by the County to the State of New York. After the Effective Date, the Corporation agrees to continue to reimburse the County for any amount of the Supplemental Payments that the County is required to pay to the State of New York.

Section 2.6 Non-Assignable Contracts and Leases. Nothing contained in this Agreement shall constitute an agreement or an attempted agreement to transfer, sublease or assign any contract or lease, or any claim or right of any benefit arising thereunder or resulting therefrom if any attempted transfer, sublease or assignment thereof, without the consent of any other party thereto, would constitute a breach thereof or in any way affect the ability of the Corporation to succeed fully to the rights of the County thereunder. If requested by the Corporation after the Closing Date, the County shall promptly use its best efforts to obtain the consent of any party or parties to any such contract or lease, to the transfer, sublease or assignment thereof by the County to the Corporation hereunder in all cases in which such consent is required for transfer, sublease or assignment. If any

such consent is not obtained, or if any attempted assignment thereof would be ineffective or would affect the rights of the County thereunder such that the Corporation would not in fact receive all such rights. the County if so requested by the Corporation, shall use its best efforts to arrange for the benefits for the Corporation under any such agreement, including but not limited to, enforcement for the benefit of the Corporation of any and all rights of the County against the other party thereto arising out of the breach, termination or cancellation of such agreement by such other party or otherwise.

SECTION 2.7 DISCLAIMER. THE ASSETS BEING SOLD PURSUANT TO THIS AGREEMENT SHALL BE SOLD, CONVEYED, ASSIGNED. TRANSFERRED AND DELIVERED "AS IS, WHERE IS" WITH NO REPRESENTATIONS WHATSOEVER, EXPRESS OR IMPLIED, OF MERCHANTABILITY, CONDITION, OPERABILITY, CAPACITY OR FITNESS. THE COUNTY HAS MADE NO REPRESENTATION OR WARRANTY AS TO THE CONDITION OF SUCH EQUIPMENT OR PERSONAL PROPERTY AT OR RELATING SOLELY TO THE NETWORK TO BE TRANSFERRED OR AS TO THE SUITABILITY OR ADEQUACY THEREOF, AND THE CORPORATION'S USE THEREOF SHALL BE AT ITS OWN RISK AND WITHOUT ANY RECOURSE TO THE COUNTY.

Section 2.8 Intereference With or Damage to Interest. The Parties have each undertaken duties to maintain respective buildings, structures and appurtenances on or in the realty located at Grider Street and Walden Avenue. To the extent that the maintenance or other activity of either party interferes with or damages the property of the other party, the Parties agree that the damaged party shall be reimbursed by the other party for said interference or damage.

ARTICLE THREE THE PURCHASE PRICE

Section 3.0 Purchase Price. In full payment for the Assets to be sold, the Corporation shall pay the County $85,000,000 (Eighty-five Million Dollars) [the "Purchase Price"], derived from the net book value of capital assets in the amount of $77,654,681, the net book value of inventory of $4,124,089, and the restricted cash and cash equivalent transferred pursuant to Section 2.0(j) of this Agreement. The Parties acknowledge that the Corporation may require financing to access funds necessary to pay the Purchase Price and agree to cooperate, at their own expense, in providing information and personnel necessary to satisfy the due diligence requirements of bridge lenders, underwriters and others.

Section 3.1 Closing Expense The County agrees that all costs and expenses related in any way to the closing of the transactions contemplated by this Agreement and the other Transaction Documents shall be borne exclusively by the County.

ARTICLE FOUR THE CLOSING

Section 4.0 Closing Date. The closing of the transactions contemplated by this Agreement [the "Closing"] shall take place at the offices of Hawkins, Delafield & Wood, LLP, 67 Wall Street, New York, New York 10005-3101 at 10:00 A.M. on or before January 28, 2004, [the day when the contemplated transactions have been accomplished is called the "Closing Date"].

Section 4.1 Deliveries by the Corporation at Closing. At the Closing, the Corporation shall deliver to the County the following:

a. the Purchase Price payment;

b. resolutions duly adopted by the Board of Directors of the Corporation authorizing the transactions which are the subject of this Agreement and the other Transaction Documents, certified by the Corporation;

c. a certificate of an authorized executive officer of the Corporation certifying to the fulfillment of any conditions precedent specified in this Agreement;

d. the executed Lease of real property at Grider Street and Walden Avenue;

e. the executed Guaranty Agreement dated as of January 1, 2004 between the County and the Corporation; and

g. such other instruments of transfer and conveyance as reasonably requested by the County, at the Corporation's expense, and such further acts reasonably requested by the County and such other obligations of the Corporation as contained in this Agreement.

Section 4.2 Deliveries by the County at Closing. At the Closing, the County shall deliver to the Corporation possession of the Assets, together with the following:

a. all applicable licenses, leases and contracts set forth in Schedules C and D, in the possession of the County;

b. the executed 50-year Lease for real property located at 462 Grider Street, Buffalo, New York, and 11580 Walden Avenue, Alden, New York;

c. the executed Guaranty Agreement;

d. the opinion of the Erie County Attorney as to the ability of the County to create the leasehold interest in the realty being leased and the adequacy of the County's title to the other assets included in the Sale;

e. such other instruments of transfer and conveyance as reasonably requested by the Corporation, at the County's expense, and such further acts reasonably requested by the Corporation and such other obligations of the County as contained in this Agreement.

ARTICLE FIVE REPRESENTATIONS AND WARRANTIES OF THE COUNTY

Section 5.0 Organization and Qualification. The County is a municipal corporation duly created and validly existing under the laws of the State of New York.

Section 5.1 Authority. The County has the requisite power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and the consummation of the transactions has been duly authorized by all necessary action on the part of the County. This Agreement and the other Transaction Documents to which the County is a party, have been duly executed and delivered by the County, and assuming this Agreement and the other Transaction Documents constitute valid and binding obligations of the Corporation, constitute valid and binding obligations of the County enforceable against the County in accordance with their respective terms.

Section 5.2 Licenses. For all periods prior to the Effective Date, with respect to the Network, the land and buildings (and all services and programs provided by each of the foregoing), and all personnel and all material Assets of each facility, the County has obtained and held all Licenses required to be held in the name of the County. All Licenses required to be held in the name of each facility have been and are as of the Closing Date valid and in full force and effect, or if not obtained or not valid or in full force and effect, would not have a Material

Adverse Effect on the conduct of the operations, activities or programs of the Network, as currently conducted. The County has not received any written or other actual notice of any action or proceeding seeking or which might result in revocation, restriction or suspension of any License. In the case of any unit, service or equipment of the Network or any personnel for which a License is being sought by the County from any governmental authority or regulatory body, such approval is being sought in compliance with all applicable laws.

Section 5.3 Litigation, Investigations. Schedule I sets forth a complete and accurate list of all suits, claims, proceedings, arbitrations, and/or grievances by any person or entity, including any personnel, or investigations or reviews by any governmental authority or regulatory bodies which are pending, or to the best of the County's knowledge, threatened in writing against any facility or any other asset which could have a Material Adverse Effect, limit, encumber or restrict the Corporation's use or ownership of any material Asset or the employment or utilization of any personnel or otherwise, or limit the right of the Corporation to receive any material benefit of its interest in the Network.

Section 5.4 Taxes. The County has withheld, collected and paid all taxes required to have been withheld, collected and paid by applicable law. There is no dispute, proceeding, audit, investigation, assessment or pending claim concerning any tax which could restrict or encumber the Corporation's use of any material asset, which could result in any payment by the Corporation or the loss or forfeiture of any material asset by the Corporation, which could adversely affect the tax-exempt status of the Corporation Bonds or which could create any obligation or liability with respect to any personnel.

Section 5.5 Insurance policies. Schedule H contains a complete and accurate list of all applicable insurance policies, if any, and all County self-insurance programs currently providing coverage in favor of the County with respect to the Network and/or any program thereunder, or

any other Asset. For the Transition Period, the County shall continue to supply protection to the Corporation through the County's self-insured program in the same manner as the County supplied those services to the Network.

Section 5.6 Financial Statements. The County has delivered to the Corporation financial statements for the Network and related Health Facilities for the twelve-month periods ending December 31, 2002, and December 31, 2001, copies of which are attached as Schedule K. The Financial Statements have been audited by Deloitte & Touche, as indicated, are true and accurate in all respects, are in accordance with the books and records of the County, and present fairly in all respects the financial position and related results of the operations of the Network as of the times and for the periods referred to therein, on an accrual basis. The relevant financial books and records of the County completely and fairly record in all material respects the financial affairs of the County with respect to the Network and the personnel and/or the other Assets. The County will provide a similar statement for the year ending December 31, 2003 when that statement has been prepared by the County's accountants.

Section 5.7 Tangible and Intangible Property.

a. Schedules B and E, respectively, set forth a complete and accurate description of all material, equipment and personal property owned by the County and used for the benefit of the Network, Schedules C and D, respectively, set forth a complete and accurate list of all material contracts, licenses and governmental/regulatory licenses with respect to the Network, and Schedule F sets forth a complete and accurate list of all intangible property owned by the County and used for the benefit of the Network;

b. All equipment, tangible personal property and intangible property used by the County, by the Network or leased pursuant to the Lease or any of the Network's other Assets are owned, free and clear of all liens, other than liens of record;

c. All personal property leases set forth in Schedule C are valid and in full force and effect and are enforceable in accordance with their terms and, except as disclosed in writing to the Corporation, have not been supplemented, amended or modified;

d. The County has not received any notice of and there exists no event of default on the part of the County, or event, occurrence, condition or act by the County, including but not limited to, the execution and delivery of this Agreement and the consummation of the contemplated transactions, which constitutes or would constitute a default in any respect, or give rise to a right of acceleration, cancellation or termination, under any tangible or intangible property set forth on Schedules B and F.

Section 5.8 Agreements and Relations With Payors: No payor has notified the County that it intends to discontinue its relationship with any Network facility.

Section 5.9 Pension Contributions The County has fully funded all employer pension contributions accrued through December 31, 2003.

Section 5.10 Licenses and Insurance for Professionals and Technicians. Each of the health care professionals, technicians and other employees employed or engaged by the County for or at the Network is duly licensed and/or certified or registered and qualified as required under applicable law to practice his/her respective profession, position or duties in the State of New York. Each of the Network's facilities or programs and each of the health care professionals employed by the County to provide services for any of the Network's facilities or programs is covered by professional liability insurance, or self insurance, through the Effective Date as reflected in Schedule J.

Section 5.11 Real Property Lease. With respect to the real properties located at 462 Grider Street, Buffalo, New York, and 11580 Walden Avenue, Alden, New York, the County has, and on the Effective Date shall have, and shall lease to the Corporation, the real property

more particularly described in the Lease. The Lease is valid and in full force and effect and enforceable in accordance with its terms.

Section 5.12 No Material Change Through Closing Date. The County, without the consent of the Corporation or as otherwise provided in this Agreement, will make no material changes in the Network or operations or programs of the Network or use any material Asset of the Network, except as used in the normal course of its business, prior to the Effective Date.

Section 5.13 Delivery of Reports. In addition to any other obligations hereunder, the County shall, at its sole cost and expense, prepare all cost reports and audited financial statements for the Network with respect to the calendar year ending on December 31, 2003, and file and deliver such materials to any appropriate governmental authority and to the Corporation at the earliest practical time.

Section 5.14 Promotion of Corporation's Objectives. From and after the Effective Date, the County shall reasonably cooperate with the Corporation in the furtherance of the Corporation's objectives and generally promote and support the operations of the Network.

Section 5.15 Compliance with Law. To the best knowledge of the County, the County has complied, in all material respects, with all federal, state and local laws, rules, regulations and ordinances relating to the County's business.

Section 5.16Environmental ComplianceThe County, through its authorized representatives and agents, has made a diligent and comprehensive effort to discover all available information relating to any air, surface and ground water pollution, Hazardous Materials and handling and soil contamination resulting from activities conducted at the Health Facilities on the Demised Premises. To the best knowledge of the County, (i) there are no underground tanks, except as disclosed to the Corporation in the Environmental Property Review Checklist prepared by the County's Department of Environment and Planning, dated January 21, 2004, and no

ground water, surface water, or soil contamination on the Demised Premises or elsewhere caused by any substance which was released into or which migrated from the Demised Premises which would or could necessitate taking remedial or protective action or that does or could cause harm to persons, property, or the environment; (ii) there are no enforcement actions or, to the best knowledge of authorized representatives of the County, any investigations pending by any federal, state, or local governmental agency or any pending claims or complaints by any private third parties regarding spills, leaks or losses of Hazardous Materials on the Demised Premises; and (iii) each of the Health Facilities is in material compliance with all Environmental Laws. For purposes of this Section 5.16, the terms "Demised Premises," "Hazardous Materials," and "Environmental Laws," shall have the meanings ascribed to them in the Lease.

Section 5.17 Facilities and Equipment Compliance To the best knowledge of the County, the physical plant, facilities and equipment being transferred to the Corporation is in compliance with all legal and regulatory requirements. There are no pending investigations, audits or complaints regarding the lack of compliance of any part of the physical plant, facilities or equipment being transferred to the Corporation, to the best knowledge of the authorized representatives of the County.

Section 5.18 Reliance on Network Disclosure Representations set forth in this Article are based on information possessed by County officers and employees as of the Closing Date. In making certain representations, the County has relied on disclosures made by Network officers and employees. The County shall not be liable for the accuracy of disclosures based entirely on information provided, or the lack of disclosure, by Network officers and employees.

ARTICLE SIX REPRESENTATIONS AND COVENANTS OF THE CORPORATION

Section 6.0 Organization and Qualification. The Corporation is a public benefit corporation created pursuant to the Act, duly organized, validly existing and in good standing under the laws of the State of New York, and has all corporate power and authority granted to it by the Act to own, lease and operate its properties and to carry on its activities as currently being conducted.

Section 6.1 Authority. The Corporation has the requisite corporate power and authority granted to it by the Act to execute and deliver this Agreement and the other Transaction Documents and all other instruments or agreements to be executed in connection herewith or therewith, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the other Transaction Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on the part of the Corporation and no other corporate proceedings on the part of the Corporation are necessary to authorize this Agreement and the other Transaction Documents or to consummate the transactions contemplated hereby or thereby, except as contemplated in this Agreement. This Agreement and the other Transaction Documents to which it is a party have been duly executed and delivered by the Corporation and, assuming this Agreement and the other Transaction Documents constitute valid and binding obligations of the County, constitute valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms.

Section 6.2 Operation of Hospital. From and after the Closing Date, the Corporation shall operate for the benefit of the people of the County of Erie and the State of New York as follows:

a. to provide quality health and medical care to persons in need as required by law, regardless of their ability to pay: and

b. to maintain the mission of an academic medical center, regional trauma center and tertiary care hospital servicing the needs of the region, as more completely described in the Act.

Section 6.3 Consents and Approvals. Neither the execution, delivery or performance of this Agreement or the other Transaction Documents by the Corporation, nor the consummation by the Corporation of the transactions contemplated hereby or thereby nor compliance by the Corporation with any of the provisions hereof or thereof will result in a violation or breach of, or constitute a default under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Corporation is a party or by which any of its properties or assets may be bound, or violate any order, writ, injunction, decree, or statute applicable to the Corporation or any of its properties or assets.

Section 6.4 Litigation. There is no litigation, governmental investigation or other legal or administrative proceeding pending, or to its knowledge, threatened against or relating to the Corporation, its properties, assets or business, or the transactions contemplated by this Agreement and the related agreements referred to in this Agreement and, to the best knowledge of the Corporation, no basis for any such action exists.

Section 6.5 Compliance with Law. To the best knowledge of the Corporation, the Corporation has complied, in all material respects, with all federal, state and local laws, rules, regulations and ordinances relating to the Corporation's business.

Section 6.6 Confidentiality of Patient Health Care Records. The Corporation shall observe all laws and regulations relating to confidentiality of patient files for all patients of the Network.

Section 6.7 Books and Records: Cooperation. The Corporation agrees to cooperate with and make available to the County, and the County agrees to cooperate with and make available to the Corporation, during normal business hours and upon reasonable notice and request, all books and records, as well as make available employees of the Corporation which are necessary or useful in connection with any tax inquiry, audit, investigation, or any other review or claim initiated by a third party requiring any such books and records, information or the availability or employees for any reasonable business purpose related to the transactions contemplated by this Agreement and the other Transaction Documents. Pursuant to subparagraph (I) of Section 1861(V)(1) of the Social Security Act, 42 U.S.C. Section 1395(x), as amended, or regulations adopted pursuant thereto, the Parties will, if required, until the expiration of four (4) years after the furnishing of services, pursuant to this Agreement and/or the other Transition Documents, make available upon request of the Secretary of Health and Human Services or the Comptroller General or its representatives, proof of the costs for services rendered pursuant to this Agreement and/or the other Transaction Documents, and the supporting documents and records as may be necessary to verify the nature and extent of such costs.

Section 6.8 Audit and Annual Reports. The accounts of the Corporation shall be subject to the supervision of the State Comptroller, and an annual audit shall be performed by an independent certified public accountant. The Corporation shall annually submit to the Erie County Legislature, Erie County Executive, Erie County Comptroller, Erie County Audit Committee, Governor of the State of New York, New York State Comptroller, Chairperson of the New York Senate Finance Committee, and Chairperson of the New York Assembly Ways

and Means Committee a detailed report pursuant to the provisions of Section 2800 of the Public Authorities Law. The reports in this section 6.8 shall be in addition to any other reporting obligation in this Agreement.

Section 6.9 Information to be Reported. The Corporation shall report, on an annual basis, the following information: the name, principal business address, and principal business activities of each subsidiary of the Corporation; the name of all Board Members and Officers of each subsidiary; the number of employees of each subsidiary; a list of all contracts in excess of One Hundred Thousand Dollars entered into by the Corporation and its subsidiaries, identifying the amount, purpose, and duration of such contract; and a financial statement and balance sheet for each subsidiary prepared by an independent certified public accountant, all in accordance with generally accepted accounting principles applicable to the Corporation and each of its subsidiaries. At the time the reports required by Section 6.8 above are submitted, such reports shall be provided to the Governor, the temporary President of the Senate, and the Speaker of the Assembly. A copy of such report will be filed with the Clerk of the Erie County Legislature and the County Executive.

Section 6.10 Accounts Receivable. As noted in Section 2.1(a) of this Agreement, the County shall retain all right, title and interest to any and all accounts receivable existing on the books and records of the Network as of the Effective Date as determined by the 2003 financial statements. Any amounts received by the Corporation after the Effective Date in satisfaction of any account receivable retained by the County shall be deemed held in trust by the Corporation. By the 20th day of each month., the Corporation shall furnish to the County a statement or such other information reasonably required by the County to identify the source and amount of such payment for the preceding month and otherwise reconcile and credit such amounts against corresponding receivables on the books and records of the County. The Corporation shall use

reasonable efforts, consistent with the customary practices prevailing in the health care industry, to collect all accounts receivable retained by the County. The Corporation shall have no obligation to pay the County for accounts receivable not collected by the Corporation. In any case where services are rendered by the County prior to the Effective Date and continued after the Effective Date by the Corporation, the accounts receivable, or any amounts received in satisfaction of such accounts receivable, shall to the extent practicable, be apportioned in proportion to the respective services rendered by each party, in accordance with generally accepted accounting principles, consistently applied.

Section 6.11 Accounts Payable As noted in Section 2.3(b) of this Agreement, the County shall retain the obligation to satisfy and pay all accounts payable existing on the books and records of the Network as of the Effective Date as determined by the 2003 financial statements (and as described on Schedule H). Although the County shall be responsible for payment, the Corporation agrees to process the payment in a manner consistent with the practice of the Network prior to the Effective Date of this Agreement. By the 20th day of each month, the Corporation shall furnish to the County a statement or such other information reasonably required by the County to identify the amount of accounts payable paid on the County's behalf and the amount of accounts payable remaining unpaid through the last day of the preceding month. In any event where services were rendered to the County before the Effective Date and continued for the benefit of the Corporation after the Effective Date, the amounts owing shall, to the extent practicable, be apportioned in proportion to the respective services rendered to each party, in accordance with generally accepted accounting principles, consistently applied.

Section 6.12 No Amendment to Master Indenture. The Corporation shall not, and shall cause parties acting on its behalf not to, amend the Master Indenture pursuant to which the Corporation Bonds will be issued, without the prior written consent of the County.

ARTICLE SEVEN TAX COVENANTS

Section 7.0 Tax Covenants of the Corporation. The Corporation covenants that it will comply with the applicable requirements of the Code to maintain the exclusion from gross income of interest on the Corporation Bonds or County Bonds for federal income tax purposes. In furtherance of this covenant, the Corporation covenants to comply with Section 103 of the Code that relates to the Corporation Bonds or County Bonds. This covenant shall remain in effect until such time as none of the Corporation Bonds or County Bonds are outstanding for federal income tax purposes.

Section 7.1 Tax Covenants of the County. The County covenants that it will comply with the applicable requirements of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Corporation Bonds or any bonds issued to refund (or as part of a series of bonds issued to refund) the Corporation Bonds. This covenant shall remain in effect until such time as none of the Corporation Bonds are outstanding for federal income tax purposes.

Section 7.2 Corporate Use. Notwithstanding the foregoing, the Parties acknowledge that the Corporation may enter into future business enterprises that could change the tax-free status of Corporation Bonds or County Bonds, subject to the consent of the Erie County Budget Director, which consent shall not be unreasonably withheld. If the Erie County Budget Director approves, the County agrees that the Corporation's right to enter into such enterprises shall be paramount and agrees to take all necessary steps to

facilitate such enterprise. The Corporation agrees to indemnify the County for all costs and expenses incurred in relation to County Bonds as a result of same.

ARTICLE EIGHT COVENANTS OF THE COUNTY AND THE CORPORATION

Section 8.0 Notification of Certain Matters.

(a) Each party agrees to give prompt notice to the other of (i) the occurrence, or failure to occur, of any event which occurrence or failure to occur would be likely to cause any of its representation or warranties contained in this Agreement to be untrue or inaccurate in any material respect at any time up to the Closing Date, and (ii) any failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of or the failure to deliver any notice pursuant to this Section shall not limit or otherwise affect the remedies available hereunder to the party entitled to receive such notice.

(b) The County shall promptly notify the Corporation and work collaboratively with the Corporation in preparing a response and shall take no independent action in the event that the County or any facility of the Network receives notification from any third party regarding any matter that would have a Material Adverse Effect, including but not limited to, notice of a change in reimbursement rates or covered services from any payer, or the cancellation, termination or material modification of any payer unless otherwise required by law.

Section 8.1 Access to Information. The Corporation and its directors, officers, employees, agents, attorneys, accountants and other representatives acknowledge that they have had (i) access to the employees and financial, legal and other representatives of the County with knowledge of the County's business and operations, relating to the Network and its operations and programs and the other Assets, such persons to be instructed by the County to make full and

candid disclosure of all information reasonably requested as it relates to the transactions contemplated hereby, and (ii) full access to the books, records and properties relating to the Network, and its operations and programs, and other Assets, to the extent permitted by applicable law.

Section 8.2 Disclosure Requirements of the County. The County shall promptly, accurately and faithfully comply with any reasonable request for information by the Corporation made in connection with the preparation of any offering statement or sale of securities issued by the Corporation and shall furnish copies of non-privileged documents to the Corporation without charge, when reasonably requested. Upon request by the Corporation, the County shall make available the appropriate officers, employees or consultants of the County to answer questions in connection with any rating agency review or due diligence inquiry reasonably requested by any underwriter of the Corporation Bonds. The County shall review any information pertaining to it in any offering statement prepared for the sale of the Corporation Bonds issued and shall certify to the Corporation and the underwriters the accuracy of such information. The County, upon request, shall deliver at its sole cost and expense an opinion prepared by the County's legal counsel as to pending or threatened litigation involving the County's relationship with the Corporation. For so long as any Corporation Bonds shall remain outstanding, the County shall have a continuing, affirmative obligation to disclose to the Corporation, the Trustee and any nationally recognized municipal securities repositories such information as the County is obligated to provide pursuant to any continuing disclosure agreement executed in connection with the Corporation Bonds. The County will from time to time, at the request of the Corporation, enter into continuing disclosure agreements with or for the benefit of the purchasers of obligations of the Corporation; in order to comply with the requirements of the Securities and Exchange Commission, or such other regulations as may be applicable.

Section 8.3 Disclosure Requirements of the Corporation. The Corporation shall promptly, accurately and faithfully comply with any reasonable request for information by the County made in connection with the preparation of any offering statement or sale of securities issued by the County and shall furnish copies of non-privileged documents without charge, when reasonably requested. Upon request by the County, the Corporation shall make available the appropriate officers, employees or consultants of the Corporation to answer questions in connection with any rating agency review or due diligence inquiry reasonably requested. The Corporation shall review any information pertaining to it in any offering statement prepared for the sale of the County securities issued and shall certify to the County and the underwriters the accuracy of such information. The Corporation, upon request, and, at the County's expense, shall deliver an opinion prepared by the Corporation's legal counsel as to pending or threatened material litigation involving the Corporation or involving the Corporation's relationship with the County. For so long as the County securities shall remain outstanding, the Corporation shall have a continuing, affirmative obligation to disclose to the County any material, adverse change to any information or statements made by the Corporation in connection with the issuance of the County's securities. The Corporation will from time to time, at the request and expense of the County, enter into continuing disclosure agreements with or for the benefit of the purchasers of securities of the County, in order to comply with the requirements of the Securities and Exchange Commission, or such other regulations as may be applicable.

Section 8.4 Tax Audits. Each party shall have the right, at its own expense, to control any audit or determination by any governmental authority, initiate any claim for refund or amended return, and contest, resolve and defend against any assessment, notice of deficiency, or other adjustment or proposed adjustment of taxes, fines or assessments for any period which that party is charged with responsibility for filing a tax return under this Agreement or maintaining

the tax-exempt status of the Corporation Bonds; provided, however, that the County, on the one hand, or the Corporation, on the other, shall not have the right to agree to any assessment, deficiency, settlement, or other adjustment or proposed adjustment of taxes, fines or assessments that would adversely affect the interests of the other without such other party's written consent, which consent shall not be unreasonably withheld. The County shall notify the Corporation, and the Corporation shall notify the County, as the case may be, if any taxing authority shall, upon audit or otherwise, propose in writing an adjustment to tax items which could give rise to a claim against or by the Corporation. Each Party shall cooperate with the other, as reasonably requested by the other Party and at such other Party's expense, with respect to the defense of such action, including without limitation, making available to such other Party any books, records or other information which such Party believes pertains to such actions, including available employees for any purpose relating to such actions.

Section 8.5 Survival of Representations, Warranties and Covenants. All representations and warranties contained in this Agreement (or any schedule or attachment to this Agreement) and the other Transaction Documents (or any schedule or attachment to the Transaction Documents), shall survive the execution and delivery of this Agreement and the other Transaction Documents and the Effective Date and the Closing Date. The covenants of the County and the Corporation relating to the maintenance of the tax-exempt status of the Corporation Bonds and the County Bonds shall remain in effect so long as any of the Corporation Bonds or the County Bonds are outstanding.

Section 8.6 Indemnification by the County.

a. Subject to the limitations and conditions set forth in this Agreement, the County shall defend and, to the fullest extent permitted by law, indemnify the Corporation and hold it harmless from and against any and all claims, liabilities and costs arising from (i) any

inaccuracy in or breach of any representation or warranty, (ii) the failure to perform any covenant or agreement set forth in this Agreement or in any other Transaction Document, and (iii) any Excluded Liability.

b. Without limiting the generality of the indemnification provisions contained in this Section, the County shall indemnify, to the fullest extent permitted by law, the Corporation and hold it harmless from, and shall reimburse the Corporation for any payment, loss, costs, expense or liability arising from any claims, costs and liabilities incurred or suffered by it arising from an adverse action taken by any federal agency or New York State agency against any Network facility, or the suspension or exclusion of any Network facility, or program offered by any Network facility, any personnel or any agent of the County, in all events, prior to the Effective Date, including, but not limited to, actions involving filing of a false claim, defrauding a government program, loss of license to provide health services or failure to provide quality care.

c. In addition to the general indemnification provisions contained in this Section, the County shall reimburse the Corporation for, and shall bear all out-of-pocket expenses of the Corporation, including reasonable attorney's fees and costs, incurred in connection with the audit, investigation, review or inquiry by any governmental authority, regulatory body or payor or defense of a claim which is an Excluded Liability, or preparation of any cost report or financial statement after the Effective Date for any period prior to the Effective Date. In addition, the County shall reimburse the Corporation for the cost of all time spent by personnel for cooperating with and assisting the County in connection with the above or for responding to inquiries in connection with the above; provided, however, the Corporation shall not be reimbursed for time spent by personnel for routine telephone calls with counsel engaged by the County to defend a claim.

Section 8.7 Indemnification by the Corporation.

a. Subject to the limitations and conditions set forth in this Agreement, the Corporation shall defend and, to the fullest extent permitted by law, indemnify the County and hold it harmless from and against any and all claims, liabilities and costs arising from (i) any inaccuracy in or breach of any representation or warranty, (ii) the failure to perform any covenant or agreement set forth in this Agreement or in any other Transaction Document, and (iii) any Assumed Liability. The Corporation shall defend and indemnify the County and hold it harmless for any claims arising from the Corporation's misuse or misappropriation of funds, gifts or bequests.

b. Without limiting the generality of the indemnification provisions contained in this Section, the Corporation shall indemnify, to the fullest extent permitted by law, the County and hold it harmless from, and shall reimburse the County for any payment, loss, costs, expense or liability arising from any claims, costs and liabilities incurred or suffered by it arising from an adverse action taken by any federal agency or New York State agency against any Corporation facility, or the suspension or exclusion of any Corporation facility, or program offered by any Corporation facility, any personnel or any agent of the Corporation, in all events, subsequent to the Effective Date, including, but not limited to, actions involving filing of a false claim, defrauding a government program, loss of license to provide health services or failure to provide quality care.

c. In addition to the general indemnification provisions contained in this Section, the Corporation shall reimburse the County for, and shall bear all out-of-pocket expenses of the County, including reasonable attorney's fees and costs, incurred in connection with the audit, investigation, review or inquiry by any governmental authority, regulatory body or payor or defense of a claim which is an Assumed Liability, or preparation of any cost report or

financial statement after the Effective Date for any period after the Effective Date. In addition the Corporation shall reimburse the County for the cost of all time spent by personnel for cooperating with and assisting the Corporation in connection with the above or for responding to inquiries in connection with the above; provided, however, the County shall not be reimbursed for time spent by personnel for routine telephone calls with counsel engaged by the Corporation to defend a claim.

Section 8.8 Limitations.

a. The Corporation and the County expressly acknowledge and agree that its rights with respect to any breach or inaccuracy of a representation, warranty or covenant shall be limited to indemnification under the provisions of this Section and the right to seek equitable relief (including the right of specific performance), as to which the Corporation and the County agree that neither Party shall be required to post a bond or security, and shall not include the right to seek or obtain rescission of the transactions contemplated in this Agreement or in the Transaction Documents;

b. Upon obtaining knowledge of any third-party claim which has given or could give rise to a right of indemnification under this Agreement, the Party claiming indemnification hereunder shall promptly provide notification to the party from which indemnification is sought, describing the amount and nature of the claim. Within fifteen (15) days from such notice, the indemnifying party shall, by notice to the indemnified party, either (i) acknowledge its responsibility to indemnify and appoint counsel to represent the indemnified party, or (ii) object to the notice for indemnification. If the indemnifying party fails to respond within the fifteen (15) day period, it shall be deemed as having acknowledged its responsibility to indemnify the other party;

c. In the event the indemnifying party fails to acknowledge its responsibility to indemnify, the indemnified party shall proceed to defend against such claim and/or may settle such claim in its sole discretion without the consent of the other party and without waiving its claim for indemnification;

d. Notwithstanding any other provision of this Agreement, no indemnification will be available with respect to any claim which is settled without the prior, express written consent of the party from whom indemnification is sought (unless such party has by action or inaction after notice, not assumed the defense of the claim);

e. In the event that the indemnifying party objects to its obligation to indemnify the claim, the indemnified party's rights to indemnification from the indemnifying party, and the indemnifying party's obligation to indemnify the indemnified party for such claim under this Section shall be determined by (i) subsequent written agreement of the indemnifying party and the indemnified party; or (ii) an award in arbitration conducted pursuant to Section 14.12 of this Agreement. Any such arbitration may be commenced at any time after the indemnifying party objects, or is deemed to have objected to indemnification until twelve (12) months after final resolution of the claim, by adjudication or settlement. In the event the indemnified party shall prevail in any such arbitration, it shall recover from the indemnifying party, in addition to any other relief, its attorney's fees and costs incurred in the arbitration.

Section 8.9 No Third Party Beneficiary. Nothing contained in this Article is intended to create any rights in favor of anyone not a party to this Agreement, except that the Parties specifically acknowledge and agree that the provisions of this Article shall be enforceable by any subsidiary of the Corporation as against which a claim may be asserted and by the officers, officials, representatives or employees of a party against whom a claim is asserted in their official capacities, or who are duly indemnified with respect to such claim by a party.

ARTICLE NINE CONDITIONS TO EACH PARTY'S OBLIGATIONS

Section 9.0 Conditions. The respective obligations of each Party to consummate the transactions contemplated herein are subject to the satisfaction, at or before the Closing Date, of the conditions set forth in this Article.

Section 9.1 Consents and Regulatory Compliance. The County and the Corporation shall have obtained all consents and shall have complied with all regulatory conditions that are required for the consummation of the transactions contemplated under this Agreement and for the Corporation to be able to continue to operate the Network upon the Closing Date, including without limitation any review which may be required under the New York State Environmental Quality Review Act and the regulations promulgated thereunder.

Section 9.2 Absence of Litigation. There shall not have been issued and be in effect any order of any court or tribunal of competent jurisdiction (including any injunction, writ or restraining order) or directive or decision of any governmental authority which (i) prohibits or makes illegal the purchase by the Corporation or the sale by the County of the Assets; or (ii) requires the divestiture by the Corporation of all or a material portion of the Assets as a result of the transactions contemplated hereby; or (iii) imposes limitations on the ability of the Corporation to effectively exercise all rights of ownership or use of the Assets; or (iv) in any way prevents or restricts the Corporation from issuing the Corporation Bonds, or operating the Network; or (v) imposes any conditions on the consummation of the transactions contemplated in this Agreement and/or by the other Transaction Documents.

Section 9.3 Accuracy of Representations and Warranties. The representations and warranties of the County and the Corporation shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time, and the

Corporation and the County shall have certificates attesting thereto signed by an authorized officer.

Section 9.4 Performance by the Parties. Unless otherwise waived or consented to, each Party shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement.

ARTICLE TEN TERMINATION

Section 10.0 Right to Terminate. Notwithstanding anything to the contrary set forth in this Agreement, this Agreement may be terminated and the transactions contemplated abandoned:

a. by mutual consent of the Parties in writing;

b. by the Parties if a court of competent jurisdiction shall have issued an order, decree or ruling permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement. and such order, decree, ruling or other action shall have become final and non-appealable; or if a governmental authority shall have issued a decision, directive, opinion, law, rule or regulation preventing or restricting the transaction contemplated by this Agreement or operation of any of the Network's facilities by the Corporation;

c. by either Party if the other party breaches its representations and warranties in any material respect, or fails to comply in any material respect with any of its covenants or agreements contained in this Agreement, in a certain Ground Lease between the Parties, or in a certain Guaranty Agreement between the Parties, by written notice to the breaching party not less than three (3) months before the effective date of such termination. Any such notice of termination shall state the grounds for such termination. Such notice of

termination shall be deemed revoked and ineffective if the party receiving the notice shall cure the breach complained of within three (3) months after receiving the notice of termination. In the event that a breach has not been cured within the three (3) month period, but the breach is capable of cure and the breaching party has made a good faith effort to cure such breach, the non-breaching party shall grant the breaching party an additional three (3) months to diligently and continuously pursue the cure of such breach to completion and the effective date of termination shall be extended until the end of the additional three (3) months. During the additional three month period, if any, the breaching party may not, without the consent of the non-breaching party, enter into any significant financial transaction that would have a substantial likelihood of causing a material adverse financial effect on the non-breaching party.

Section 10.1 Obligations to Cease. In the event that this Agreement shall be terminated pursuant to this Article, all obligations of the Parties under this Agreement shall terminate and there shall be no liability of any party hereto to any other party.

Section 10.2 Reversion of Ownership and Operation to CountyIn the event that this Agreement is terminated for any reason, the Parties agree that the ownership of the Assets shall revert to the County and that the County immediately shall have all right to continue operating those Assets. The Parties agree that there shall be no consideration paid by the County to the Corporation for the reversion. In the event that the terms of any outstanding bond financing, or the obligations of the Corporation under any other agreement, prohibit immediate ownership reversion, then the Corporation agrees that the County may commence operating the Assets in the name of the Corporation until such time as the reversion may be finalized.

ARTICLE ELEVEN OPERATION OF THE CORPORATION

Section 11.0 Compliance With the Act. The Corporation is required to comply with all laws, rules and ordinances applicable to its operation, including but not limited to Sections 3625 through Sections 3646 of the Act. On the Closing Date, the ECMC Board of Managers will cease to be responsible for the operation of the Network, however the County shall continue the existence of the Board of Managers in the event that the operation of the Network reverts to the County in the event that the Corporation should cease to use such property for the provision of health care or the Corporation otherwise fails to meet its obligations under this Agreement or any other agreement with the County.

Section 11.1 Public Officers and Employees. In accordance with Section 3629 of the Act, on the Closing Date of this Agreement, officers and employees employed in the Network shall become officers and employees of the Corporation with equivalent offices, positions, and employment and shall be deemed public officers or public employees for all purposes. The Parties acknowledge that the Director of Labor Relations for the County shall act as the bargaining agent for the Corporation. To the fullest extent possible, the Director of Labor Relations regularly will communicate with the Corporation concerning labor issues relating to the Corporation. The County agrees that negotiation with labor unions concerning the future relationship between those unions and employees of the Corporation shall include input from the Corporation. The County shall not be liable for the acts or omissions of officers or employees of the Corporation.

Section 11.2 Future Service Relationships The Parties acknowledge that, prior to the Effective Date of this Agreement, the County provided certain services to the Network and the Network provided other services to the County [collectively, the "Services"]. Some of these Services were provided pursuant to written agreements and other Services were provided without

any writing memorializing a relationship between the County and the Network. The Parties agree that all of these Services shall continue for the Transition Period, but shall be the subject of separate negotiation and potential future agreement between the Parties. In the event that an agreement is reached by the Parties concerning any of the Services before expiration of the Transition Period, that agreement may take effect before expiration of the Transition Period, if the Parties so agree. In the event that no agreement is reached concerning any particular Service, then that Service shall cease upon expiration of the Transition Period.

Section 11.3 Accounting for Transition Period. The Parties agree that Services provided during the Transition Period shall be accounted for, by either the Corporation or the County, as the case may be, in the same manner as before the Effective Date of this Agreement.

Section 11.4 Transfer/Demolition of Buildings in Future The Parties acknowledge that the Corporation may discontinue using one or more buildings or structures described in Schedule A in its future operations. In the event that the Corporation decides to discontinue using a building or structure at some point in the future, subject to the rights of bond holders, the Parties agree that the Corporation may return the fee interest in that building or structure to the County. The Parties likewise acknowledge that certain buildings or structures that are excluded from this sale may impede development of the property located either on Grider Street or Walden Avenue. In the event that the Corporation decides to develop real property that is improved by a building or structure owned by the County, the Parties agree that their respective obligations and rights will be the subject of a separate future written agreement.

ARTICLE TWELVE FUNDING AND MONITORING

Section 12.0 County Funding. For the purposes of supporting and continuing the operation of the Network, the County shall maintain its efforts to provide annual operating funding to the Corporation. The County shall maintain and provide an operating contribution to the Corporation in an annual amount that is determined through the County's annual budget process, described in section 12.1 of this Agreement. The County shall pay the annual amount to the Corporation on or before the tenth (10^{th}) day of March of each calendar year. Each payment shall be made by check or wire transfer to a bank account designated by the Corporation. The County's obligation to make the payments set forth above is conditioned on the Corporation's maintenance of its traditional public service mission to serve the underinsured and uninsured.

Section 12.1 County Budget Process The manner of calculating the County's annual amount of operating contribution to the Corporation shall be consistent with Article XVIII of the Erie County Charter and Article 18 of the Erie County Administrative Code. The Parties agree that, for purposes of determining the annual amount of operating contribution, the Corporation shall assume the responsibilities of an administrative unit, as those responsibilities are defined in Article XVIII of the Erie County Charter and Article 18 of the Erie County Administrative Code. Commencing in year 2005 and continuing until this Agreement is terminated, the County agrees that the annual amount of operating contribution to the Corporation shall at all times exceed the annual debt service (principal, interest and any other charges) associated with any financing, the proceeds of which were used, in whole or in part, to fund the Purchase Price.

Section 12.2 Year 2004 Subsidy For purposes of the 2004 fiscal year, the Parties agree that the County's contribution of $29,500,000 (Twenty-nine Million, Five Hundred Thousand Dollars) is the total operating contribution that the County will pay to the Corporation.

The Corporation agrees that this contribution by the County satisfies the requirements of section 3632(5) of the Act for the 2004 fiscal year. The Corporation acknowledges that $5,086,424 of this amount is attributable to debt service payments on bonded indebtedness assumed by the County in accordance with the terms of this Agreement and the Act and agrees that this sum is to be offset against the County's 2004 contribution.

Section 12.3 2004-2006 Capital Financing. The County shall provide the Corporation with full funding of the Network's existing capital program for the years 2004, 2005, and 2006, as authorized in the County's 2003 capital budget, as may be amended from time to time. The total amount of this funding is $23,037,300 (Twenty-three Million, Thirty-seven Thousand, Three Hundred Dollars). The County shall be responsible for paying vendors and may employ audit procedures and arbitrage regulation reviews, in its discretion.

Section 12.4 Ongoing Capital Projects The Parties acknowledge that there are several ongoing capital projects as of the Effective Date of this Agreement. The County agrees to continue all work on these capital projects and to complete these ongoing capital projects at its sole cost and expense, currently estimated at $12,700,000. In the event that the cost to complete these capital projects exceeds the estimated amount, the County agrees to fund the excess amount without obligation to the Corporation.

Section 12.5 Transitional Flow of Funds and Working Capital. For the Transition Period, the Parties agree that all funds paid to or paid by the Corporation (whether on behalf of the County or on behalf of the Corporation) shall flow through Erie County S.F.G. Fund 130 (or its equivalent), at no charge to the Corporation. During the Transition Period, the Corporation will work diligently to create new payor identification numbers, vendor numbers and accounts for its separate use at the expiration of the Transition Period. At the expiration of the Transition Period, the Parties agree to cooperate fully in separating the accounting of their affairs and

reconciling the amounts owed by either party to the other. Working capital needs of the Corporation during the Transition Period shall be provided by the County in the same manner as provided by the County prior to the Effective Date of this Agreement. In the event that the Corporation deems it to be in its best interest to separate the accounts of the County and the Corporation at a date earlier than the expiration of the Transition Period, the County agrees to cooperate with the Corporation in doing so.

Section 12.6 Loans to the Corporation and Future Working Capital. The County may lend its money or credit to the Corporation and issue bonds, notes or obligations as it deems necessary in the manner prescribed under Section 3632 of the Act. Commencing January 1, 2005, the County will advance funds to the Corporation necessary to balance each month's cash flow. In exchange for the County advance of funds to the Corporation, the Corporation shall issue a revenue anticipation note to the County at a rate equal to the County's cost of funds plus ten (10) basis points. The County shall redeem each note when the revenues underlying the note are received by the Corporation. The Corporation agrees that on at least one occasion each fiscal year, it shall reimburse the County for all funds advanced to the Corporation to balance monthly cash flow and remain out of debt to the County for such funds for a consecutive fifteen (15) day period.

Section 12.7 County Right to Audit and Reporting. The County shall have the right to audit at any time and from time to time to confirm the details of corporate operations. The Corporation shall distribute monthly financial reports to the County providing details concerning all business operations for the Corporation on a consistent basis. The monthly reports must contain the minutes of all Finance Committee (or other committee having a similar purpose) meetings during the preceding month, a balance sheet, an income statement, a statement of actual cash flows year to date, and projected cash flows extending 12 months from the current month

being reported. At least once each quarter, the monthly reports also must include quarterly interim, unaudited financial statements. In the event that it is determined by the County that the information provided pursuant to this Section 12.7 is not true and accurate in some material respect, then the County may avail itself of the remedies described in Section 12.8(b) of this Agreement.

Section 12.8 Performance Monitor. (a) For each fiscal year after 2004, the Corporation shall achieve financial results for at least six of the following ten measures that are both (i) at least as favorable as the results achieved by the Corporation for fiscal year 2004 and (ii) at least 75% as favorable as the results achieved by the Corporation for the immediately preceding fiscal year. The results shall be determined as of the last day of each fiscal year (figures that are based on balance sheet items for the last day of the Corporation's fiscal year will be the figures taken into account for purposes of this sentence; and figures that are based on income statement items for the annual period ending on the last day of the Corporation's fiscal year will be the figures taken into account for purposes of this sentence). The measures referred to above are: (i) current ratio; (ii) days in accounts receivables; (iii) average payment period; (iv) days cash on hand; (v) debt service coverage ratio; (vi) debt service as a percentage of revenues; (vii) total margin ratio; (viii) operation/margin ratio; (ix) return on equity ratio; and (x) return on total assets. The Corporation shall provide the County with a statement prepared by the Corporation showing the calculation of each of the ten measures, together with sufficiently detailed explanations of the source of the component figures (including references to the audited financial statements) to reasonably inform the County as to the basis for the Corporation's

calculations [the "Financial Measures Disclosure Statement"]. The Financial Measures Disclosure Statement shall be provided to the County within one hundred fifty (150) days after the close of each fiscal year. The one hundred fifty (150) day period shall be extended to the extent that the Corporation's accountants advise the County in writing that unavoidable delays resulted in the inability of the accountants to provide the Corporation with the financial results within one hundred fifty (150) days, but shall in no event be extended for more than an additional ninety (90) days.

(b) If the Corporation fails to meet the requirements of subsection (a) of this Section 12.8, then the Corporation and the County shall form a committee that shall within forty-five (45) days of the County's receipt of the Financial Measures Disclosure Statement, select a consultant to advise on all aspects of the management of the Corporation and the businesses the Corporation operates. Three members of the committee shall be appointed by the County and two members of the committee shall be appointed by the Corporation. The consultant, which shall be an organization with at least ten (10) years experience in the evaluation of hospitals or health systems, shall be selected by majority vote of the committee members; provided, however, that the Corporation may veto the consultant selected by such majority vote (i) one time, for any or no reason and (ii) thereafter, based on any specifically identified actual or potential conflict of interest, bias or lack of relevant experience. All instructions provided by the consultant shall be in writing (with copies to the Corporation and to the County), and the Corporation shall be required to follow all such instructions; provided that such instructions are consistent with (i) all applicable law including, without limitation, Title 6 of Article 10-C of the Public

Authorities Law and (ii) the mission statement and bylaws of the Corporation. The Corporation and the County shall have equal access to the consultant. The County shall have the right to monitor in any reasonable manner the Corporation's compliance with the instructions of the consultant and to receive copies of all materials, including but not limited to all correspondence, reports, and other writings, received or produced by the consultant and to receive copies of all writings provided by the consultant to the Corporation at the same time the Corporation receives such writings. The consultant and the County shall each use commercially reasonable efforts consistent with applicable law to preserve the confidentiality of information provided by the Corporation. The Corporation shall pay all fees and expenses of the consultant. If the consultant concludes at any time that the Corporation is not likely to be able to satisfy six of the ten the requirements within six months of the date of his reaching such a conclusion, the consultant shall advise the Corporation and the County of that conclusion in writing.

(c) The County agrees to make any reasonable modifications to the provisions of Section 12.8(a) if such reasonable modification is required by one or more lenders and is reasonably necessary for the Corporation to obtain financing from such lenders.

(d) The Financial Measures Disclosure Statement shall be certified by the Corporation's Chief Financial Officer and Chief Executive Officer as of the date the Financial Measures Disclosure Statement is submitted by the Corporation to the County. The certification shall include the following statements:

(i) that the Financial Measures Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make

the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered;

(ii) that the financial statements, and other financial information included in the Financial Measures Disclosure Statement fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of, and for, the periods presented in the Financial Measures Disclosure Statement;

(iii) that the Corporation's Chief Executive Officer and Chief Financial Officer have evaluated the Corporation's disclosure controls and procedures as of a date within 90 days of the Financial Measures Disclosure Statement and have concluded that as of the evaluation date, the disclosure controls and procedures were adequate to ensure that material information relating to the Corporation was made known to the officers by others within the Corporation; and

(iv) that there have been no significant changes in the Corporation's internal controls or in other factors that could significantly affect such controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Section 12.9 Worker's Compensation and Casualty Reserves. In accordance with Section 2.3(a) of this Agreement, the Parties acknowledge that the County shall remain responsible for certain claims, contingencies and liabilities occurring before the Effective Date of the Sale. The County has, in accordance with law, maintained reserve funds for casualty and compensation-related claims, contingencies and liabilities and will retain those funds to satisfy (in whole or in part) the claims, contingencies and liabilities for which it remains responsible.

Therefore, the Corporation is not obligated to indemnify or otherwise protect the County as called for by section 3632(8)(b) of the Act.

Section 12.10 Indemnification. The Corporation shall defend, indemnify and hold harmless the County, its officers, elected and appointed officials, employees and agents from and against any and all claims, actions, causes of action, suits, debts, obligations, liabilities, fees, costs and expenses (including without limitation all reasonable fees and expenses of attorneys, experts and other professionals, regardless of whether or not litigation is commenced), incurred by the County as a result of, or otherwise in connection with, the County's credit support and/or other obligations of the Corporation as described in this Agreement (i) except to the extent such claims, actions, causes of action, suits, debts, obligations, liabilities, fees, costs and expenses are due to the negligence or willful misconduct of the County, its officers, elected and appointed officials, employees or agents; and (ii) except as provided in Section 3.1 of this Agreement. The foregoing indemnification shall be in addition to, and not in lieu of, any right of contribution, indemnification or subrogation that the County may have under other agreements or under applicable law or in equity.

ARTICLE THIRTEEN NOTICES

Section 13.0 How and When Given. Unless otherwise provided in this Agreement, any notice, demand, request, submissions, approvals, consents, disapprovals or other communications or documents ["Notice"] that, under the terms of this Agreement or under any statute must or may be given, delivered, served or made by the Parties, must be in writing and must be given or made by personal delivery or by mailing the same by registered or certified

mail, return receipt requested, or by nationally-recognized overnight courier service, addressed as follows:

If to the County:

County Executive
County of Erie
Rath County Office Building
95 Franklin Street
Buffalo, New York 14202

with a copy to:

Chair
Erie County Legislature
County Office Building
Buffalo, New York 14202

with a copy to:

County Attorney
County of Erie
69 Delaware Avenue
Buffalo, New York 14202

and if to the Corporation:

Chief Executive Officer
Erie County Medical Center Corporation
462 Grider Street
Buffalo, New York 14215

with a copy to:

Chairperson, Board of Directors
Erie County Medical Center Corporation
462 Grider Street
Buffalo, New York 14215

with a copy to:

Director of Strategic Planning
Erie County Medical Center Corporation
462 Grider Street
Buffalo, New York 14215

with a copy to:

Anthony J. Colucci, III
Colucci & Gallaher, P.C.
2000 Liberty Building
Buffalo, New York 14202

or to such other addresses as either party may hereinafter designate by written notice.

Any Notice given hereunder personally shall be deemed delivered upon receipt. Mail notices shall be deemed received three (3) business days after deposit in a United States mailbox, postage prepaid. Any notice given by nationally recognized overnight courier services shall be deemed given one (1) business day after delivery to such overnight courier service.

ARTICLE FOURTEEN MISCELLANEOUS

Section 14.0 Further Approvals Not Required. Nothing contained in this Agreement shall be construed to require approval by the County of any capital project of the Corporation that is not funded, in whole or in part, by County Bonds or Tobacco Proceeds or the submission, review or approval by the County of any business plan, marketing strategy, operations or conduct of the Corporation or its personnel, or the Corporation's selection of any particular vendor or technology, or the Corporation's award of any contract in accordance with applicable law, it being the intent of the Parties that such matters shall be subject to the sole discretion of the Corporation.

Section 14.1 Headings. Subject headings are included for convenience only and shall not affect the interpretation of any provisions of this Agreement.

Section 14.2 Assignment and Successors. Neither the Corporation nor the County shall assign any rights or delegate any duties hereunder without the prior written consent of the other.

Section 14.3 Counterparts. This Agreement and the other Transaction Documents may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute a single agreement.

Section 14.4 Severability. If any one or more provisions of this Agreement shall be declared illegal or unenforceable under any law, rule or regulation of any federal, state or local government or any agency or bureau thereof having jurisdiction over any of the Parties hereto, such provisions shall be modified to the extent necessary to make them enforceable and such illegality or unenforceability shall not effect the validity and enforceability of the other provisions hereof.

Section 14.5 No Prejudice. This Agreement has been jointly prepared by the Partics hereto and the terms hereof shall not be construed in favor of or against any party on account of its participation in such preparation.

Section 14.6 Amendment and Modification. This Agreement may be amended only by written agreement executed by the Parties.

Section 14.7 Waiver. At any time prior to the Closing, the Corporation on the one hand or the County on the other may (i) extend the time for the performance of any of the obligations or other acts of the other, (ii) waive any inaccuracies in the representations and warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement, and (iii) waive compliance with any of the agreements or conditions of the other contained in this Agreement. Any agreement on the part of either party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or future failure.

Section 14.8 Entire Agreement. This Agreement and the other Transaction Documents constitute the entire agreement among the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements (whether written or oral) among the Parties.

Section 14.9 Gender and Number. Unless the context otherwise requires, when used in this Agreement, the singular includes the plural and vice versa, and the masculine includes the feminine and neuter and vice versa.

Section 14.10 Non-Liability for Breach. Notwithstanding anything contained to the contrary in this Agreement, whether express or implied, no director, officer, partner, advisor, attorney, agent, employee, subcontractor, or representative of either Party shall be charged personally or held contractually liable by or to the other party under any term or provision of this Agreement or of any supplement, modification or amendment to this Agreement or any other Transaction Document, because of any breach thereof, or because of his, her or their execution or attempted execution of same.

Section 14.11 Governing Law. This Agreement, and the other Transaction Documents, and all exhibits, schedules and other documents delivered pursuant to this Agreement and made a part hereof, shall be governed by and construed and enforced in accordance with the laws of the State of New York applicable to contracts made and to be performed therein.

Section 14.12 Arbitration. Except as otherwise expressly provided in this Agreement, in the event of any dispute between the Parties which concerns the subject matter of this Agreement and/or the Transaction Documents, the Parties agree that the exclusive method of resolving such dispute shall be binding arbitration at a location in Erie County, and not submission to any state or federal court, conducted in the manner specified in this Section as follows:

(a) The party desiring such arbitration shall give notice to that effect to the other party and shall in such notice appoint a disinterested person as arbitrator on its behalf.

Within fifteen (15) days thereafter, the other party shall by written notice to the original party appoint a second disinterested person as arbitrator on its behalf with respect to the issue subject to arbitration. If the second arbitrator shall not have been appointed in this manner, the first arbitrator shall proceed to determine such matter. The first and second arbitrators, within thirty (30) days after the appointment of the second arbitrator, shall agree on, and obtain the acceptance of the appointment of a third arbitrator. The three arbitrators shall determine such matter, as promptly as possible, and in every case such determination shall be made within thirty (30) days after all required evidence and testimony has been presented or within one hundred eighty (180) days after the third arbitrator has been appointed, whichever date is earlier. If the Parties shall be unable to agree on the appointment of a third arbitrator within such thirty (30) day period, either party shall apply for such appointment to a justice of the Supreme Court of the State of New York, County of Erie.

(b) If a third arbitrator is appointed, the determination of the majority of the arbitrators shall be conclusive and binding upon the Parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrators shall give written notice to the Parties stating their or his determination, and shall furnish to each party a signed copy of such determination. Any arbitration shall be conducted in accordance with the rules of expedited arbitration of the American Arbitration Association, as then in effect.

(c) Each party shall pay the fees and expenses of the arbitrator appointed by such party and one-half of the fees and expenses of the third arbitrator, if any. In addition, the Parties shall share equally in the cost of court reporters, transcripts and any other similar fees associated with the administration of the arbitration. The arbitrator(s) shall have the authority, but not the obligation, to award reasonable attorney's fees and costs to the prevailing party.

(d) The procedures set forth in this Section shall be the sole and exclusive procedures for resolving any dispute; however, either party may initiate litigation in a state or federal court in Erie County to obtain a temporary injunction or other preliminary relief where necessary to preserve and/or protect the interests of the Parties to prevent irreparable injury or to preserve the status quo pending the completion of these procedures.

Section 14.13 No Joint Venture. The Parties hereto state that they have not created and do not intend to create by this Agreement a joint venture or partnership relationship between them.

IN WITNESS WHEREOF, this Agreement has been executed and approved by the undersigned on the dates appearing beneath their respective signatures.

THE COUNTY OF ERIE

By: _____
Joel A. Giambra
Erie County Executive

APPROVED AS TO FORM:

By: _____
Frederick A. Wolf
Erie County Attorney

ECMC CORPORATION

By: _____
Jody L. Lomeo
Chair, Board of Directors

IN WITNESS WHEREOF, this Agreement has been executed and approved by the undersigned on the dates appearing beneath their respective signatures.

THE COUNTY OF ERIE

By: _____

Joel A. Giambra
Erie County Executive

APPROVED AS TO FORM:

By: _____

Frederick A. Wolf
Erie County Attorney

Erie County Medical Center Corporation
~~ECMC CORPORATION~~

By: _____

Jody L. Lomeo
Chair, Board of Directors

SCHEDULE A THROUGH SCHEDULE K OF THE

SALE, PURCHASE AND OPERATION AGREEMENT,

DATED AS OF JANUARY 1, 2004,

ARE ON FILE AT THE FOLLOWING OFFICES:

ERIE COUNTY MEDICAL CENTER CORPORATION,

OFFICE OF THE ERIE COUNTY COMPTROLLER,

OFFICE OF THE ERIE COUNTY EXECUTIVE,

THE BANK OF NEW YORK,

CITIGROUP GLOBAL MARKETS INC.,

AND

HAWKINS DELAFIELD & WOOD LLP