

AGREEMENT BETWEEN THE ERIE COUNTY GAMING REVENUE AUTHORITY
AND
ENTERPRISE DEVELOPMENT FUND OF ERIE COUNTY
FOR
SPECIAL ECONOMIC DEVELOPMENT ASSISTANCE FOR ERIE COUNTY

THIS AGREEMENT, entered this 18th day of October, 2010 by and between the Erie County Gaming Revenue Authority, hereinafter, "ECGRA," and Enterprise Development Fund of Erie County, hereinafter, "Fund."

WHEREAS, ECGRA intends to use certain uncommitted gaming revenue, hereinafter "funds," for the purpose of promoting economic development in Erie County; and

WHEREAS, ECGRA desires to engage the Fund to manage and invest certain uncommitted gaming revenue for the purposes outlined herein; and

WHEREAS, the Fund desires to manage and invest certain uncommitted gaming revenue received of ECGRA for the economic purposes outlined herein;

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows.

1. Incorporation. The recitations above are incorporated hereby as if fully set forth.
2. Engagement of Services. ECGRA hereby contracts with the Fund, an affiliate of the Economic Development Corporation of Erie County, to manage and invest funds received of ECGRA for the purpose of addressing the following identified gaps in the current economic development system in Erie County:
 1. Currently no revolving loans serve the financing needs of non-profits.
 2. Currently very little revolving loan activity is targeted to high-poverty areas.
 3. Currently very little revolving loan activity is targeted to non-asset-based lending.
 4. Currently local opportunities for micro-financing and entrepreneurial start-up capital are limited for entrepreneurs and small businesses.

As part of its recent Community Development Financial Institution ("CDFI") certification with the United States Treasury and as a requirement of ECGRA the FUND will provide (or partner to provide) technical assistance to borrowers of its lending programs. In addition, the FUND has committed to apply at least 60% of all its lending in high-poverty "target markets" identified in its CDFI certification. The funds that the ECGRA provides will be combined with the FUND's existing assets

and additional borrowed capital to multiply ECGRA's investment at least dollar for dollar. The result will be the creation of a comprehensive economic and community development fund capable of meeting the County's needs to launch (1) comprehensive non-profit finance, (2) micro lending, and (3) investment in high-poverty areas—all wrapped in business, entrepreneurial and technical assistance services.

3. **Relationship of the Parties.** ECGRA and the Fund are separate and distinct entities who intend to act independent of one another as parties to the within contract. Employees of the Fund shall not be considered the employees, agents or ostensible agents of ECGRA. The employees of ECGRA shall not be considered employees, agents or ostensible agents of the Fund.
4. **Term.** This Agreement shall commence upon the date of the last party to sign the Agreement, and shall continue until two (2) years from that date. This Agreement may be extended for one (1) year.
5. **Termination.** Either party may terminate this Agreement at any time by providing at least ninety (90) days written notice. In the event ECGRA terminates this Agreement, all unexpended funds received by the Fund shall be returned to ECGRA immediately.
6. **Activities.**

There are currently a number of loan funds in the region which offer financing for real estate purchases, therefore it is the desire of the ECGRA board that the FUND actively work to limit the use of money given to it by ECGRA for real estate purposes. The funds received by the FUND from ECGRA will provide targeted investment into the economic development gaps above mentioned and will be used to fund the following financial products/services:

- **Commercial Lending:** mid-size loans (\$100,000 to \$500,000) for working capital, bridge financing, non-hard asset based lending and equipment to for-profit companies.
- **Non-profit lending:** mid-sized loans (\$100,000 to \$500,000) for working capital, bridge financing, non-hard asset based lending, equipment and real estate to non-profit companies.
- **Credit Enhancement:** loaned cash collateral to enhance the credit (or provide a debt service reserve) for the borrower (both non-profit and for-profit companies) benefiting from a taxable or tax-exempt bond issue by a FUND-affiliated authority (essentially, a partial debt guarantee).
- **Micro Lending:** small loans (up to \$25,000) to small businesses, cottage industry, start-up businesses, and entrepreneurs.

The lending of these funds will be paired with the business management and technical assistance that will be made available to them through Gannon Small Business Development

Center (SBDC) and/or the Ben Franklin Technology Partners of Central and Northern Pennsylvania (BFTP/CNP). These assistance programs are designed to prepare entrepreneurs, start-up companies, non-profits, and other small businesses for dealing with the realities of running a business and handling it's financing. The goal is to link professional business management and technical assistance with financing which will better prepare these entities for success.

7. Levels of Accomplishment. ECGRA will require quarterly reports (March, June, September, and December) on lending activity of the FUND in order to measure if it is meeting the goals of working to close the gaps in the current economic development system in Erie County as well as helping to create new businesses, jobs, opportunities and support for its citizens.
 - a. Internal Leverage. During the Term of this Agreement, the FUND will obtain at least \$875,000 of additional investment into the FUND's loan pool as matching funds. The source of matching funds can be private, state, or federal sources in the form of additional grants, loans, or equity investment into the FUND.
 - b. External Leverage. In the course of making loans using these grant funds, the FUND will show a minimum aggregated ratio of sixty percent (60%) FUND loan to forty percent (40%) equity or private lending for the borrowers.
 - c. Targeting. At least sixty percent (60%) of all loans and at least sixty percent (60%) of all loan capital shall be invested into Target Markets, as defined by the FUND's current CDFI certification.
 - d. Micro Lending. At least twelve (12) micro loans shall be made to small businesses, start-up businesses, and entrepreneurs.
 - e. Job Created or Retained. At least eighteen (18) jobs shall be created or retained through projects which the FUND invests using these grant and related leveraged funds during the Term of this Agreement.
 - f. Portfolio Balance. Upon closing all loans related to this program, the portfolio will be balanced to include:
 - i. At least seventy percent (70%) of all loans and at least seventy percent (70%) of all loan capital shall have been invested in for-profit enterprises.
 - ii. A maximum of thirty percent (30%) of all loan capital shall have been invested in real estate projects, which shall be limited to non-profit entities.
 - iii. At least \$246,300 shall have been invested in micro-loans to small businesses, start-up businesses, and entrepreneurs.

8. Performance Monitoring. In order to assess the Fund's performance in accordance with the goals and standards stated herein, the Fund shall provide the following documentation to ECGRA throughout the term of this Agreement or until the monies managed and invested by the Fund have exhausted, whichever first should occur:
- a. Audits. The FUND's annual audited financial statements
 - b. Quarterly Performance Reports
 - i. Quarterly reports shall indicate the following information as a minimum: list of borrowers from the FUND's revolving loan and micro-loan programs; percent of both the number loans to and total investment into Target Markets; internal leverage ratio for the FUND; external leverage ratio for the FUND; total matching funds raised, including source and terms of matching funds; proposed and current budget for grant funds; job creation/retention attributed to loans made pursuant to this Agreement.
 - ii. Quarterly performance reports shall be provided for each calendar quarter, and shall be due on or before each February 1st, April 1st, August 1st, and November 1st for the preceding quarter.
 - c. Final performance report. Within 180 days of the final draw payment or the end of the Agreement Term or Termination (whichever is earliest), a final report shall be submitted containing all information included in the Quarterly report along with a summary of the final portfolio balance indicating how the funds met program objectives. The final performance report shall be accompanied by a presentation to the ECGRA Board.
9. Default. Failure to meet any provision of this Agreement shall constitute a Default by the FUND. In the event of Default, ECGRA will notify the FUND in writing, documenting any deficiencies and providing not less than ninety (90) days to cure the Default.
10. Suspension and Termination. If the FUND fails to correct substandard performance and thus cure the Default within the period of time stated by ECGRA, the Agreement may be Suspended or Terminated at ECGRA's sole discretion.
- a. In the event of Suspension or Termination, the Fund shall return all unexpended funds received under this Agreement to ECGRA within thirty (30) days of receipt of notice of Suspension or Termination.
 - b. Additionally, in the event of Termination, the Fund shall return funds expended on the activities relating to the default (default monies) to ECGRA within thirty (30) days of receipt of notice of Termination.

11. Payment. The total amount of funds to be given to the Fund, for the purposes outlined herein, including processing fees, is Eight hundred seventy five thousand (\$875,000.00) dollars. ECGRA shall disperse such funds in accordance with periodic requests based upon the Fund's anticipated need in the upcoming ninety (90) days. The first request may be submitted upon execution of this contract and may not exceed \$432,500. Future requests will only be considered upon proof that the FUND has secured the \$875,000 matching investments as contemplated hereunder and all Performance Monitoring requirements are met.

12. Loss Reserve Account. Any loss reserve account must be fully funded in an interest bearing escrow account.

13. Program Budget.

c. Budget. The funds received of ECGRA shall be expended according to the Program Budget (Exhibit A).

d. Budget Modifications. Any line item in the Program Budget may be adjusted by up to fifteen percent (15%) by written administrative approval of the ECGRA Executive Director. Modifications of any line item exceeding fifteen percent (15%) must be approved by the ECGRA Board. Exceeding budget line items for matching funds or private contributions to the projects represents accomplishments exceeding expectations and does not require any approvals.

e. Allowable Costs:

i. "Revolving-Loan Program Capital" shall be used by the FUND for making loans to private for-profit and private non-profit businesses.

ii. "Micro-Loan Program Capital" shall be used by the FUND for making loans to individuals, private non-profit businesses, and private for-profit businesses.

iii. "Loss Reserves" are considered those of the FUND's self-restricted cash, cash-equivalents, or certificates of deposit held as debt reserves or security for the FUND's bonds and other debt obligations.

iv. "Borrower's Matching Funds" shall include equity or other debt contributing to the overall project cost being financed by the FUND's loan.

v. Various "Application Processing Fees" shall be paid by, or assigned to, the FUND to its managing affiliate, the Economic Development Corporation of Erie County, to cover administrative costs relating to processing FUND loan applications. These fees include the standard \$1000 fee paid at time of application, the balance of which is paid upon closing the loan.

Administrative fees shall not exceed 2.5% of the overall program budget.

- f. Prohibited Costs. ECGRA Funds may not be used for any costs not identified in the Program Budget.
 - g. Revolving Funds. It is expected that the FUND shall re-lend Revolving -Loan and Micro-Loan Program Capital upon repayment by the borrowers, however, repayments shall be considered unrestricted revenue of the FUND to be used in its financing programs to serve its duly established mission.
14. Cooperation. FUND shall cooperate in every reasonable way with ECGRA to facilitate the purposes and intent of this Agreement. ECGRA shall cooperate in every reasonable way to FUND to facilitate the purposes and intent of this Agreement.
 15. Indemnification. FUND hereby agrees to release, indemnify and hold ECGRA harmless from any claims, damages, losses, law suits, causes of action or demands arising out of the good faith provision of services by ECGRA hereunder, except to the extent that such claims, losses, lawsuits, causes of action or demands are based on the negligence, recklessness, or intentional misconduct of ECGRA and/or its agents, employees, and/or personnel.
 16. Entire Contract. This Agreement constitutes the entire contract between the parties hereto and there are no other understandings, oral or written, relating to the subject matter hereof. This Agreement may not be changed, modified or amended, in whole or in part, except in writing, signed by all parties.
 17. Binding Effect. This Agreement and all of its terms and conditions shall extend to and be binding upon the parties hereto, and upon their respective heirs, executors, administrators, successors, and assigns.
 18. Prohibition against Assignment. This agreement shall not be assigned by either party without written consent of the other being first obtained.
 19. Severability. If any provision of this Agreement shall be held invalid under any applicable laws, such invalidity shall not affect any other provision of this Agreement that can be given effect without the invalid provision and, to this end, the provision hereof is severable.
 20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.
 21. Governing Law. This Agreement shall be constructed under the laws of the Commonwealth of Pennsylvania. The venue for any litigation relating hereto shall be the Erie County, Pennsylvania Court of Common Pleas.
 22. Notices. Communications and details concerning this contract shall be directed to the following contract representatives:

ECGRA

Tom Kidd, Executive Director
Erie County Gaming Revenue
Authority
5240 Knowledge Parkway, Suite A
Erie, PA 16510
814-897-2690

Fund

John Elliott, President / CEO
Enterprise Development Fund of Erie
County
5240 Knowledge Parkway
Erie, PA 16510
814-899-6022


IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties have set their hands and seals on the date first above written.

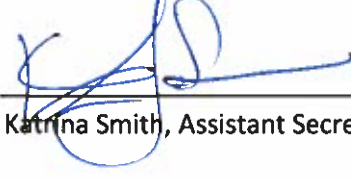
ERIE COUNTY GAMING REVENUE AUTHORITY

ENTERPRISE DEVELOPMENT FUND OF ERIE
COUNTY

By 
Thomas W. Kidd, Executive Director

By 
John Elliott, President/CEO

Attest: 
Jennifer Dobbs McQueen, Board Chair

Attest: 
Katrina Smith, Assistant Secretary