

Intergovernmental Cooperation Agreement

between

The County of Erie

and

The Erie Municipal Airport Authority

This Intergovernmental Cooperation Agreement (the "Agreement") is entered into by and between the County of Erie, Commonwealth of Pennsylvania (the "County") and the Erie Municipal Airport Authority (the "Authority").

Recitals

WHEREAS, the County, the Authority and the City of Erie, Pennsylvania (the "City") have entered into a certain Memorandum of Understanding dated April 16, 2008 (the "MOU");

WHEREAS, the purposes of the MOU were to set forth, in general terms, the process by which, among other things, (1) the County would provide certain funds to the Authority to serve as the local match to federal and state funds that would be used for the construction of a 1920 foot airport runway extension (the "Project"), (2) the Authority would commit to providing certain funds for the construction of the Project; and (3) the County, the City and the Authority would cause the Authority to be re-structured so that the County would have representation on the Board of the Authority;

WHEREAS, the completion of the Project will require the Authority to acquire certain rights upon and across a portion of the facility commonly known as the Millcreek Golf and Learning Center (the "MGLC") which is located at the east end of the current airport runway;

WHEREAS, MGLC is owned by Millcreek Township, Erie County, Pennsylvania (the "Township");

WHEREAS, it may be possible to reduce the costs of the Project by causing the City to transfer to the Township property owned by the City which is commonly known as the Erie Golf Club ("EGC"), either (1) in exchange for those easement rights upon and across that portion of MGLC (the "MGLC Land") which is necessary for the Project to be completed and/or (2) in consideration for the easement rights upon and across the MGLC Land to the Authority by the Township;

WHEREAS, the terms and conditions under which the City and the Township would be willing to exchange the easement rights at the MGLC Land for EGC have not been completed or agreed upon;

WHEREAS, the Authority and the County desire to enter into this Agreement for the purposes of (1) moving the Project forward, regardless of whether the exchange of the easement rights at the MGLC Land and EGC between the Township and the City should occur, and (2) enabling the Authority to facilitate the exchange of the easement rights at the MGLC Land and EGC between the City and the Township, if such exchange can be accomplished on terms which are mutually beneficial and acceptable to the City, the County, the Authority and the Township.

NOW, THEREFORE, and intending to be legally bound hereby, the parties agree as follows:

I. Definitions

1. Definitions.

1.1 Generally. Unless the context clearly otherwise requires, for purposes of this Agreement, the following terms shall have the meanings set forth in Section 1.1.1 through 1.1.18, below.

1.1.1 Act. The term "Act" mean the Municipality Authorities Act, 53 Pa. P.S.A. §§ 5601, *et seq.*, as amended.

1.1.2 Authority. The term "Authority" means the Erie Municipal Airport Authority.

1.1.3 Authority Construction Fund. The term "Authority Construction Fund" means the fund established from the \$6 million contribution of the Authority for the purpose of funding the Project. The Authority Construction Fund shall be a segregated account and shall be subject to the provisions of this ICA and the PFC Use Approval.

1.1.4 Bond Documents. The term "Bond Documents" means the debt ordinances, indentures, tax certificates, and other documents issued or promulgated in conjunction with, or which otherwise govern: (1) the Bonds and the proceeds thereof; and/or (2) any other bonds, the proceeds of which are used in whole or in part, to refund the Bonds.

1.1.5 Bonds. The term "Bonds" means the bonds described in Section 2.1, below, which are to be issued by the County to fund the County Construction Fund.

1.1.6 City. The term "City" means the City of Erie, Pennsylvania.

1.1.7 Code. The term "Code" means the Internal Revenue Code of 1986, as amended, and all regulations, revenue rulings, revenue procedures, and similar binding guidance issued thereunder.

1.1.8 County. The term "County" means the County of Erie, Pennsylvania.

1.1.9 Construction Fund. The term "Construction Fund" means, collectively, the County Construction Fund and the Authority Construction Fund.

1.1.10 County Construction Fund. The term "County Construction Fund" means the fund established from the proceeds of the Bonds for the purpose of funding the Project. The Construction Fund shall be a segregated account and shall be subject to the provisions of this ICA and the Bond Documents.

1.1.11 EGC. The term "EGC" means that real property which is located in the Township at 6050 Zuck Road, which is owned by the City, and which is commonly known as the Erie Golf Club.

1.1.12 Excess Funds. The term "Excess Funds" means: (1) in the event that the Project is completed in its entirety or the Project is terminated or abandoned prior to its completion, any funds remaining in the Construction Fund; and (2) end-of-Project savings and/or reimbursements, as more specifically described in Section 4.5.2, below.

1.1.13 MGLC. The term "MGLC" means that real property which is located in the Township at 3100 West 17th Street which is owned by the Township and which is commonly known as the Millcreek Golf and Learning Center.

1.1.14 MGLC Land. The term "MGLC Land" means that portion of MGLC which is necessary and convenient to the completion of the Extension. The term MGLC Land also includes: (1) any rights in real property, including, without limitation, rights-of-way and easements of any nature; and (2) relocation or reconfiguration costs and activities with respect to MGLC which arise out of, or relate to, the completion of the Project.

1.1.15 MOU. The term "MOU" means the Memorandum of Understanding dated April 16, 2008 by and among the City, the County and the Authority.

1.1.16 Project. The term "Project" means, collectively: (1) the rehabilitation and extension of the existing runway; (2) the currently planned 1920 foot Erie airport runway extension; and (3) all activities related to such rehabilitation and extension. Such activities include, but are not limited to: (1) the rehabilitation and extension of the existing runway; (2) land acquisition; (3) environmental remediation; (4) construction activities; (5) acquisition and installation of equipment; (6) if appropriate, facilitation of (a) the exchange easement rights at the MGLC Land for EGC between the Township and the City, and/or (b) the transfer of EGC to the Township in consideration for the transfer of the easement rights at MGLC Land to the Authority by the Township and/or the waiver by the Township of the right to require the Authority to relocate or reconfigure portions of MGLC; and (7) professional services associated

with any of the foregoing, including, without limitation, legal, architectural, consulting, appraisal and environmental services.

1.1.17 PFC Use Approval. The term "PFC Use Approval" means the application approved by the FAA authorizing the Authority's use of its Passenger Facility Charges as collateral for financing to fund the Authority Construction Fund in the amount of \$6 million.

1.1.18 Township. The term "Township" means Millcreek Township, Erie County, Pennsylvania.

1.2 Number. For purposes of this Agreement, the singular shall include the plural and the plural the singular, as the context may require.

1.3 Statutory References. References to statutes, regulations and similar items shall be deemed to be references to such items as currently or hereafter amended, including any recodifications of the same.

1.4 Captions. Captions and headings in this Agreement are for convenience only and shall not be construed as limiting, expanding or otherwise modifying the substantive provisions of this Agreement.

1.5 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof, and supersedes all prior agreements, understandings and/or negotiations between the parties. To the extent that the provisions of this Agreement and the MOU may conflict, the provisions of this Agreement shall govern. This Agreement may not be amended except by a writing executed by authorized representatives of each party.

1.6 Conformity With the Code. Unless the context clearly otherwise requires, terminology relating to the Bonds shall be interpreted in a manner which is consistent with the relevant definitions of such terms under the Code. In particular, and without limitation, the terms "proceeds" or "proceeds of the Bonds" shall have such meanings as are assigned to such terms under the Code.

II. Obligations of the County

2. Obligations of the County

2.1 Funding - Issuance of Bonds by the County

2.1.1 Generally. Subject to the terms, conditions, limitations and contingencies of this Agreement, the County shall fund the Construction Fund with funding in the amount of \$21.5 million. It is presently contemplated by the parties that this amount of funding shall be accomplished by the issuance of tax exempt bonds by the County (the "Bonds") which are not classified as private activity bonds under the Code. Notwithstanding the foregoing, the County

reserves the right, in the County's sole discretion, to fund the amount described in this Section 2.1.1 through sources other than bond proceeds and/or a combination of bond proceeds and other sources.

2.1.2 Use of Proceeds of the Bonds. The proceeds of the Bonds shall be used solely for the payment of the costs of issuance of the Bonds and to fund the County Construction Fund as described in Section 2.1.1, above.

2.1.3 Time. The funds described in Section 2.1.1 shall be deposited in the County Construction Fund by the County on or before August 1, 2008, subject to the provisions of Section 4.4.1 below.

2.1.4 Terms and Conditions of the Bonds. The terms and conditions of the Bonds shall be those terms and conditions which the County, in its sole discretion, may determine to be appropriate. The County shall have the right to refund the Bonds, in whole or in part, at any time and from time to time, upon such terms and conditions as the County, in its sole discretion, may determine.

2.2 Re-Structuring of the Authority.

2.2.1 Generally. The parties have agreed that the Authority shall be re-structured as a joint authority of the City and the County within the meaning of Section 5604 of the Act. The Board of the re-structured Authority shall have nine members, five of which shall be appointed by the City and four of which shall be appointed by the County in accordance with the provisions of the Act and such other laws and internal procedures as are applicable to the City and the County, respectively.

2.2.2 Procedure for Re-structuring. The Authority shall be re-structured by: (1) causing the County to join the Authority in the manner prescribed by Section 5604 of the Act; and (2) amending and restating the Articles of Incorporation of the Authority in the substantial form set forth in Exhibit A hereto, as provided in Section 5605 of the Act.

2.2.3 Obligations of the County. The County shall promptly take such actions as are necessary to re-structure the Authority in the manner described in this Section 2.2.

III. Limitations on Use of County Funding by Authority

3. Limitations on Use of County Funding by Authority.

3.1 Generally. The funding described in Section 2.1, above, shall be used solely for the purpose of paying reasonable costs lawfully incurred by the Authority with respect to the Project.

3.2 Compliance With the Code. The Authority and the County acknowledge that: (1) interest paid on the Bonds is intended to be exempt from federal income taxation under the Code; (2) the Bonds shall not be classified as private activity bonds under this Code; and (3) the Code places certain requirements and restrictions on such bonds in order to qualify and maintain such bonds as tax exempt under the Code. The parties therefore agree that, notwithstanding any other provision of this Agreement or the MOU, no action shall be taken, and no use of the proceeds of the Bonds shall be made, which would cause interest on the Bonds to become taxable under the Code. In this regard, the Authority covenants and agrees to abide by, and otherwise conform its conduct to: (1) all applicable provisions of the indentures, tax certificates and other documents issued in conjunction with, or otherwise governing, the Bonds and the use of the proceeds thereof; and (2) all opinions of bond counsel retained by the County which (a) are given in conjunction with the issuance of the Bonds, and/or (b) may thereafter be given with respect to the permissible uses of the proceeds of the Bonds under the Code. In particular, and without limitation, the Authority shall structure and maintain any contractual relationships with air carriers so as to comply with the requirements set forth in 26 C.F.R. 1.141-3(f), Example 8(i), so that the Bonds shall not be classified as private activity bonds under the Code.

3.3 Construction Funds.

3.3.1 Use of County Construction Fund. Except as otherwise expressly permitted or prescribed by the Bond Documents, or as otherwise expressly permitted or prescribed by this Section 3.3, all funds deposited into the County Construction Fund and any earnings thereon shall be used solely for the purpose of paying the costs of the Project. In no event shall such funds be used for any other purpose or in any manner which is prohibited by the Bond Documents.

3.3.2 Use of Authority Construction Fund. Except as otherwise expressly permitted or prescribed by this Section 3.3, all funds deposited into the Airport Construction Fund and any earnings thereon shall be used solely for the purpose of paying the costs of the Project. The use of such funds shall be subject to such procedures, and subject to such requirements, as are prescribed or otherwise required by the PFC Use Approval.

3.3.3 Authority Draws on the County Construction Fund. Subject to the terms, conditions and contingencies of this Agreement, the Authority shall be permitted to draw on the County Construction Fund to pay the costs of the Project in accordance with such procedures, and subject to such requirements, as are prescribed or otherwise required by the Bond Documents. Unless otherwise waived by the County, such procedures shall include the

requirement that all expenditures from the County Construction Fund be approved by the County, which approval shall not be unreasonably withheld.

3.3.4 Authority Draws on the Authority Construction Fund. Subject to the terms, conditions and contingencies of this Agreement, the Authority shall be permitted to draw on the Authority Construction Fund to pay the costs of the Project in accordance with such procedures, and subject to such requirements, as are prescribed or otherwise required by the PFC Use Approval. The Authority shall provide monthly reports to the County of Authority draws on the Authority Construction Fund.

3.3.5 Pro Rata Draws on Construction Funds. Authority draws for all Project costs other than those costs set forth in Section 3.3.6 of this Agreement shall be done in a pro rata manner from each of the Authority and County Construction Funds. The Parties presently contemplate and therefore acknowledge that the PFC Use Approval will not permit the costs associated with the expenditures described in Section 3.3.6 of this Agreement to be drawn from the Authority Construction Fund. No disbursement shall be made from the County Construction Fund unless and until the Authority Construction Fund is fully funded pursuant to the terms of this Agreement.

3.3.6 Additional Requirements for Certain Expenditures Relating to MGLC Land.

3.3.6.1 Generally. The Authority and the County acknowledge the following: (1) completion of the Project will require the acquisition of easement rights at MGLC Land on terms and conditions satisfactory to the Authority and the Township; (2) the acquisition of easement rights at MGLC Land by the Authority may, possibly, be facilitated by the exchange of easement rights at MGLC Land for EGC between the Township and the City and/or the transfer of EGC to the Township in consideration for the transfer of easement rights at MGLC Land to the Authority by the Township; (3) the City and the Township have not agreed upon the terms and conditions under which EGC shall be transferred to the Township in consideration for the transfer of easement rights at MGLC Land to the Authority; and (4) the execution and delivery of this Agreement, and the commencement of the Project, should not be delayed pending the resolution, if any, of the negotiations between the City and the Township regarding the transfer of EGC to the Township by the City. The Authority and the County therefore agree that: (1) subject to the approving opinion of bond counsel for the County and compliance with the Bond Documents, payments from the County Construction Fund to the Township to acquire easement rights at MGLC Land and/or payments to the City and/or the Township in consideration for causing the City to transfer EGC to the Township and the Township to transfer easement rights at MGLC Land to the Authority, shall be considered costs of the Project which may be funded from the County Construction Fund; and (2) no disbursement shall be made from the County Construction Fund to the City or Millcreek for the purpose of acquiring, or otherwise facilitating the acquisition of, easement rights at MGLC Land in exchange for the transfer of EGC to the Township, without the prior written consent of the County; and (3) the obligation of the County to make any disbursement from the County Construction Fund to the City or Millcreek for the purpose of acquiring, or otherwise facilitating the acquisition of easement rights at MGLC Land in exchange for the transfer of EGC to the

Township is contingent upon the City and the Township finalizing a written agreement for the same not later than September 15, 2008; and (4) no disbursement shall be made from the County Construction Fund to the City or Millcreek for the purpose of acquiring, or otherwise facilitating the acquisition of, easement rights at MGLC Land in exchange for the transfer of EGC to the Township unless and until the Authority Construction Fund is fully funded pursuant to the terms of this Agreement.

3.3.6.2 Certain Limitations. Payments made to the City and/or the Township, as described in Section 3.3.6.1, above, shall not exceed the lesser of: (1) \$2.21 million dollars; or (2) the amount of cost savings achieved with respect to the Project by causing the City to transfer EGC to the Township in consideration for the waiver by the Township of its rights to require the Authority to acquire rights with respect to, and/or reconfigure, MGLC, as part of the Project. For the avoidance of doubt, the parties hereby acknowledge and agree that any payment which is made to the City or the Township, as described in Section 3.3.6.1, above, or otherwise, must not result in any net increase in the overall costs of the Project as compared to the costs which would otherwise have been incurred had no such payment been made.

3.3.7 Disposition of Excess Funds. In the event that there are Excess Funds following completion of the Project or the termination or the abandonment of the Project, such Excess Funds shall be made available to the County and the Authority in the following proportions: (1) 75% to the County; and (2) 25% to the Authority. The expenditure of all such funds shall be subject to any restrictions or requirements set forth in the Bond Documents and to an approving opinion of bond counsel for the County. In no event shall Excess Funds be used by either the County or the Authority in a manner which would adversely affect the tax-exempt status of the Bonds under the Code or would violate the provisions of the PFC Use Approval.

3.3.8 Disposition of Funds Upon Termination of this Agreement. In the event that this Agreement is terminated, any funds then remaining in the Construction Fund shall be treated as Excess Funds and shall be handled in the manner set forth in Section 3.3.7, above.

IV. Obligations of the Authority

4. Obligations of the Authority.

4.1 Generally. The Authority covenants and agrees that it shall at all times comply with the terms and conditions of this Agreement and, to the extent applicable to the Authority, all provisions of the Bond Documents.

4.2 Compliance With the Code. The Authority shall take no action, and shall not use the proceeds of the Bonds in any manner, which would adversely affect the tax exempt status of the Bonds under the Code. The Authority agrees to execute and deliver in conjunction with the issuance of the Bonds such tax certificates, undertakings and other instruments as may be required by the Bond Documents, or which bond counsel for the Authority may request, to assure that the Bonds shall qualify as tax exempt Bonds under the Code throughout the term of

the Bonds, including the term of any bonds which are issued for the purpose of refunding the Bonds.

4.3 Re-Structuring of the Authority. Promptly following the execution of this Agreement, the Authority shall take all actions necessary on the part of the Authority to effectuate a re-structuring of the Authority as a joint authority under the Act, as more specifically described in Section 2.2, above. In particular, and without limitation, the Authority shall, in conformity with Section 5605 of the Act, promptly adopt and forward to the City and the County a resolution in the substantial form attached hereto as Exhibit A. The Authority shall thereafter, and from time to time, take such additional actions as may be reasonably requested by the County to effectuate the re-structuring of the Authority as a joint authority of the City and County as contemplated by this Agreement.

4.4 Funding of Authority Construction Fund.

4.4.1 Generally. Subject to the terms, conditions, limitations and contingencies of this Agreement, the Authority shall fund the Authority Construction Fund in the amount of \$6 million. It is presently contemplated by the Authority that this funding shall be secured by Passenger Facility Charges ("PFCs") collected by the Authority. The Parties acknowledge that the PFC-backed financing may require a PFC Use Approval from the FAA. The Authority shall act with reasonable diligence and shall utilize its best efforts to fund the Authority Construction Fund prior to obtaining the PFC Use Approval. However, in the event that the Authority does not receive the PFC Use Approval on or before August 1, 2008, and/or in the event the Authority is not able to fund the Authority Construction Fund despite its best efforts prior to August 1, 2008, without regard to whether or not it has obtained the PFC Use Approval, the Authority shall be granted a reasonable extension of time to comply with its obligations hereunder. Notwithstanding the foregoing, the Authority shall fund the Authority Construction Fund in the amount of \$6 million no later than January 15, 2009. In the event that the Authority is not able to fund the Authority Construction Fund prior to August 1, 2008, the County shall be afforded a commensurate extension of time to fund the County Construction Fund. It is the expressed intention of the parties that the County Construction Fund and the Authority Construction Fund be funded at approximately the same point in time.

4.4.2 Time. The funding described in Section 4.4.1, above, shall be deposited into the Authority Construction Fund by the Authority on or before August 1, 2008, subject to the provisions of 4.4.1.

4.5 Certain Other Covenants of the Authority.

4.5.1 Financial Reporting. So long as the Bonds are outstanding, or so long as any bonds, the proceeds of which were used to refund the Bonds, in whole or in part, are outstanding the Authority shall cause to be delivered to the County: (1) the annual capital and operating budgets of the Authority before the commencement of the ensuing fiscal year; (2) within one hundred fifty (150) days after the end of each fiscal year, annual audited financial statements for the Authority for and as of the end of such year, which shall be prepared by an independent certified public accountant acceptable to the County, and shall be certified as true,

correct, accurate and complete by an authorized officer of the Authority; and (3) within thirty (30) days after the end of each month, monthly financial operating report for the Authority for and as of the end of such month, including internally prepared financial statements, which are certified as true, correct, accurate and complete by an authorized officer of the Authority; and (4) such other financial information regarding the Authority as the County may reasonably request from time to time.

4.5.2 End of Project Savings or Reimbursements. In the event that (1) the Project is substantially completed or is otherwise terminated or abandoned, (2) the Authority had received or thereafter receives reimbursements or payments from the FAA, the Commonwealth of Pennsylvania, or any third party for expenditures made with respect to the Project, and (3) such reimbursements or payments are in excess of amounts which are then needed to complete the Project such that the reimbursements or payments in question are effectively surplus funds, then such reimbursements or payments shall be treated as reimbursements for expenditures which were funded from the Construction Fund. For purposes of this Agreement, such reimbursements or payments shall be treated as Excess Funds and segregated and held by the Authority in trust for the benefit of the County and the Authority. Such reimbursements or payments shall be treated as Excess Funds and shall be disbursed to the County and the Authority in conformity with the provisions of Section 3.3.7, above.

V. Contingencies

5. Contingencies.

5.1 Re-Structuring of the Authority. The obligation of the County to provide the funding described in Section 2.1, above, is contingent upon the re-structuring of the Authority as a joint authority of the County and the City under the Act, as described in Section 2.4, above, and Section 4.3, above, on or before May 1, 2008. The County shall not be obligated to provide the funding described in Section 2.1, above, unless and until the Authority is re-structured as contemplated by this Agreement.

5.2 Federal Funding for the Project. The Authority and the County acknowledge that the Project is premised on the commitment of the Federal Aviation Administration ("FAA") to provide \$47,700,000 to support the Project. The obligation of the County to provide the funding described in Section 2.1, above, is expressly contingent upon the FAA commitment remaining in effect. In the event that the FAA materially diminishes its funding commitment to the Project, the County shall not be obligated to provide the funding described in Section 2.1, above.

5.3 Approving Opinion of Bond Counsel. The obligation of the County to provide the funding described in Section 2.1, above, shall be contingent upon the receipt of an approving opinion of bond counsel for the County that the Bonds are not private activity bonds and otherwise qualify as tax exempt bonds under the Code. The County shall not be obligated to provide the funding described in Sections 2.1, above, in the event that bond counsel for the

County fails to issue an approving opinion to the effect that the Bonds are not private activity bonds and interest on the Bonds is exempt from taxation under the Code.

5.4 Material Adverse Change. The obligation of the County to provide the funding described in Sections 2.1, above, is contingent upon the requirement that no material adverse change occurs which: (1) renders the Project impractical or financially unfeasible; (2) materially increases the financial risks or projected local share of the Project; and/or (3) substantially increases the currently anticipated cost of borrowing by the County. The term "material adverse change" encompasses, without limitation, the following: (1) a material increase in the interest rates to be paid by the County on the Bonds; (2) the occurrence of any event, or the discovery of any fact, which renders the Project impractical or otherwise materially increases the cost of the Project such that the Project cannot be completed in a manner contemplated by this Agreement; and/or (3) a material reduction in funding for the Project by the FAA and/or the Commonwealth of Pennsylvania.

5.5 Funding of the Construction Fund by the Authority and the County. The obligation of the County to provide the funding described in Section 2.1, above, is contingent upon the requirement that the Authority comply with its obligations to fund the Authority Construction Fund, as set forth in Section 4.4, above. The obligation of the Authority to provide the funding described in Section 4.4, above, is contingent upon the requirement that the County comply with its obligations to fund the County Construction Fund, as set forth in Section 2.1, above.

5.6 Effect of Failure to Meet Contingency. If a contingency which is described in this Article V is not met or otherwise occurs or is present, the County may suspend its performance under this Agreement until such contingency is satisfied or is no longer occurring or is present. The time for performance of the County under this Agreement shall be extended by the time period that such contingency has not been satisfied, or is otherwise occurring or is present. In the event that the County Construction Fund shall have already been funded by the County, the County may direct that no further draws may be made on any funds in the County Construction Fund without the written consent of the County until the contingency in question has been satisfied and/or is no longer occurring or is present.

5.7 Waiver. The Authority and the County shall have the right to waive any contingency, in whole or in part. Any such waiver may be subject to such conditions, terms and limitations as may be specified by the non-waiving party, in the non-waiving party's sole discretion. A waiver of one contingency shall not be deemed to be a waiver of any subsequent contingency which may thereafter arise, occur or otherwise be present.

VI. Term and Termination; Certain Remedies

6. Term and Termination; Certain Remedies.

6.1 Term. This Agreement shall become effective upon the execution of this Agreement by authorized representatives of each party. This Agreement shall continue in effect until terminated in accordance with Section 6.2, below.

6.2 Termination.

6.2.1 Mutual Written Agreement. This Agreement may be terminated at any time by the mutual written agreement of the parties.

6.2.2 Repayment of Bonds or Completion of Project. The Agreement shall automatically terminate upon the payment in full of the Bonds such that the Bonds are considered to have been completely defeased under the terms of the Local Government Unit Debt Act, 53 Pa.C.S.A. §§ 8001 *et seq.* For purposes of this Section 6.2.2, the term "Bonds" shall include any bonds subsequently issued by the County, the proceeds of which are used, in whole or in part, to refund the Bonds.

6.2.3 Failure to Re-structure the Authority. The County shall have the right to terminate this Agreement in the event that the Authority is not re-structured as contemplated by Sections 2.2 and 4.3, above, on or before May 1, 2008. Such termination shall be effectuated by the County by giving written notice thereof to the Authority. Such right may be exercised by the County at any time following May 1, 2008 and prior to the re-structuring of the Authority as contemplated by Sections 2.2 and 4.3, above.

6.2.4 Failure of Certain Contingencies. This Agreement may be terminated by the County at any time if: (1) it becomes manifest that any contingency described in Sections 5.2, 5.3, 5.4 and/or 5.5, above, cannot be satisfied or met, or otherwise remedied, within a reasonable period of time, as reasonably determined by the County; and/or (2) any contingency described in Sections 5.2, 5.3, 5.4, and/or 5.5, above remains unsatisfied or otherwise in existence for a period of one hundred eighty (180) consecutive days after written notice is provided to the Authority. Such termination shall be effectuated by the County by giving written notice thereof to the Authority.

6.2.5 Material Breach by Authority. The County shall have the right to terminate this Agreement in the event of a material breach of this Agreement by the Authority. For purposes of this Section 6.2.5, a material breach by the Authority shall be any breach of this Agreement by the Authority which remains uncured by the Authority for a period of thirty (30) days following receipt by the Authority of a written notice of the breach from the County requesting a cure of the breach. In the event that the time reasonably required to cure a material breach exceeds thirty (30) days, the Authority shall be afforded a reasonable extension of time to cure such material breach prior to such a termination being effectuated by the County so long as the Authority is exercising good faith and reasonable diligence in its efforts to cure such material breach. Termination of this Agreement by the County shall be effectuated by giving written notice thereof to the Authority.

6.3 Non-exclusivity of Remedies. The remedy specified in Section 6.2.5, above, is not exclusive, nor shall its exercise be considered an election of remedies. In the event of a

material breach by the Authority of this Agreement, the County shall have, in addition to, and not in lieu of, the remedy specified in Section 6.2.5, above, such other remedies as may be available to the County at law or in equity. In particular, and without limitation, the County may suspend its performance under this Agreement until such breach is cured by the Authority to the satisfaction of the County. In the event that there are funds within the Construction Fund, the County may direct that no further draws may be made on any funds in the Construction Fund without the written consent of the County until such breach is cured by the Authority to the satisfaction of the County.

6.4 Remedies of Authority in Case of County Breach. In the event that the County commits a breach of this Agreement, the Authority shall not be entitled to rescind or terminate this Agreement, nor shall the Authority be entitled to suspend compliance with its obligations under this Agreement. In such case, the Authority's remedies shall be limited to such other rights and remedies as the Authority may have at law or in equity, provided, however, that the Authority shall also be entitled to the remedy of injunctive relief in response to a County breach.

6.5 Effect of Termination.

6.5.1 Generally. Except as otherwise provided herein, upon termination of this Agreement, all further obligations of the parties under this Agreement shall terminate. Notwithstanding the foregoing, all rights and obligations of the parties under this Agreement accruing prior to or upon termination of this Agreement, or resulting from the breach of this Agreement, shall survive termination of this Agreement. Those provisions of this Agreement which by their express terms or by their operation are intended to survive termination, shall survive termination. Such provisions include, but are not limited to, Article I, Article III, Section 4.1 (as to Bond Documents), Section 4.2, Section 4.5, this Article VI and Article VII.

6.5.2 Bond Documents Applicable to Authority. The termination of this Agreement shall not affect any Bond Documents or other instruments which have been executed and delivered by the Authority in conjunction with the issuance of the Bonds. All such Bond Documents and other instruments shall remain in full force and effect in accordance with their terms.

6.5.3 Construction Fund. In the event that any funds remain in the Construction Fund upon termination of this Agreement, such funds shall be expended in accordance with the provisions of Sections 3.3.74 and 3.3.8, above.

VII. Other Provisions

7. Other Provisions.

7.1 Nature of this Agreement. This Agreement is entered into pursuant to the provisions of 53 Pa. C.S.A. §§ 2301 *et seq.*, regarding intergovernmental cooperation.

7.2 Administration of Agreement.

7.2.1 By the County. The County hereby authorizes the County Executive and the Finance Director of the County to administer this Agreement on behalf of the County. The Authority may conclusively rely upon any document executed and delivered by the County Executive and/or the Finance Director of the County in conjunction with the administration of this Agreement.

7.2.2 By the Authority. The Authority hereby authorizes the Chairman of the Authority and the Executive Director of the Authority to administer this Agreement on behalf of the Authority. The County may conclusively rely upon any document executed and delivered by the Chairman of the Authority and/or the Executive Director of the Authority in conjunction with the administration of this Agreement.

7.3 Notices. Any notice required or permitted to be given by this Agreement shall be in writing and may be delivered by first class mail, hand delivery, and/or electronic transmission to the following addresses:

If to the County: County of Erie
140 West 6th Street
Erie, PA 16501
E-mail address: jsparber@eriecountygov.org
Attention: Finance Director

If to the Authority: Erie Municipal Airport Authority
4411 West 12th Street
Erie, PA 16505
E-mail address: croddgers@erieairport.org
Attention: Executive Director

Any such notice shall be effective upon receipt. The address for a party may be changed by that party by giving notice thereof to the other party as provided in this Section 7.3.

7.4 Counterparts. This Agreement may be executed in multiple copies, each of which shall for all purposes constitute one agreement.

7.5 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without reference to any applicable principles of conflicts of law which would direct the application of the laws of another jurisdiction.

7.6 Assignment. The rights and obligations of the parties to this Agreement may neither be assigned nor delegated by a party to any other person without the prior written consent of the other party.

7.7 No Waiver, Conditions to Waivers and Consents. The failure of a party to insist upon strict performance of a covenant hereunder or any obligation hereunder shall not be construed as a waiver of such party's right to demand strict compliance therewith in the future. The County shall be entitled to make any waiver or consent which it may give under this Agreement subject to such terms, conditions and limitations as the County, in its discretion, may prescribe.

7.8 Relationship of the Parties. The parties are strictly independent contractors with respect to one another. Nothing in this Agreement shall be construed as creating a partnership, joint venture, principal-agent or other relationship between the parties other than that of independent contractors, or otherwise rendering one party responsible for the debts or obligations of the other party. Neither party shall have the power under this Agreement to bind the other party.

7.9 Indemnification. The Authority shall defend, indemnify and hold the County harmless with respect to any claims which are made against the County by any third party which arise out of, or otherwise relate in any way to, the performance or execution of the Project by the Authority or any person or entity acting on behalf of the Authority. The obligation of the Authority under this Section 7.9 shall be applicable regardless of whether the claim in question is characterized as arising in contract, tort, strict liability, statutory liability (including, without limitation, liability under any environmental, occupational safety or similar law), or otherwise.

7.10 Project Labor Agreement. Subject to any applicable laws and regulations, the Authority shall negotiate and enter into a project labor agreement with respect to the Project so as to minimize the possibility of any delays in the completion of the Project due to labor stoppages or other labor related problems. The terms and conditions of the project labor agreement shall be subject to the approval of the County, which approval shall not be unreasonably withheld.

7.11 Project Monitoring. The County and the Authority agree that representatives of the County and the Authority shall meet on a periodic basis to monitor and discuss the progress of the Project. Such meetings shall occur no less frequently than once every three months. Such meetings shall include, without limitation: (1) a review of Project expenditures to date; (2) a review of the budget for the Project, taking into account expenses already incurred and projected costs of completion; and (3) a review of any other matters pertinent to the Project.

IN WITNESS WHEREOF, the duly authorized representatives of the parties have executed this Agreement.

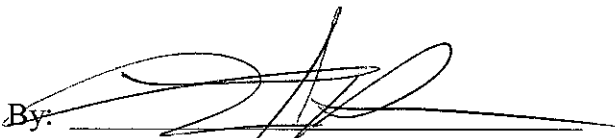
COUNTY OF ERIE

Date: _____

By: 
Mark A. DiVecchio, County Executive

ERIE MUNICIPAL AIRPORT AUTHORITY

Date: _____

By: 
Louis Porreco, Chairman

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