

Issue Date: January 25, 2012

Due Date: February 15, 2012 at 5 PM EST



REQUEST FOR EXPRESSIONS OF INTEREST

CITY OF PHILADELPHIA, PENNSYLVANIA

**DIRECT PAY LETTERS OF CREDIT AND
ALTERNATIVE VARIABLE RATE FINANCINGS**

**AIRPORT REVENUE BONDS
Commercial Paper Program and
Sinking Fund Reserve**

and

**PHILADELPHIA GAS WORKS
Revenue Notes, CP Series G**

The City of Philadelphia, Pennsylvania (the "City"), via a competitive process, is hereby seeking proposals for the provision of Irrevocable Direct Pay Letters of Credit (the "Facilities") to provide:

- (i) credit enhancement and liquidity for its Airport Commercial Paper Program ("Airport CP Program"),
- (ii) funding for the Parity Sinking Fund Reserve associated with the Airport Series 1998B Bonds, and
- (iii) credit enhancement and liquidity for its Gas Works Revenue Notes, CP Series G, the commercial paper program of the Philadelphia Gas Works (the "PGW CP Program").

Alternative Variable Rate Financing Proposals

The City encourages proposals for alternative variable rate refinancing structures outside of a Direct Pay Letter of Credit. Alternative Bank Facility Financings would include private placement index notes or direct loans. Firms that are authorized underwriters in the current pools (as the City currently has not yet chosen new underwriting pools pursuant to an active RFQ for underwriting services, "authorized underwriters" are those in the prior active pool) for the relevant credits may also submit public-market variable rate proposals. Any alternative proposal submitted should be detailed, including pricing, terms and condition, and should also indicate whether the proposal is a firm offer.

Airport Commercial Paper Program

The Airport CP Program will be used as an interim financing tool to fund capital improvement projects and the Capacity Enhancement Program (defined herein). Projects funded with CP proceeds will have received majority-in-interest (“MII”) approval from the Signatory Airlines, if applicable, and/or the Airport CP Program amounts will have been certified by the airport feasibility consultant to be in compliance with the Additional Bonds Test (“ABT”) under the General Airport Revenue Bond Ordinance. Initial draws on the CP will be used for projects that previously have received MII approval from the Signatory Airlines. The CP will be on a parity lien with the outstanding Airport Revenue Bonds and will consist of up to three sub-series for tax exempt, AMT and taxable CP. Any Alternative Financing Proposal must also be on a parity lien with outstanding Airport Revenue Bonds. The Airport CP Program is expected to be established on or around April 19, 2012 and will have a final maturity date of 30 years from the initial issuance of CP. The maximum principal amount of the Airport CP Program initially will be \$350 million, and the City is seeking LOC capacity of up to this amount.

Airport Parity Sinking Fund Reserve

Upon the issuance of the Airport Series 1998B Bonds, an irrevocable surety bond was obtained from FGIC to satisfy the funding requirement for the Parity Sinking Fund Reserve Account. This FGIC surety was subsequently reinsured by MBIA. Due to the subsequent downgrades of the credit ratings of FGIC and MBIA, the City entered into an agreement with an LOC provider, whereby the LOC provider issued a letter of credit (“Sinking Fund Letter of Credit”) which is available to be drawn upon in the event that MBIA, fails to honor a demand for payment pursuant to the terms of the surety bond. The existing Sinking Fund Reserve Letter of Credit expires on June 6, 2012. A sinking fund reserve letter of credit to be procured through this REI will be deposited to the Parity Sinking Fund Reserve Account. The current amount of the Sinking Fund Reserve Letter of Credit is \$33,106,333.42.

The Reimbursement, Credit and Security Agreement (redacted) dated as of June 9, 2008 for the existing Sinking Fund Reserve Letter of Credit is attached as Exhibit B. While prospective providers have the opportunity to submit comments (see Exhibit A-1 - “Fee Proposal Form”, specifically Sections 3.3 and 3.4, herein) the City proposes to use this document in substantially the same form.

Airport Capacity Enhancement Program (“CEP”)

Over the next several years, the City expects to undertake certain Airport capital improvements. The CEP provides for a new runway, which will allow independent simultaneous aircraft operations in poor weather conditions to significantly reduce delays; two runway extensions; enlarging and reconfiguring the existing terminal complex; relocating several off-airport facilities; developing a centralized ground transportation center; developing additional parking facilities; and constructing an automated people mover for the transport of passengers between terminals that will interface with the existing SEPTA rail line. The cost of the CEP is estimated to be \$6.4 billion in 2010 dollars and the total period for the phased construction is anticipated to be approximately 13 calendar years in duration, lasting from 2013 through 2025. The implementation of CEP or other near term projects and the issuance of additional bonds for their financing are subject to, among other requirements, obtaining MII approval from the Signatory Airlines and meeting the ABT requirements of the General Airport Revenue Bond Ordinance. Such future capital improvement projects will be initiated only in response to identified requirements or demand and as economically justified. The City has not committed to issuing any additional bonds to finance the capital program.

As part of the extension of the term of the Airline Lease Agreement to June 30, 2013, the Airport has received MII approval from the signatory airlines for \$250 million of CEP enabling projects. Further, to date, the Airport has received but not yet used any of its MII approval for certain other capital projects.

PGW Commercial Paper Program

In connection with the PGW CP Program, the City is seeking LOC capacity of up to \$90 million. The PGW CP Program is currently supported by three LOCs in the total aggregate amount of \$60 million. The current LOCs expire June 1, 2012. PGW has built up its internal cash position; accordingly, except for the nominal amount issued to effectuate the commencement of the CP Program in June 2010, there has been no CP outstanding since May 14, 2009. PGW’s preliminary 3-year forecast does not project a need to draw on the CP program during the 3-year period. A five year history of PGW CP outstanding is presented below.

FY (Sept. 1 - Aug. 31)	CP Outstanding (Millions)		
	Begin FY	Maximum Outstanding	End FY
2007	\$55.0	\$149.5	\$51.6
2008	\$51.6	\$139.5	\$90.0
2009	\$90.0	\$148.0	\$0.0
2010	\$0.0	\$0.0	\$0.0
2011	\$0.0	\$0.0	\$0.0
2012	\$0.0	\$0.0 to date	-

The PGW CP Program was established in November 1983 and CP proceeds may be used (i) for the purpose of financing or refunding the Project Costs of a Project (as such terms are defined in the 2010 Ordinance) consisting of the financing of a portion of the Inventory and Receivables of PGW; and (ii) to refund Notes issued for such Project Costs. The PGW CP and amounts payable to the provider(s) of CP LOC are on parity in right of payment from Gas Works Revenues with debt service with Subordinate Bonds.

Certain of PGW’s preferred Credit Agreement provisions are attached as Exhibit C and prospective providers have the opportunity to submit comments (see Exhibit A-2 - “Fee Proposal Form”, specifically Sections 3.3 and 3.4, herein). Additional information about PGW can be accessed at the PGW website, www.pgworks.com.

For rating agency press releases, official statements and other information regarding the Airport and PGW, please see the City’s investor website at www.phila.gov/investor.

Both current and new bank facility providers are strongly encouraged to participate.

Anticipated Schedule of Events

The preliminary Schedule of Events for the proposals solicited hereby is set forth below:

Issue REI	January 25, 2012
Deadline to Submit Questions	February 1, 2012 (3PM EST)
Proposal Submission Deadline	February 15, 2012 (5PM EST)
Select Facility Providers <i>(Final award is subject to approval by the City for terms of the Facilities)</i>	On or about February 24, 2012

Proposal Information

Prospective providers who have received this document from a source other than the City, and who wish to assure receipt of any changes or additional materials related to this REI should immediately e-mail James Lanham (james.lanham@phila.gov) and provide their name, e-mail and mailing address so that amendments to the REI or other communications may be sent to them.

Please respond on behalf of your firm only. The City will not accept joint proposals.

The expenses of your proposal will not be the responsibility of the City or any of their respective counsel or advisors. The City reserves the right to waive any irregularity in any proposal, negotiate with one or more firms and to reject any or all proposals. The City reserves the right not to proceed with the execution of the Facilities.

THE CITY ENCOURAGES SUBMISSIONS BY MINORITY, WOMEN AND DISABLED OWNED FIRMS. THE CITY REQUIRES THAT ANY FIRM SELECTED TO PARTICIPATE AS PROVIDER FOR A CITY FINANCING AGREE NOT TO DISCRIMINATE NOR PERMIT DISCRIMINATION AGAINST ANY PERSON BECAUSE OF RACE, COLOR, RELIGION, NATIONAL ORIGIN, OR SEXUAL ORIENTATION. IN THE EVENT OF SUCH DISCRIMINATION, THE CITY RESERVES THE RIGHT TO TERMINATE THE FIRM'S APPOINTMENT TO THE TRANSACTION.

Proposal Submission & Deadline

Please submit your proposal via e-mail **by no later than 5:00 PM EST on Wednesday, February 15, 2012** to Nancy Winkler (nancy.winkler@phila.gov), James Lanham, (james.lanham@phila.gov) and Bhavin Patel (bhavin.patel@phila.gov). The subject line should read: REI-Submission – Direct Pay LOC – [firm name].

Your response should follow the format in **Exhibits A-1 and A-2** which are attached. THE CITY ANTICIPATES NEGOTIATING COMPLETE TERM SHEETS AFTER RESPONSES HAVE BEEN RECEIVED.

Interested parties must indicate by when they would expect to be able to receive **final credit approval**. A form of the Direct Pay Letter of Credit and Reimbursement Agreement to be entered into by the City and the Facility provider must be made available to the City promptly upon notice to the respondent that they are the apparent choice of the City.

Questions

The City will accept written questions about this REI from prospective providers. Questions will be accepted only by email to Nancy Winkler, James Lanham and Bhavin Patel at the email addresses provided previously in this REI. **The deadline for written questions is Wednesday, February 1, at 3:00 PM Eastern time.**

NO QUESTIONS ARE TO BE DIRECTED TO THE MAYOR'S OFFICE OR TO ANY OTHER CITY DEPARTMENT, AGENCY, OR PERSONNEL.

Answers to all substantive questions that are not clearly specific to the requester only will be distributed to all prospective providers who are known to have received a copy of the REI. Such distribution may include the posting of such information on the City's website: www.phila.gov/RFP.

Evaluation Criteria and Selection

Selection shall be made to the responsive and responsible provider(s) whose submission is deemed to be the most advantageous to the City, along with any relevant performance data and other information available to the City. Proposals will not be opened publicly.

Revisions to the REI

If it becomes necessary to revise this REI before the due date for proposals, amendments will be provided to all prospective providers who were sent this REI or otherwise are known by the City to have obtained this REI. Amendments made after the due date for proposals will be sent only to those providers who submitted a timely proposal.

Acknowledgment of the receipt of all amendments to this REI issued before the proposal due date must accompany the provider's proposal in the transmittal letter accompanying the proposal. Acknowledgment of the receipt of amendments to the REI issued after the proposal due date shall be in the manner specified in the amendment notice. Failure to acknowledge receipt of amendments does not relieve the provider from complying with all terms of any such amendment.

Reservations of Rights

The City reserves the right to cancel this REI, accept or reject any and all proposals, in whole or in part, received in response to this REI, to waive or permit cure of minor irregularities and to conduct discussions with any or all qualified or potentially qualified providers in any manner necessary to serve the best interests of the City. The City also reserves the right to award a contract based upon the written proposals received without discussions or negotiations. In the event negotiations with any provider(s) are not satisfactory to the City, the City reserves the right to discontinue such negotiations at any time; to enter into or continue negotiations with other providers; and/or to solicit new responses from providers that did not respond to this REI. The City reserves the right to enter into any contract with any provider with or without the re-issuance of this REI, if the City determines that such action is in the City's best interest. The City retains the right to change the details of this REI at any time. Nothing in this REI shall bind the City to enter into any agreements pursuant to this solicitation.

THANK YOU FOR YOUR INTEREST IN SERVING THE CITY.

Exhibit A-1



**CITY OF PHILADELPHIA, PENNSYLVANIA
Airport Revenue Bonds**

**REI for Direct Pay Letter of Credit
and Sinking Fund Reserve Letter of Credit
and Other Alternative Credit Enhancement and Liquidity**

Fee Proposal Form

Proposers must complete this form or include responses to all items on this form in order to be considered

SECTION 1 – GENERAL INFORMATION

Full Legal Name of Provider: _____

Contact Person: _____ **Phone:** _____

Fax: _____ **E-mail:** _____

Bank’s Ratings and Outlooks:

Moody’s: Long Term _____ Short Term _____ Outlook _____ Last Rating Action/Date _____
Standard & Poor’s: Long Term _____ Short Term _____ Outlook _____ Last Rating Action/Date _____
Fitch: Long Term _____ Short Term _____ Outlook _____ Last Rating Action/Date _____

- 1.1 Please indicate if your firm has overall limits for providing credit and/or liquidity to the City generally and to the Airport specifically.
- 1.2 Maximum Facility offered: CP Program: _____ (plus required interest coverage)
Sinking Fund Reserve: _____
- 1.3 Timeframe for Credit Approval _____

SECTION 2 – PRICING

2.1 Complete the fee table below. Separately, provide a downgrade pricing grid.

Facility Length	LOC FEE (CP Credit Enhancement and Liquidity)		LOC FEE (Sinking Fund Reserve)
	Utilized	Unutilized	
2 years			
3 years			
5 years			

2.2 List any and all additional fees for which you would expect reimbursement (e.g., Draw, Amendment, Origination, etc.) and any expenses other than Legal Counsel.

- 2.3 List and describe additional fees, if any, for reduction in size or early termination of LOC. Are these fees waived if City's action is due to a downgrade of Provider's long or short term ratings?
- 2.4 Provide a description of Term-Out Provisions including interest rates and all conditions
- 2.5 Bank Counsel: Firm: _____
Primary Contact: _____
Legal Fees and Expenses (Estimate): _____
Capped at: _____
- 2.6 If the City selects more than one LOC Provider, your willingness to agree to one law firm as representative of all Providers

SECTION 3 – COVENANTS

- 3.1 Itemize and describe all required Security Covenants for both CP LOC and the Sinking Fund Reserve LOC
- 3.2 List all Termination Events and Events of Default for both CP LOC and the Sinking Fund Reserve LOC
- 3.3 Identify any key terms, conditions, covenants or other restrictions that you would propose to add to the attached Reimbursement, Credit and Security Agreement for the Sinking Fund Reserve LOC
- 3.4 Provide alternative language for any provisions you would propose to change in the attached Reimbursement, Credit and Security Agreement for the Sinking Fund Reserve LOC

SECTION 4 – ALTERNATIVE PROPOSALS (LIMIT: 10 PAGES)

- 4.1 Please include a description, terms and pricing associated with any proposed alternative variable rate financing proposals. Indicate whether the proposal is a firm offer. Proposals should not exceed ten pages.

Exhibit A-2



**CITY OF PHILADELPHIA, PENNSYLVANIA
Gas Works Revenue Notes, CP Series G**

REI for Direct Pay Letters of Credit

Fee Proposal Form

Proposers must complete this form or include responses to all items on this form in order to be considered

SECTION 1 – GENERAL INFORMATION

Full Legal Name of Provider: _____

Contact Person: _____ **Phone:** _____

Fax: _____ **E-mail:** _____

Bank’s Ratings and Outlooks:

Moody’s: Long Term _____ Short Term _____ Outlook _____ Last Rating Action/Date _____
 Standard & Poor’s: Long Term _____ Short Term _____ Outlook _____ Last Rating Action/Date _____
 Fitch: Long Term _____ Short Term _____ Outlook _____ Last Rating Action/Date _____

1.1. Please indicate if your firm has overall limits for providing credit and/or liquidity to the City generally and to the PGW specifically.

1.2. Timeframe for Credit Approval: _____

SECTION 2 – PRICING

2.1 Complete the fee table below and separately provide a downgrade pricing grid.

		Annual Fee for _____ Million LOC					
		\$45		\$60		\$90	
Facility Length	Utilized	Unutilized	Utilized	Unutilized	Utilized	Unutilized	
1 Year/364 days							
2 Years							
3 Years*							

*Maturities cannot extend beyond March 17, 2015 per the terms of the Ordinance.

2.2 List any and all additional fees for which you would expect reimbursement (e.g., Draw, Amendment, Origination, etc.) and any expenses other than Legal Counsel.

2.3 List and describe additional fees, if any, for reduction in size or early termination of LOC. Are these fees waived if City’s action is due to a downgrade of Providers’ long or short term ratings?

2.4 Provide a description of Term-Out Provisions including interest rates and all conditions

2.5 Bank Counsel: Firm: _____
Primary Contact: _____
Legal Fees and Expenses (Estimate): _____
Capped at: _____

2.6 If the City selects more than one LOC Provider, your willingness to agree to one law firm as representative of all Providers

SECTION 3 – COVENANTS

- 3.1 Please itemize and briefly describe all required Security Covenants
- 3.2 List all Termination Events and Events of Default.
- 3.3 Provide alternative language for any provisions you would propose to change in the attached Preferred Credit Agreement provisions.
- 3.4 Identify any key terms, conditions, covenants or other restrictions that you would propose to add to the attached Preferred Credit Agreement provisions.

Exhibit B

Airport

Reimbursement, Credit and Security Agreement

(Sinking Fund Reserve Letter of Credit)

Dated as of June 9, 2008

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, made as of June 9, 2008 among the CITY OF PHILADELPHIA (the "Obligor"), [REDACTED], a banking institution organized and existing under the laws of the United States (the "Bank") and U.S. Bank National Association, as Fiscal Agent ("Fiscal Agent") for the Bonds (hereinafter defined).

WITNESSETH

The Obligor owns the Philadelphia International Airport and the Northeast Philadelphia Airport (collectively, the "Airport System"). The Airport System is operated by the Division of Aviation of the Obligor's Department of Commerce (the "Division"). The Obligor issued its Airport Revenue Bond, Series 1998B (the "1998 Bond") in the principal amount of \$443,700,000 on July 23, 1998 pursuant to the First Class City Revenue Bond Act (Act No. 234 of October 18, 1972, P.L. 955) (the "Act") and the Amended and Restated General Airport Revenue Bond Ordinance (Bill No. 950282 approved by the Mayor of the City of Philadelphia on June 16, 1995 (as supplemented and amended, the "General Ordinance"). The proceeds of the 1998 Bond were used to finance capital improvements at the Airport System. Under the General Ordinance, the Obligor is required to establish a parity Sinking Fund Reserve Account (the "Reserve Account") and maintain therein the Parity Sinking Fund Reserve Requirement (as defined in the General Ordinance), which may be satisfied, in whole or in part, through the provision of a Sinking Fund Reserve Facility (as defined in the General Ordinance). At the request of the Obligor, Financial Guaranty Insurance Company (the "Insurer") issued its Municipal Bond Debt Service Reserve Fund Policy (the "Reserve Fund Policy") simultaneously with the issuance of the 1998 Bond to satisfy the Obligor's obligation to fund in the Reserve Account in connection with the issuance of the 1998 Bond. The Reserve Fund Policy is payable to the Fiscal Agent.

Section 4.09 of the General Ordinance provides that upon the occurrence of any reduction or suspension of any credit rating with respect to a Sinking Fund Reserve Facility (or the provider thereof), the Obligor shall replace the Sinking Fund Reserve Facility. As a result of the downgrade of the ratings assigned to the Insurer's obligations, and pursuant to Section 4.09 of the General Ordinance, the Obligor has requested the Bank to issue its Irrevocable Letter of Credit in the amount of \$33,106,333.42 (the "Letter of Credit") to the Fiscal Agent for the Reserve Account, and the Bank has agreed to issue such Letter of Credit on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the undertakings herein set forth and intending to be legally bound, each of the parties hereto hereby agrees as follows:

ARTICLE 1. DEFINITIONS

Section 1.1 Definitions.

In this Agreement (except as otherwise expressly provided for or unless the context otherwise requires), the following terms have the meanings specified in the foregoing recitals:

Act	Insurer
Airport System	Letter of Credit
Bank	1998 Bond
Division	Obligor
Fiscal Agent	Reserve Account
General Ordinance	Reserve Fund Policy

In addition, the following terms shall have the meanings specified in this Article, unless the context otherwise requires:

"Agreement" shall mean this Reimbursement Agreement, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Authorized Officer" shall mean any of the following officers of the Obligor: Finance Director and Deputy Director of Finance for Debt Management. As to each of the named officers, it shall include those who hold interim or acting title to those offices.

"Bonds" shall mean any airport revenue bonds issued under the General Ordinance.

"Business Day" shall mean any day other than (i) a Saturday or Sunday, or (ii) a day on which commercial banking institutions in Philadelphia, Pennsylvania, or in any other city in which the office of the Bank at which drafts are to be presented under the Letter of Credit is located, are required or authorized by law (including executive order) to close, or on which either such office is closed for a reason not related to financial condition.

"Debt" shall mean at any date, without duplication, (i) all obligations for borrowed money, (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments, and (iii) all capitalized lease obligations, in all cases payable from any Pledged Amounts.

"Default" shall mean any event which with notice or lapse of time, or both, would become an Event of Default.

"Default Rate" shall mean the Prime Rate plus 2.00% per annum and the rate of interest payable by the Bank of the United States.

"Derivative Agreement" shall mean (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; or (v) any other type of contract or arrangement that is to be used, or is intended to be used, to manage or reduce the cost of Debt, to convert any element of Debt from one form to another, to maximize or increase investment

return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“Drawing” shall mean depending on the context, (a) the presentation by the Fiscal Agent to the Bank of a completed certificate and demand for payment in the form annexed to the Letter of Credit, purportedly signed on behalf of the Fiscal Agent, or (b) the amount paid by the Bank upon its honor of such a certificate and demand.

“Event of Default” shall have the meaning given such term in Section 7.1 hereof.

“Expiration Date” shall mean the date the Letter of Credit expires in accordance with its terms.

“Fitch” shall mean Fitch Ratings and its successors, and if such entity shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligor. Whenever rating categories of Fitch are specified in this Agreement, such categories shall be irrespective of gradations within a category unless otherwise expressly provided herein.

“Governmental Authority” shall mean any nation, government, or state, or any political subdivision thereof, or any court, entity or agency exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Issuance Date” shall mean the date on which the Letter of Credit is issued and delivered by the Bank to the Fiscal Agent.

“Laws” shall mean, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case having the force of law, but does not include Environmental Laws.

“Letter of Credit Amount” shall mean the maximum amount of \$33,106,333.42 as reduced from time to time in accordance with the terms hereof and the Letter of Credit.

“Letter of Credit Fee” shall have the meaning specified in Section 2.2(e) hereof.

“Letter of Credit Termination Date” shall mean (a) the Termination Date, (b) the date to which the Termination Date may have been extended, from time to time, either by extension or renewal of an existing Letter of Credit in accordance with Section 2.1 hereof, (c) the date of the issuance of a substitute Sinking Fund Reserve Facility in accordance with the General Ordinance, or (iv) such other date on which the Bank’s obligation to honor draws under the Letter of Credit terminates in accordance with the terms hereof.

“Lien” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset.

"Material Adverse Effect" shall mean any material and adverse effect (i) upon the assets, operations and property comprised of the Airport System and the financial condition thereof or (ii) on the ability of the Obligor to perform its obligations under the Reimbursement Documents or the General Ordinance.

"Moody's" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligor. Whenever rating categories of Moody's are specified in this Agreement, such categories shall be irrespective of gradations within a category unless otherwise expressly provided herein.

"Note" shall mean the Demand Note in the form attached hereto as Exhibit B, and any renewal, amendment or replacement thereof.

"Obligations" shall mean all indebtedness, liabilities, obligations, indemnities, fees, interest, covenants and duties owing by the Obligor to the Bank of any kind and description, direct or indirect, absolute or contingent and due or to become due, under or arising out of this Agreement or any other Reimbursement Document, by law or otherwise, including without limitation, any and all reimbursement payments, interest, Letter of Credit Fees, indemnity payments and other charges, costs and expenses (including reasonable attorneys' fees) for which the Obligor is obligated under this Agreement or any other Reimbursement Document.

"Obligor Representative" shall mean any Authorized Officer designated by the Obligor for purposes of this Agreement.

"Person" shall mean an individual, corporation, partnership, association, joint venture, trust, unincorporated organization or any other juridical entity, or a foreign state or any agency or political subdivision thereof.

"Pledged Amounts" shall have the meaning ascribed to such term in the General Ordinance; provided, however, any reference to Pledged Amounts hereunder shall not include Passenger Facility Charges (as defined in the General Ordinance).

"Prime Rate" shall mean the reference rate of interest which floats and is stated from time to time by the Bank for the guidance of its officers as the Bank's Prime Rate. The Bank's determination and designation from time to time of the Prime Rate shall not in any way preclude the Bank from making loans to other borrowers at rates which are higher or lower than or different from the Prime Rate. Any change in such rate announced by the Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

"Rating Agency" or "Rating Agencies" shall mean any of Moody's, S&P or Fitch.

"Reimbursement Documents" shall mean this Agreement, the Note, such financing statements as may be required by the Bank, and all other documents to be delivered by the Obligor in connection therewith or relating to Liens created thereunder.

"Reserve Fund" shall mean the Parity Sinking Fund Reserve Account established under the General Ordinance.

"S&P" shall mean Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and its successors, and if such entity shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligor. Whenever rating categories of S&P are specified in this Agreement, such categories shall be irrespective of gradations within a category unless otherwise expressly provided herein.

"Termination Date" shall mean [REDACTED] 9.

"Unreimbursed Drawing" shall mean any Drawing not reimbursed by the Obligor on the Business Day such Drawing is honored by the Bank.

"Unreimbursed Drawing Rate" shall mean [REDACTED]

[REDACTED]
D [REDACTED]
c [REDACTED] drawing
thru [REDACTED] drawing,
a [REDACTED] rate commencing on the [REDACTED] day following the date of the
Unreimbursed drawing.

Section 1.2 Rules of Construction; Time of Day.

In this Agreement, unless otherwise indicated, (i) defined terms may be used in the singular or the plural and the use of any gender includes all genders, (ii) the words "hereof", "herein", "hereto", "hereby" and "hereunder" refer to this entire Agreement, and (iii) all references to particular Articles or Sections are references to the Articles or Sections of this Agreement. References to any time of the day in this Agreement shall refer to Eastern standard time or Eastern daylight saving time, as in effect in the Commonwealth of Pennsylvania on such day.

ARTICLE 2. LETTER OF CREDIT AND REIMBURSEMENT OBLIGATIONS

Section 2.1 Issuance of Letter of Credit.

(a) Request to Issue Letter of Credit. The Obligor hereby requests the Bank to issue the Letter of Credit to the Fiscal Agent for the Reserve Account in the amount of \$33,106,333.42 in the form of Exhibit A attached hereto and made a part hereof, with such insertions as to amounts, dates, notices, addresses and related matters as shall be consistent with this Agreement. Pursuant to such request, and subject to the terms and conditions set forth herein, on the date of execution and delivery of this Agreement the Bank will issue the Letter of Credit to the Fiscal Agent for the account of the Obligor.

(b) Term. The Letter of Credit shall have an initial term of [REDACTED], expiring at [REDACTED] or, if such day is not a Business Day, on the next succeeding Business Day, subject to renewal for [REDACTED] terms, as provided in this Section 2.1.

(c) Extension of Term. In the event the Obligor desires an extension of the Letter of Credit Termination Date, the Obligor Representative shall, at least sixty (60) days prior to (but no earlier than ninety (90) days prior to) the then applicable Letter of Credit Termination Date, make a request to the Bank, in writing, that the Bank extend the Letter of Credit Termination Date for at least a one (1) year period. The determination by the Bank to not extend the then applicable Letter of Credit Termination Date shall be in the sole and absolute discretion of the Bank and the Bank shall notify the Obligor of its determination within forty-five (45) days following receipt of such request.

(d) Drawings. The Fiscal Agent is authorized pursuant to Section 4.09 of the General Ordinance, at such times as funds in the Debt Service Account of the Sinking Fund established under the General Ordinance are insufficient to pay principal of (and premium, if any) or interest on the Bonds, to withdraw an amount equal to such deficiency from the Reserve Fund to provide funds to pay that portion of the principal and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Obligor. The Bank and the Fiscal Agent agree that the Fiscal Agent is authorized to make Drawings under the Letter of Credit in strict compliance with its terms to satisfy deficiencies in the Debt Service Account of the Sinking Fund as provided in the preceding sentence, provided that (i) the aggregate amount paid under the Letter of Credit shall not exceed the Letter of Credit Amount, (ii) no Drawing certificate shall be submitted to the Bank unless the Fiscal Agent has made demand for payment to the Insurer under the Reserve Fund Policy, and the Insurer has failed to honor such demand for payment, (iii) all cash and investments in the Reserve Fund shall be transferred to the Debt Service Account of the Sinking Fund for payment of debt service on the Bonds before a Drawing on the Letter of Credit, and (iv) draws on all alternative credit instruments on which there is available coverage, including the Letter of Credit, shall be made on a pro rata basis (calculated by reference to coverage then available under each such alternative credit instrument) after applying available cash and investments in the Reserve Fund.

(e) Drawing upon Bank Ratings Downgrade. In the event that the rating assigned to the Bank by Moody's or S&P is reduced below the second highest rating category (without respect to gradations) (but only if such Rating Agency has a current rating in effect for the Bonds), the Fiscal Agent is authorized to draw the full amount of the Letter of Credit Amount for deposit in the Reserve Fund.

(f) Reduction of Letter of Credit Amount. In connection with a refunding, including a partial refunding, of the 1998 Bond, the Obligor may direct the Fiscal Agent to deliver to the Bank a certificate in the form of Annex 2 to the Letter of Credit requesting a reduction of the Letter of Credit Amount. Any reduction in the Letter of Credit Amount shall reduce the amount of any Letter of Credit Fee which is not yet due and payable, but shall not entitle the Obligor to a refund of Letter of Credit Fees previously paid.

Section 2.2 Reimbursement and Other Payment Obligations.

(a) Reimbursement Obligation. The Obligor hereby agrees to pay the Bank a sum equal to each Drawing drawn under the Letter of Credit on the same Business Day that such Drawing is honored by the Bank, except as provided in subsection (b) of this Section 2.2 with respect to Unreimbursed Drawings.

shall be payable quarterly in arrears on each March 31, June 30, September 30 and December 31. The Draw Fee paid hereunder shall be non-refundable once paid.

(h) Increased Costs.

(i) If after the date of this Agreement any enactment, promulgation or adoption of or change in any applicable law, treaty, regulation or rule or in the interpretation or administration thereof by any court, administrative or governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive issued after the date hereof (whether or not having the force of law) of any such authority, central bank or comparable agency, shall either (i) impose, modify or deem applicable any reserve, special deposit, capital, insurance assessment or similar requirement (including without limitation a guideline, request or directive which affects the manner in which the Bank allocates capital resources to its commitments, including its obligations under this Agreement and the Letter of Credit), (ii) subject the Bank to any tax, deduction or withholding or change the basis of taxation of the Bank (other than a change in a rate of tax based on overall net income of the Bank), (iii) cause or deem letters of credit to be assets held by the Bank and/or deposits on its books, or (iv) impose on the Bank any other condition regarding this Agreement or the Letter of Credit, and the result of any event referred to in clause (i), (ii), (iii) or (iv) of this sentence shall be to increase the direct or indirect cost to the Bank of issuing or maintaining the Letter of Credit or the Bank's obligations under this Agreement or to reduce the amounts receivable by the Bank hereunder or to reduce the rate of return on the capital of the Bank in connection with this Agreement (which increase in cost, reduction in amounts receivable or reduction in rate of return shall be determined by the Bank's reasonable allocation of such cost increase or reduction in amounts receivable resulting from such event), then within ten Business Days after written notice to the Obligor by the Bank, the Obligor shall pay to the Bank, from time to time as specified by the Bank, additional amounts that in the aggregate shall be sufficient to compensate the Bank for such increased cost, reduction in amounts receivable or reduction in rate of return, provided that the Bank shall not be entitled to charge the Obligor for such amounts unless the Bank is also generally charging other similarly situated borrowers for similar charges. A certificate as to such increased cost, reduction in amounts receivable or reduction in rate of return by the Bank submitted by the Bank to the Obligor shall, in absence of manifest error, be conclusive and binding for all purposes.

(ii) If after the date of this Agreement the Bank shall have determined that any enactment, promulgation or adoption of or change in any applicable law, treaty, regulation, rule or guideline regarding capital adequacy, or in the interpretation or administration thereof, by any administrative or governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or any controlling affiliate) with any guideline, request or directive regarding capital adequacy (whether or not having the force of law and whether or not failure to comply thereunder would be unlawful) of any such authority, central bank or comparable agency, affects or would affect the amount of capital required or expected to be maintained by the Bank (or any controlling affiliate) and the Bank determines, on the basis of reasonable allocations, that the amount of such capital is increased by or is based on its issuance or maintenance of the Letter of Credit or the Bank's obligations under this Agreement, then, within ten Business Days after written notice to the Obligor by the Bank, the Obligor shall pay to the Bank, from time to time as specified by the Bank, additional amounts

sufficient to compensate the Bank therefor. A certificate as to such additional amounts and the bases therefore will be submitted to the Obligor by the Bank and shall, in the absence of manifest error, be binding for all purposes.

(i) Payments. Computations of the Default Rate, and any other interest and fees hereunder shall be calculated on the basis of a 360 day year for the actual number of days elapsed. If, by the terms of this Agreement, the Obligor at any time is required or obligated to pay interest at a rate in excess of the maximum rate permitted by law, the rate of interest shall be deemed to be immediately reduced to such maximum rate and the portion of all prior interest payments in excess of such maximum rate shall be applied and shall be deemed to have been reimbursement payments, other payments, fees or interest hereunder not later than 2:00 p.m. (Philadelphia time) on the day when due in lawful money in good and available funds without set-off or counterclaim of any nature or kind to the Bank. Payment made by either the Fiscal Agent or the Obligor shall be made by (A) charge from time to time against any and all of the Obligor's accounts with the Bank; or (B) wire transfer Account No. 03056360000187, Attn: Standby Letter of Credit Department, or to such other account as the Bank may from time to time designate to the Fiscal Agent or the Obligor, as applicable, in writing, in each case in lawful money of the United States of America, in such amounts as may be necessary in order that every such payment, after deduction or withholding for or on account of any present or future taxes, levies, imposts, duties, withholding taxes or other charges of whatever nature imposed by any country or any political subdivision or taxing authority thereof, shall be not less than the payment provided for hereunder.

Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day, and interest and any applicable fees other than late fees shall accrue during such extension through and including the date of payment.

Section 2.3 Obligations Absolute.

The Obligations of the Obligor shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement and the other Reimbursement Documents, under all circumstances whatsoever, including without limitation the following circumstances: (i) any lack of validity or enforceability of the Letter of Credit, the Reimbursement Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the Letter of Credit, the Reimbursement Documents or any document relating thereto; (iii) the existence of any claim, set-off, defense or other right which the Obligor may have at any time against the Bank or any other Person, whether in connection with this Agreement or any other Reimbursement Document, the transactions described herein or therein or any unrelated transaction; (iv) the occurrence of an Event of Default by the Obligor hereunder (including without limitation, the failure on the part of the Obligor to repay the Bank upon the occurrence of a draw under the Letter of Credit); (v) the surrender or impairment of any security for the performance or observance of any of the agreements or terms of this Agreement; or (vi) any of the circumstances contemplated in clauses (1) through (7) of Section 2.5(a). The Obligor understands and agrees that no payment by it under any other agreement (whether voluntary or otherwise) shall

constitute a defense to its obligations hereunder, except to the extent that the Bank has been indefeasibly paid in full.

Section 2.4. Indemnification.

To the extent permitted by applicable law, the Obligor hereby indemnifies and holds harmless the Bank (and its directors, officers, employees and agents) from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorneys' fees for counsel of the Bank's choice) whatsoever which the Bank may incur (or which may be claimed against the Bank by any Person whatsoever) by reason of or in connection with (a) the issuance or a transfer of, or payment or failure to pay under, the Letter of Credit, (b) any breach by the Obligor of any representation, warranty, covenant, term or condition in, or the occurrence of any default under, this Agreement or the other Reimbursement Documents, including all reasonable fees or expenses resulting from the settlement or defense of any claims or liabilities arising as a result of any such breach or default, and (c) involvement of the Bank in any legal suit, investigation, proceeding, inquiry or action as a consequence, direct or indirect, of the Bank's issuance of the Letter of Credit, its entering into this Agreement or the other Reimbursement Documents or any other event or transaction contemplated by any of the foregoing; provided the Obligor shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or negligence of the Bank. Nothing in this Section 2.4 is intended to limit the Obligor's reimbursement obligations contained in Section 2.2 hereof. The obligations of the Obligor under this Section shall survive the termination of this Agreement.

Section 2.5 Limited Liability of Bank.

As between the Obligor and the Bank, the Obligor assumes all risks of the acts or omissions of the Fiscal Agent with respect to the Fiscal Agent's use of the Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (1) the use which may be made of the Letter of Credit or for any acts or omissions of the Fiscal Agent in connection therewith; (2) the form, validity, sufficiency, accuracy or genuineness of any documents (including without limitation any documents presented under the Letter of Credit), or of any statement therein or endorsement thereon, even if any such documents, statements or endorsements should in fact prove to be in any or all respects invalid, insufficient, fraudulent, forged, inaccurate or untrue; (3) the payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit, or any other failure by the Fiscal Agent to comply fully with conditions required in order to effect a drawing under the Letter of Credit; (4) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign the Letter of Credit or the rights or benefit thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (5) errors, omissions, interruptions, losses or delays in transmission or delivery of any messages by mail, cable, telegraph, telex, telephone or otherwise; (6) any loss or delay in the transmission or otherwise of any document or draft required in order to make a drawing under the Letter of Credit; or (7) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit; except only that the Obligor shall have a claim against the Bank, and the

Bank shall be liable to the Obligor, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the Obligor which the Obligor proves were caused solely by (i) the Bank's willful misconduct or negligence or (ii) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Fiscal Agent of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit, unless the Bank in good faith believes that it is prohibited by law or other legal authority from making such payment. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 2.6 Evidence of Debt.

The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Obligor resulting from each Drawing under the Letter of Credit and the amounts of principal, interest and fees payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence of the existence and amounts of the obligations of the Obligor therein recorded, absent manifest error.

Section 2.7 Security for Obligations.

Pursuant to the General Ordinance, the Obligor pledges to the Bank, for the security and payment of the Obligations to the Bank hereunder, and hereby grants a security interest to the Bank, in the Pledged Amounts on parity with the Lien granted to the holders of the Bonds.

ARTICLE 3. CONDITIONS PRECEDENT TO ISSUANCE OF LETTER OF CREDIT.

The obligation of the Bank to issue the Letter of Credit shall be subject to the satisfaction (unless waived in writing by the Bank) of all of the following conditions:

Section 3.1 Delivery of the Reimbursement Documents.

The Reimbursement Documents shall have been duly executed and delivered by the parties thereto, each in form and substance satisfactory to the Bank and its counsel.

Section 3.2 Representations and Warranties.

On the date of execution and delivery hereof and after giving effect to the issuance of the Letter of Credit, all representations and warranties of the Obligor contained herein and in the other Reimbursement Documents shall be true and correct with the same force and effect as though such representations and warranties had been made on and as of such date.

Section 3.3 Opinion of Counsel.

There shall have been delivered to the Bank an opinion of counsel to the Obligor and Bond Counsel (as defined in the General Ordinance), dated the date of execution and delivery hereof, in form satisfactory to the Bank and its counsel.

Section 3.4 Other Documents.

There shall have been delivered to the Bank such other information, documents, instruments, approvals or opinions as the Bank or its counsel may reasonably request to evidence the due execution, delivery and performance of this Agreement and the other Reimbursement Documents by the parties thereto.

Section 3.5 Fiscal Agent Certificate.

The Bank shall have received a certificate from the Fiscal Agent containing the current names and specimen signatures of those officers of the Fiscal Agent authorized to make demands for payment under the Letter of Credit and acknowledging the grant to the Bank of a security interest in Pledged Amounts. The Bank shall receive an additional certificate from the Fiscal Agent containing the names and specimen signatures of any additional officers of the Fiscal Agent authorized to make demands for payment under the Letter of Credit.

Section 3.6 Documentation and Proceedings.

(a) All authorizations and legal proceedings and all instruments in connection with the transactions contemplated by this Agreement, and the other Reimbursement Documents shall be reasonably satisfactory in form and substance to the Bank and its counsel and the Bank shall have received all information and copies of all documents, including records of corporate proceedings, governmental approvals and incumbency certificates which it may have reasonably requested in connection with the transactions contemplated by this Agreement and the other Reimbursement Documents, such documents where appropriate to be certified by proper officers.

(b) The Bank shall have received a copy of a Determination by the Bond Committee (as such terms are defined in the General Ordinance) approving, inter alia, the grant of a Lien on Pledged Amounts on a parity with the Lien granted to the holders of the Bonds and authorizing the execution, delivery and performance of this Agreement and the other Reimbursement Documents and the transactions contemplated hereby and thereby.

(c) The Bank shall have received a certificate of an Authorized Officer of the Obligor certifying (i) the names and true signatures of the Obligor Representative(s) and any other officers or representatives of the Obligor authorized to sign this Agreement, the Reimbursement Documents, and the other documents to be delivered by it hereunder; and (ii) no default has occurred and is continuing or would result from the issuance of the Letter of Credit under the General Ordinance.

Section 3.7 Fees.

The Bank shall have received the Letter of Credit fee due and payable on the date hereof, and payment of fees and disbursements of Bank counsel incurred in connection with the preparation of, or review of, the Letter of Credit, this Agreement and the other Reimbursement Documents, and all other out-of-pocket expenses of the Bank.

Section 3.8 No Default.

On the date hereof and after giving effect to the issuance of the Letter of Credit, there shall exist no Default or Event of Default hereunder.

Section 3.9 No Legal Proceedings.

As of the date of execution and delivery hereof, there shall exist no pending or threatened action, suit or proceeding before any court or administrative agency which seeks to restrain or prohibit the execution, delivery or performance of this Agreement or any other Reimbursement Document or any of the transactions contemplated hereby and thereby (including without limitation the issuance of the Letter of Credit), or which otherwise challenges the legality or validity of any of such documents and transactions.

Section 3.10 Necessary Action.

All necessary action shall have been taken as required by the General Ordinance to assign and pledge under the General Ordinance the Pledged Amounts for the benefit of the Bank and to ensure the priority thereof against any actual or potential creditors of the Obligor whose rights are subordinate to the rights of the Bank as provided in the General Ordinance.

Section 3.11 Consents.

The Bank shall have received a copy of any consent or approval of any Person, including the Insurer, required in connection with the execution of this Agreement

ARTICLE 4. REPRESENTATIONS AND WARRANTIES

The Obligor makes the following representations and warranties to the Bank to induce the Bank to enter into the Agreement and to issue the Letter of Credit:

Section 4.1 General Ordinance Representations and Warranties.

The Obligor makes, for the benefit of the Bank, all representations and warranties of the Obligor set forth in the General Ordinance, as if such representations and warranties were set forth herein. All such representations and warranties are hereby incorporated by reference as though they were set forth herein in their entirety.

Section 4.2 Power and Authority.

The Obligor is a city of the first class and a political subdivision duly organized and validly existing under the laws of the Commonwealth of Pennsylvania and the Obligor has all required power and authority to own and operate the Airport System. The Obligor has duly adopted the General Ordinance and has all requisite power and authority to carry out the terms and provisions thereof. The Authorized Officers of the Obligor have all requisite power and authority to execute, deliver and carry out the terms and provisions of the Reimbursement Documents, and the other instruments and documents to be executed and/or delivered by them pursuant hereto or in connection herewith and the Obligor has taken or caused to be taken all

necessary action to cause the issuance of the Letter of Credit, authorize the execution, delivery and performance by the Obligor of the Reimbursement Documents, the incurrence of the obligations contemplated thereunder and the execution, delivery and performance of the other instruments and documents to be executed and/or delivered by them pursuant hereto or in connection herewith or therewith. The General Ordinance, the Reimbursement Documents and each of the other instruments and documents executed and/or delivered by the Obligor pursuant thereto or in connection therewith have been duly executed and delivered by the Obligor and constitute the legal, valid and binding obligations of the Obligor, enforceable against the Obligor in accordance with their respective terms, except as the enforceability thereof may be affected by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally, by general equitable principles and law and public policy and indemnification.

Section 4.3 Approvals.

No authorization or approval or other action by, filing with, or notice to, any Person or Governmental Authority is required for the due execution, delivery and performance by the Obligor of the Reimbursement Documents or the General Ordinance or any other instrument or document to be executed and/or delivered pursuant hereto or thereto or in connection herewith or therewith, except such authorizations, approvals, actions or filings which have been duly obtained or notices which have been duly given by the Obligor, each of which is in full force and effect.

Section 4.4 Other Agreements and Requirements of Law.

The Obligor is not (i) in violation of any indenture, mortgage, agreement or other instrument or contractual obligation in a manner that could be reasonably be expected to result in a Material Adverse Effect on the Airport System or the Pledged Amounts, or (ii) subject to any restriction or any judgment, order, writ, injunction, decree, rule or regulation which individually or in the aggregate would have a Material Adverse Effect on the Airport System or the Pledged Amounts. The Obligor is in material compliance with all Laws applicable to the Airport System or affecting the Airport System, non-compliance with which would have a Material Adverse Effect.

Section 4.5 No Litigation.

There is no action, suit, investigation or proceeding pending, or to the knowledge of the Obligor threatened against the Obligor before any court, arbitrator or administrative or governmental body which questions the validity or enforceability of the Reimbursement Documents or the General Ordinance or any action to be taken hereunder or thereunder or in which a final adverse adjudication would have a Material Adverse Effect on the Airport System or the Pledged Amounts.

Section 4.6 No Violations.

The Obligor is not in default under any term of the General Ordinance or the Reimbursement Documents or, in any material respect, under any material indenture, mortgage,

agreement or other instrument or contractual obligation to which it is a party affecting the Airport System or the Pledged Amounts, or by which it, as operator of the Airport System, or the Airport System is bound. Neither the execution and delivery of the Reimbursement Documents, nor any of the other instruments or documents to be executed and/or delivered pursuant hereto or thereto or in connection herewith or therewith, nor the consummation of the transactions herein or therein contemplated, nor compliance with the provisions hereof or thereof will violate any Laws applicable to the Obligor as owner and operator of the Airport System, or the Airport System, or will conflict with, or result in the breach of, or constitute a default under, any material indenture, mortgage, agreement or other instrument or contractual obligation to which the Obligor as owner or operator of the Airport System is a party or by which it, as owner and operator of the Airport System, or the Airport System is bound, or result in the creation or imposition of any Lien of any kind and nature upon the Airport System or any of the Pledged Amounts.

Section 4.7 Financial Information.

The financial information relating to the Airport System in the audited financial statements of the Obligor for the fiscal years ended June 30, 2007 and June 30, 2006 previously delivered to the Bank are complete and accurate and fairly present the financial condition and the results of operations and cash flows of the Obligor relating thereto on the dates thereof and for the periods then ended, and have been prepared in accordance with generally accepted accounting principles, and the submitted financial statements show all known liabilities, direct or contingent, of the Obligor relating to the Airport System as of the dates thereof and were prepared in accordance with the accounting principles set forth therein and practices applied on a consistent basis. The following representations are true on the Date of Issuance: (A) no event has occurred that could be deemed to have a Material Adverse Effect on the Airport System or the Pledged Amounts; (B) to the knowledge of the Obligor there has been no legislative or regulatory change, or any other event or occurrence, whether or not insured against, that would result in a Material Adverse Effect on the Airport System or the Pledged Amounts; and (C) the Obligor has not experienced any material controversy or problem with its employees or with any labor organization with which it has a collective bargaining agreement relating to the Airport System.

Section 4.8 Taxes.

As of the date hereof, the execution and delivery of this Agreement is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by any Commonwealth of Pennsylvania or, to the Obligor's knowledge, federal Governmental Authority.

Section 4.9 Letter of Credit.

The Obligor has read the Letter of Credit and agrees to all of the terms and provisions thereof.

Section 4.10 Labor Disputes and Acts of God.

As of the date hereof neither the operations of the Airport System nor the properties comprising the Airport System have been materially and adversely affected by any fire, explosion, accident, strike, lockout, or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy, or other casualty (whether or not covered by insurance).

Section 4.11. Outstanding Indebtedness.

As of the date hereof, the outstanding Debt of the Obligor payable from any Pledged Amounts, or otherwise relating to the Airport System consists of the Bonds issued under the General Ordinance and other Debt listed on the financial statements provided to the Bank by the Obligor, the Obligor has not incurred any additional debt payable from any Pledged Amounts, or relating to the Airport System that will result in a material increase in liabilities.

Section 4.12. Compliance with Terms.

The Obligor is in compliance with all of the terms and conditions of the General Ordinance and each of the Reimbursement Documents, except for those terms and conditions which are to be satisfied after the date hereof, and no Event of Default has occurred and is continuing, and no event, act or omission on the part of the Obligor has occurred and is continuing which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default.

Section 4.13. EEOC and OSHA.

The Obligor has not received any notice of noncompliance from the Federal Equal Employment Opportunity Commission or the Federal Occupational Safety and Health Administration which would have a Material Adverse Effect on the Airport System or the Pledged Amounts.

Section 4.14. Survival of Representations.

All representations and warranties made by or on behalf of the Obligor in this Agreement are made as of the date hereof, but shall survive the delivery of this Agreement, and any investigation at any time made by or on behalf of the Bank shall not diminish its rights to rely upon such representations and warranties as having been true as of the date hereof or the date such representations and warranties are deemed to be updated pursuant to the terms of this Agreement.

Section 4.15. Governmental Immunity.

There is no governmental immunity which would protect the Obligor from the service of process, prevent the Obligor from being subject to a judgment resulting from such service of process or the enforcement in accordance with Laws applicable to it of any judgment

rendered against it in connection with proceedings commenced by the Bank to enforce any of its rights under the General Ordinance or the Reimbursement Documents.

Section 4.16. Security; Liens.

The General Ordinance permits the creation of a security interest in Pledged Amounts to secure the Obligor's obligations hereunder on parity with the Bonds.

There are no Liens on any Pledged Amounts or the Airport System other than as disclosed to the Bank, which would have a Material Adverse Effect.

Section 4.17. Insurance.

The Obligor represents that it maintains such insurance, including self-insurance, on the Airport System as is customary in the industry or is required by Laws applicable to the Obligor.

Section 4.18. No Material Adverse Effect.

There are no facts which the Obligor has failed to disclose to the Bank that, individually or in the aggregate, would have a Material Adverse Effect on the Airport System or the Pledged Amounts or, as far as the Obligor can reasonably foresee, will have a Material Adverse Effect on the Airport System or the Pledged Amounts.

Section 4.19 Disclosure.

The statements and representations made about the Obligor and its operations contained in this Agreement, the exhibits hereto and the other documents, certificates, schedules and statements furnished to the Bank by or on behalf of the Obligor in connection with the transactions contemplated hereby, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary in order to make the statements contained therein not misleading.

Section 4.20 Title to Properties.

The Obligor has good title to the properties and assets comprising the Airport System, except for any defects or Liens that, in the aggregate, do not materially adversely affect the ability of the Obligor to perform its obligations under this Agreement.

ARTICLE 5. AFFIRMATIVE COVENANTS OF THE OBLIGOR

The Obligor hereby covenants and agrees that until the Letter of Credit has expired or been terminated and until all of the Obligations of the Obligor shall have been fully paid and performed to the satisfaction of the Bank, unless the Bank shall otherwise consent in writing, the Obligor shall:

Section 5.1 Reporting Requirements.

Furnish to the Bank:

(a) Within two hundred forty (240) days after the end of each fiscal year of the Obligor, the annual financial statements of the Obligor relating to the Airport System for such year, including a statement of net assets, statement of revenues, expenses and changes in net assets, statement of cash flows and such other financial information with respect to the Obligor as the Bank may reasonably request;

(b) concurrently with the delivery of each annual financial statement under Section 5.1(a) hereof, a certificate from the chief financial officer of the Obligor (i) certifying that all representations and warranties in the Reimbursement Documents are true and correct and that none of the covenants set forth in the Reimbursement Documents have been breached, and (ii) stating that to the best of his or her knowledge no Default or Event of Default has occurred;

(c) Promptly upon their becoming available, copies of any material adverse notice or other material adverse communications from any government or governmental authority, or a board or committee of a government or governmental authority which specifically relate to the Airport System or any Pledged Amounts;

(d) Promptly upon obtaining knowledge thereof, written notice from an Obligor Representative of (A) any litigation, legal proceeding or dispute with any government or governmental agency or with any other party which if determined adversely to the Obligor would have a Material Adverse Effect on the Obligor's performance of its obligations under this Agreement or any Reimbursement Document or the General Ordinance or the transactions contemplated hereby or thereby and (B) failure by the Obligor to pay and discharge any of its Debt payable from any Pledged Amounts when due;

(e) Promptly upon obtaining knowledge of any event, act or omission which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, a certificate signed by an Obligor Representative specifying in reasonable detail the nature and period of existence thereof and what action the Obligor has taken or proposes to take with respect thereto;

(e) such other information respecting the operations, assets and condition, financial or otherwise, of the Obligor relating to the Airport System and the Pledged Amounts as the Bank may from time to time reasonably request.

Section 5.2 General Ordinance Covenants.

The Obligor shall observe and comply with, for the benefit of the Bank, all of the covenants and agreements of the Obligor set forth in the General Ordinance, as if such covenants and agreements were set forth herein. All such covenants and agreements are hereby incorporated by reference as though they were set forth herein in their entirety.

Section 5.3 Keeping Books; Information for the Bank.

The Obligor shall keep proper books of record and account relating to the Airport System in which full, true and correct entries will be made of all dealings or transactions in relation to its operations and activities as required by Laws applicable to the Obligor.

Make available during normal business hours for inspection by the Bank or its designated representatives any of its books and records when reasonably requested by the Bank to do so, and furnish the Bank any information relating to the Airport System reasonably requested regarding its operations, assets and financial condition within a reasonable time after the Bank gives notice of its request therefor.

Section 5.4 Notice of Default.

The Obligor Representative shall promptly notify the Bank in writing of any default or event known to the Obligor, or any condition or occurrence which with notice or the lapse of time, or both, would constitute a default by any party thereto under the Reimbursement Documents, the General Ordinance, or any indenture, mortgage, agreement or other instrument or contractual obligation to which the Obligor is a party relating to the Airport System, the Pledged Amounts or by which any of the Airport System may be bound or affected which could reasonably be expected to have a Material Adverse Effect.

Section 5.5 Maintenance of Insurance.

The Obligor shall keep, or cause to be kept, the facilities comprising the Airport System and the operations thereof insured with responsible insurers with policies payable to the Obligor for the benefit of the Airport system against risks of direct physical loss, damage or destruction of such facilities, and against accidents, casualties, or negligence, including liability insurance and employer's liability, at least to the extent that similar insurance is usually carried by similar industries and facilities.

Section 5.6 General Ordinance Consents.

The Obligor shall obtain the consent of the Bank whenever the Obligor is required under the General Ordinance to obtain the consent of the Fiscal Agent with respect to the 1998 Bond or the consent of the holder of the 1998 Bond. The Obligor shall not, without the consent of the Bank: (i) permit, consent to or enter into any amendment or modification of or supplement to the General Ordinance affecting or relating to the 1998 Bond; (ii) assign or transfer, voluntarily or involuntarily, by operation of law or otherwise, any of its right, title, or interest in and to the General Ordinance or any Derivative Agreement relating to Debt, other than to the Fiscal Agent or the Bank pursuant to this Agreement, or the General Ordinance; or (iii) permit, consent to or enter into any amendment or modification of or supplement to any Derivative Agreement relating to Debt which could reasonably be expected to have a Material Adverse Effect. Notwithstanding the foregoing, the consent of the Bank shall not be required in connection with the issuance of additional Bonds in accordance with the provisions of the General Ordinance. The Obligor shall promptly provide copies of all amendments to the General Ordinance to the Bank.

Section 5.7 Notice of Litigation or Other Proceedings.

Give immediate notice to the Bank of (i) the existence of any dispute, (ii) the institution of any litigation, administrative proceeding or governmental investigation or (iii) the entry of any judgment, decree or order against or involving the Obligor, if any of the foregoing relate to the Letter of Credit or could materially and adversely affect the operation, assets or financial condition of the Airport System or affect the enforceability of this Agreement, any of the other Reimbursement Documents or the General Ordinance.

Section 5.8 Indebtedness and Obligations.

Pay and perform all material indebtedness and obligations of the Obligor relating to the Airport System as it becomes due and payable (or within applicable grace periods), including without limitation, all taxes, assessments and governmental charges or against the income and properties of the Airport System.

Section 5.9 Compliance with Reimbursement Documents and Other Contracts.

Comply with all of its covenants and agreements under the Reimbursement Documents, and comply with all other material contracts and agreements relating to the Airport System to which the Obligor is a party or by which it is bound.

Section 5.10 Environmental Laws.

The Obligor shall comply with all Environmental Laws applicable to it; provided, however, that the Obligor shall not be in breach of the foregoing if a failure to comply does not have a Material Adverse Effect on the Airport System or Pledged Amounts.

Section 5.11 Delivery of Notices.

The Obligor shall promptly provide the Bank with copies of any financial statements and reports, notices, filings or documentation required to be delivered under the General Ordinance to the Fiscal Agent, the holders of any bonds issued under the General Ordinance or to any nationally recognized municipal securities information repository.

Section 5.12 EEOC and OSHA Compliance.

The Obligor shall use its best efforts to comply with all Laws relating to Federal Equal Employment Opportunity Commission and Federal Occupational Safety and Health Administration requirements applicable to it; provided, however, that the Obligor shall not be in breach of the foregoing if a failure to comply does not have a Material Adverse Effect on the Airport System or the Pledged Amounts.

Section 5.13 Further Actions.

Cooperate with the Bank, at its own expense, in taking all such further actions as the Bank, in its reasonable judgment, shall deem necessary to effectuate the provisions of this Agreement and the other Reimbursement Documents.

Section 5.14 Licenses, Permits, etc.

The Obligor will at all times and in all material respects maintain and comply with all necessary permits and licenses with respect to the operation of the Airport System issued by Governmental Authorities having jurisdiction over the Airport System.

ARTICLE 6. NEGATIVE COVENANTS OF THE OBLIGOR

The Obligor hereby covenants and agrees that until the Letter of Credit has expired or been terminated and until all of the Obligations of the Obligor shall have been fully paid and performed to the satisfaction of the Bank, unless the Bank shall otherwise consent in writing, the Obligor shall not:

Section 6.1 Fundamental Changes.

Sell, transfer, lease or otherwise dispose of all or any material part of the Airport System, except for the sale of securities and other investments and the reinvestment of the proceeds thereof in the ordinary course of the Obligor's operations of the Airport System.

Section 6.2 Compliance with Laws, etc.

Violate any Laws to which the Obligor is subject relating to the Airport System and the Pledged Amounts, which violation involves a reasonable possibility of materially and adversely affecting the financial condition, business or results of operations of the Airport System.

Section 6.3 Removal of Fiscal Agent.

Cause or permit the removal of the Fiscal Agent, or the appointment of a successor thereto unless (i) in the case of a removal, such removal does not take effect until the appointment of a successor and (ii) in the case of any appointment, the successor is a trust company or a bank having the powers of a trust company and subject to examination by federal or state authority, and shall have a reported capital and surplus of not less than \$100,000,000.

Section 6.4 Amendment.

Amend or modify or agree to amend or modify in any way the General Ordinance in a manner which could have an adverse effect on the Bank, except with the prior written consent of the Bank.

Section 6.5 Liens.

Create, assume or permit to exist any Lien with respect to the Airport System or used in connection with the Airport System other than (i) mechanic's or materialman's Liens which are being contested in good faith by the Obligor or on the Obligor's behalf, and (ii) Liens authorized by the General Ordinance that would materially adversely affect the ability of the Obligor to perform its obligations under this Agreement.

ARTICLE 7. DEFAULTS AND REMEDIES

Section 7.1 Defaults.

Each of the following shall constitute an event of default hereunder ("Event of Default"):

(a) The Obligor fails to pay when due any reimbursement amount payable under Section 2.2(a) hereof; or the Obligor fails to pay when due any interest, Letter of Credit Fees or other amount payable under this Agreement or the other Reimbursement Documents and such failure continues for five (5) Business Days;

(b) The Obligor fails to perform or observe any other term, covenant, agreement or condition in this Agreement or any other Reimbursement Document, and such failure continues for fifteen (15) days after written notice thereof to the Obligor from the Bank;

(c) The Obligor fails to perform or observe any term, covenant, agreement or condition contained in, or there shall occur any default under or as defined in, (i) any other agreement between the Obligor and the Bank, or (ii) any other agreement by which it is bound involving a material liability of the Obligor relating to the Airport System, which agreement under (i) or (ii) above shall not be remedied within the period of time (if any) within which such agreement permits such default to be remedied;

(d) The validity, binding nature of, or enforceability of any material term or provision of this Agreement, any of the Reimbursement Documents or the General Ordinance is disputed by, on behalf of, the Obligor, or any material term or provision of this Agreement, any such Reimbursement Document or the General Ordinance is found or declared to be invalid, avoidable, or non-enforceable by any court of competent jurisdiction;

(e) Any representation, warranty or statement made by or on behalf of the Obligor herein or in any Reimbursement Document or in the General Ordinance, or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with this Agreement shall at any time for any reason cease to be valid and binding on the Obligor or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the Obligor, or the validity or the enforceability thereof shall be contested in a judicial or administrative proceeding; or

(f) A final judgment or judgments payable from any Pledged Amounts is entered, or an order or orders of any judicial authority or governmental entity is issued against the Obligor

(i) for payment of money, which judgment or judgments, in the aggregate, exceed \$10,000,000 outstanding at any one time which is not fully covered by a valid insurance policy issued by an insurer that is solvent at the time of such judgment; or (ii) for injunctive or declaratory relief which judgment would reasonably be expected to have a Material Adverse Effect on the Airport System or Pledged Amounts; and such judgment is not discharged or execution thereon or enforcement thereof stayed pending appeal, within sixty days after entry or issuance thereof, or, in the event of such a stay, such judgment is not discharged within sixty days after such stay expires, provided that no assets of the Obligor are attached by the judgment creditor pending such stay or discharge; provided, however, that a Default in (i) and (ii) above shall not exist if funds equal to the amount of the judgment in (i) and (ii) above are (x) included by the Obligor's Division of Aviation ("DOA") in its calculation of airport rates and charges and paid from such rates and charges within sixty days after entry or issuance of such judgment, or (y) paid by the DOA within sixty days after entry or issuance of such judgment from either (A) the DOA's Operating and Maintenance Account established under the General Ordinance; (B) the Bond Redemption and Improvement Account established under the General Ordinance; or (C) the Discretionary Account established under the General Ordinance;

(g) The Obligor becomes insolvent and generally fails to pay, or is generally unable to pay, or admits in writing its inability to pay, its debts as they become due or applies for, consents to, or acquiesces in, the appointment of a trustee, receiver or other custodian for the Obligor, as the case may be, or a substantial part of its property, or makes a general assignment for the benefit of creditors;

(h) The Obligor commences any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any state or federal bankruptcy or insolvency law, or any dissolution or liquidation proceeding;

(i) Any bankruptcy, reorganization, debt arrangement, or other case or proceeding under any state or federal bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is involuntarily commenced against or in respect of the Obligor, or an order for relief is entered in any such proceeding and such proceeding is not dismissed within sixty (60) days from the commencement thereof;

(j) A trustee, receiver, or other custodian is appointed for the Obligor or a substantial part of its property and such appointment (if involuntary) is not dismissed within sixty (60) days; or

(k) the Obligor shall fail to make any payment in respect of any of its Debt when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other failure under any agreement or instrument relating to any such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate or permit the acceleration of the maturity of such Debt or such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regular scheduled required prepayment) prior to the stated maturity thereof; or

(l) the Obligor has taken or permitted to be taken any action or any statute has been enacted which would affect the enforceability or any material provision of the Reimbursement Documents or the General Ordinance against the Obligor or materially adversely affect the ability of the Obligor to repay any Reimbursement Obligation or materially adversely affect the legal authority of the Obligor to raise revenues for the payment of the Reimbursement Obligations or materially adversely limit or restrict the source to which the Obligor may look for the payment of the Reimbursement Obligations pursuant to duly enacted statutes; or

(m) any two (2) Rating Agencies shall have downgraded the unenhanced rating of any Bonds below the ratings of "Baa2," "BBB" and "BBB" assigned to the Bonds on the date of execution and delivery hereof by Moody's, S&P and Fitch, respectively; or

(n) An Additional Termination Event occurs under any Derivative Agreement relating to Debt (as such term is defined in any such Derivative Agreement), or a default or event of default (as defined in such Derivative Agreement) otherwise occurs under any Derivative Agreement relating to Debt (subject to any applicable notice and cure provisions contained in the subject Derivative Agreement), which results in an Early Termination Date under such Derivative Agreement properly occurring, the effect of which makes a termination payment by the Obligor due and payable, and the Obligor breaches its covenant with respect to the payment of such termination payment, as such covenant is set forth in the applicable Derivative Agreement.

Section 7.2 Remedies.

(a) If an Event of Default has occurred and is continuing uncured the Bank may, in its sole discretion, but shall not be obligated to,

(i) Declare the Obligor's obligations hereunder to be, whereupon the same shall become, immediately due and payable, and

(ii) Exercise any or all rights and remedies (excluding acceleration of the 1998 Bond) available to it under the General Ordinance or at law or in equity.

(b) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or any other Reimbursement Document or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to exercise any remedy reserved to the Bank in this Agreement it shall not be necessary to give any notice, other than such notice as may be herein expressly required. In the event any provision contained in this Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Agreement shall be established by conduct,

custom or course of dealing, but solely by an instrument in writing duly executed by the parties thereunto duly authorized by this Agreement.

Section 7.3 Set-Off.

Upon the occurrence and during the continuance of any Event of Default, the Bank is hereby authorized at any time and from time to time without notice to the Obligor (any such notice being expressly waived by the Obligor) and, to the fullest extent permitted by law, to set off and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or moneys, including Project Revenues, at any time held and other indebtedness at any time owing by the Bank to or for the account of the Obligor against any and all of the obligations of the Obligor now or hereafter existing under this Agreement or any other agreement or instrument delivered by the Obligor to the Bank in connection therewith, whether or not the Bank shall have made any demand hereunder or thereunder and although such obligations may be contingent or unmatured. The rights of the Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Bank may have. The Bank shall give the Obligor notice of any set-off hereunder after such set-off has occurred. Notwithstanding anything to the contrary contained in this Section 7.3, any amounts realized by the Bank pursuant to this Section 7.3 shall be strictly limited to Pledged Amounts, including Project Revenues.

Section 7.4 Judicial Proceedings.

Each party to this Agreement agrees that any suit, action or proceeding, whether claim or counterclaim, brought or instituted by any party hereto or any successor or assign of any party, on or with respect to this Agreement or any of the other Reimbursement Documents or the dealings of the parties with respect hereto, or thereto, shall be tried only by a court and not by a jury. EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. Further, each party waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE OBLIGOR ACKNOWLEDGES AND AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND THAT THE BANK WOULD NOT EXTEND CREDIT TO THE OBLIGOR IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS AGREEMENT.

ARTICLE 8. MISCELLANEOUS

Section 8.1 Notices.

All notices and other communications provided for hereunder shall be in writing and sent by United States certified or registered mail, return receipt requested, or by telegraph, telex, telecopier or private delivery service, addressed as follows:

harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees; provided the Bank promptly notifies the Obligor of any such taxes and fees.

Section 8.6 Amendments.

This Agreement may be amended by an instrument in writing executed and delivered by the Obligor and the Bank.

Section 8.7 Severability: Interest Limitation.

If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the Bank in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the Obligor for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable law to be contracted for, charged or received, and if any payments by the Obligor to the Bank include interest in excess of such a maximum amount, the Bank shall apply such excess to the reduction of the unpaid principal amount due pursuant hereto, or if none is due, such excess shall be refunded to the Obligor; provided that, to the extent permitted by applicable law, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by law, any nonprincipal payment (except payments specifically stated in this Agreement to be "interest") shall be deemed, to the extent permitted by applicable law, to be an expense, fee, premium or penalty rather than interest.

Section 8.8 No Waiver; Remedies.

No failure on the part of the Bank to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise of any right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 8.9. No Fiduciary Relationship.

The Obligor acknowledges and agrees that its dealing with the Bank is solely in the nature of a debtor/creditor relationship and that in no event shall the Bank be considered to be a partner or joint venturer of the Obligor. Also, the Obligor represents and warrants that it has

independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advice or other comments or statements of the Bank (including agents of the Bank), if any, in deciding to pursue such undertaking. As the Obligor is experienced in business, in no event shall the Bank or the Agent owe any fiduciary or similar obligations to it in connection with the subject transaction.

Section 8.10 Complete Agreement.

Taken together with the other instruments and documents delivered in compliance herewith, this Agreement is a complete memorandum of the agreement of the Obligor and the Bank. Waivers or modifications of any provision hereof must be in writing signed by the party to be charged with the effect thereof.

Section 8.11 Consent to Jurisdiction; Venue.

The Obligor hereby irrevocably (i) agrees that any suit, action or other legal proceeding arising out of or relating to the Letter of Credit, the Reimbursement Agreement and the other Reimbursement Documents may be brought in any federal or state court located in the Commonwealth of Pennsylvania and consents to the jurisdiction of such court in any such suit, action or proceeding, (ii) agrees that any suit, action or other legal proceeding by the Obligor against the Bank shall be brought solely in a federal or state court located in Philadelphia, Pennsylvania, and (iii) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. The Obligor and the Bank hereby irrevocably consent to the service of any and all process in any such suit, action or proceeding by mailing of copies of such process to the Obligor or the Bank at its respective address provided under or pursuant to Section 8.1. The Obligor and the Bank agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. All mailings under this Section shall be by certified or registered mail, return receipt requested. Nothing in this Section shall affect the right of the Bank or the Obligor to serve legal process in any other manner permitted by law or affect the right of the Bank to bring any suit, action or proceeding against the Obligor or its property in the courts of any other jurisdiction.

Section 8.12. Remedies Cumulative.

All rights, powers and remedies herein given to the Bank are cumulative and not alternative, and are in addition to all statutes or rules of law; any forbearance or delay by the Bank in exercising the same shall not be deemed to be a waiver thereof, and the exercise of any right or partial exercise thereof shall not preclude the further exercise thereof, and the same shall continue in full force and effect until specifically waived by an instrument in writing executed by the Bank.

Section 8.13 Governing Law.

This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania without reference to its principles of conflicts of law. The Letter of Credit shall be governed and construed as set forth therein.

Section 8.14 Headings.

Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 8.15 Payment Due On A Day Other Than A Business Day.

If any payment due or action to be taken under this Agreement or any other Reimbursement Document falls due or is required to be taken on a day which is not a Business Day, such payment or action shall be made or taken on the next succeeding Business Day and such extended time shall be included in the computation of interest.

Exhibit C

PGW

Certain Preferred Credit Agreement Provisions

PGW

Certain Preferred Security Agreement Provisions

1. No early termination fee.
2. City can reduce aggregate amount of LOC(s) not more than once every 3 months and in increments of \$10,000,000 or \$15,000,000 to \$0 with no reduction fee. City has the option to allocate such reductions based on its sole preference.
3. No most favored lender covenant.
4. No most favored pricing provision.
5. Increased cost provision applies only in instances where the increased cost is a result of new regulations and shall not apply to instances of reinterpretation of existing laws or regulations
6. Increased Cost provision would apply to participants, but limit the amount payable to such participant to the amount which would have been payable to the bank had there been no participation.
7. No maximum interest rate “clawback” provision.
8. Bank Rate at Base Rate for at least 180 days.