Book-Entry Only **Ratings: (See "RATINGS" herein)**

In the opinion of Co-Bond Counsel, interest on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any Bond during any period such Bond is held by a person who is a "substantial user" of the facilities refinanced by the Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), subject to the condition described in "TAX MATTERS" herein. Interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. Under the laws of the Commonwealth of Pennsylvania, the Bonds are exempt from personal property taxes in Pennsylvania, and interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax. See "TAX MATTERS" herein.

$45,715,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS,
SERIES 2009A (Non-AMT)*

Dated: Date of Delivery **Due: June 15, as shown on inside front cover**

The City of Philadelphia, Pennsylvania Airport Revenue Refunding Bonds, Series 2009A (the "Bonds") are issuable as fully registered bonds in denominations of $5,000 and any multiple thereof maturing in the aggregate principal amounts and bearing interest at the rates set forth on the inside front cover hereof. The Bonds are being issued pursuant to the Act and the Ordinances (as such terms are defined herein). The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of the beneficial ownership interests in the Bonds will be made in book-entry only form. Purchasers will not receive certificates representing their ownership interests in the Bonds purchased, so long as Cede & Co. is the owner of the Bonds, as nominee of DTC. References herein to the bondholders, holders and registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "DESCRIPTION OF THE BONDS – Book-Entry Only System."

The principal and redemption price of the Bonds are payable at the corporate trust office of U.S. Bank National Association, as Fiscal Agent and Sinking Fund Depository, in Philadelphia, Pennsylvania, at the times and in the amounts set forth herein. Interest on the Bonds is payable semiannually on each June 15 and December 15, commencing June 15, 2009, by check mailed by the Fiscal Agent to the persons in whose names the Bonds are registered. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, principal of and interest on the Bonds are payable directly to Cede & Co., for redistribution to Participants and in turn to Beneficial Owners as described herein. For so long as any purchaser is the Beneficial Owner of Bonds, such purchaser must maintain an account with a broker or dealer who is, or acts through, a Participant to receive payment of the principal of and interest on such Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY OF PHILADELPHIA (THE "CITY") PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN AGAINST THE PLEDGED AMOUNTS.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp.

ASSURED GUARANTY®

The Bonds are subject to optional and mandatory redemption prior to maturity. See "DESCRIPTION OF THE BONDS."

The proceeds of the Bonds, together with other monies of the City, are being used to (i) currently refund the City's outstanding Airport Revenue Bonds, Series 2005B, (ii) fund a deposit to the Parity Sinking Fund Reserve Account in respect of the Bonds, and (iii) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

This cover page contains certain information for quick reference only. It is not intended to be a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Saul Ewing LLP and Andre C. Dasent, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. Certain legal matters will be passed upon for the City of Philadelphia by the City Solicitor. Certain legal matters will be passed upon for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP and TME Law, both of Philadelphia, Pennsylvania, Co-Counsel to the Underwriters. It is expected that the Bonds in definitive form will be made available through DTC in New York against payment therefore on or about April 14, 2009.

Citi **PNC**

Jackson Securities **Siebert Brandford Shank & Co., LLC**

April 2, 2009

* Interest on the Bonds is exempt from alternative minimum tax ("AMT") on adjusted current earnings of corporations and from treatment as an item of tax preference for individual and corporate AMT. See "TAX MATTERS" herein.

$45,715,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS,
SERIES 2009A (Non-AMT)[*]

MATURITY SCHEDULE

Maturity Date (June 15)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
2009	$ 5,000	1.500%	100.000%	1.50%	717817MG2
2010	5,000	2.000	100.287	1.75	717817LQ1
2011	1,655,000	3.000	101.641	2.22	717817LR9
2012	1,700,000	3.000	101.512	2.50	717817LS7
2013	1,755,000	3.000	100.270	2.93	717817LT5
2014	1,805,000	3.250	99.666	3.32	717817LU2
2015	1,865,000	5.000	107.965	3.55	717817LV0
2016	1,960,000	4.000	101.428	3.77	717817LW8
2017	2,035,000	4.000	100.000	4.00	717817LX6
2018	2,120,000	4.000	98.411	4.21	717817LY4
2019	2,205,000	4.200	98.288	4.41	717817LZ1
2020	2,295,000	4.250	97.390	4.55	717817MA5
2021	2,395,000	4.500	98.156	4.70	717817MB3
2022	2,500,000	4.625	97.727	4.86	717817MC1
2023	1,420,000	5.000	100.000	5.00	717817MD9

$3,940,000 5.000% Term Bond due June 15, 2024, priced at 99.049% to yield 5.09% CUSIP No. 717817ME7[†]

$16,055,000 5.375% Term Bond due June 15, 2029, priced at 99.687% to yield 5.40% CUSIP No. 717817MF4[†]

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[*] Interest on the Bonds is exempt from alternative minimum tax ("AMT") on adjusted current earnings of corporations and from treatment as an item of tax preference for individual and corporate AMT. See "TAX MATTERS" herein.

[†] Copyright 2009, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the City does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF PHILADELPHIA, PENNSYLVANIA

MAYOR

HONORABLE MICHAEL A. NUTTER

MAYOR'S CHIEF OF STAFF

CLARENCE D. ARMBRISTER

MAYOR'S CABINET

Camille Cates Barnett, Ph.D.	Managing Director
Rob Dubow	Director of Finance
Shelley R. Smith.	City Solicitor
Everett A. Gillison	Deputy Mayor for Public Safety
Donald F. Schwartz, M.D.	Deputy Mayor for Health and Opportunity and Health Commissioner
Andrew Altman	Deputy Mayor for Planning and Economic Development and Commerce Director
Joan L. Markman	Chief Integrity Officer
Amy L. Kurland	Inspector General
Lori A. Shorr, Ph.D	Chief Education Advisor to the Mayor
Pauline Abernathy	Senior Advisor to the Mayor
Teresa A. Gillen	Senior Advisor to the Mayor for Economic Development
Melanie Johnson	City Representative
Rina Cutler	Deputy Mayor of Transportation and Utilities

City Treasurer

Rebecca Rhynhart

City Controller

Alan L. Butkovitz

PHILADELPHIA DEPARTMENT OF COMMERCE
DIVISION OF AVIATION

Mark Gale	Acting Director of Aviation
Edward C. Anastasi	Deputy Director of Aviation – Finance and Administration
James Tyrrell	Deputy Director of Aviation – Property Management and Business Development
Calvin M. Davenger, Jr.	Deputy Director of Aviation – Planning and Environmental Stewardship
Dennis A. Waller	Deputy Director of Aviation – For Compliance

CO-FINANCIAL ADVISORS
Public Financial Management, Inc.
Frasca & Associates, L.L.C.

FISCAL AGENT
U.S. Bank National Association

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City of Philadelphia (the "City") or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or other matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Division of Aviation since the date hereof. This Official Statement, including any supplement or amendment thereto, is intended to be deposited with one or more nationally recognized municipal securities information repositories.

The information set forth herein has been obtained from the City, the Bank, the Underwriters and other sources believed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Division of Aviation since the date hereof.

Assured Guaranty Corp. ("Assured Guaranty") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and "Appendix VIII - Specimen Financial Guaranty Insurance Policy".

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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OFFICIAL STATEMENT

relating to

$45,715,000
CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS,
SERIES 2009A (Non-AMT)†

INTRODUCTION

General

This Official Statement, including the cover page and appendices attached hereto, sets forth certain information in connection with the offering and sale by the City of Philadelphia, Pennsylvania (the "City"), a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") of its Airport Revenue Refunding Bonds, Series 2009A (the "Bonds") in the aggregate principal amount of $45,715,000. The Bonds are authorized and are being issued under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), the Amended and Restated General Airport Revenue Bond Ordinance, approved June 16, 1995 (Bill No. 950282), as amended and supplemented (the "General Ordinance"), and the Ninth Supplemental Ordinance (Bill No. 080525, approved by the Mayor on July 2, 2008) (the "Ninth Supplemental Ordinance", and together with the General Ordinance, the "Ordinances"). Unless otherwise indicated, capitalized terms used in this Official Statement, including the cover hereto, are defined in APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS" (hereinafter referred to as "SUMMARIES").

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN AGAINST THE PLEDGED AMOUNTS.

The proceeds of the Bonds, together with other monies of the City, are being used to (i) currently refund the City's outstanding Airport Revenue Bonds, Series 2005B, (ii) fund a deposit to the Parity Sinking Fund Reserve Account, and (iii) pay the costs of issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Airport System

The Airport System consists of the Philadelphia International Airport (the "Airport") and the Northeast Philadelphia Airport (the "Northeast Philadelphia Airport") and is owned by the City and operated by the Division of Aviation of the City's Department of Commerce (the "Division of Aviation"). As of January, 2009, the Airport had 559 daily scheduled aircraft departures to domestic destinations and 52 to international destinations. In calendar year 2007, it was ranked 17th in the United States in terms of total passengers and served a total of approximately 32.2 million passengers. For a further description of the Airport System, the Service Area of the Airport and the Air Transport Industry, see "THE AIRPORT SYSTEM," "THE AIRPORT SERVICE REGION," "CERTAIN INVESTMENT CONSIDERATIONS" and APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009."

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† Interest on the Bonds is exempt from alternative minimum tax ("AMT") on adjusted current earnings of corporations and from treatment as an item of tax preference for individual and corporate AMT. See "TAX MATTERS" herein

Brief descriptions of the Bonds, the security therefor, the Airport System and certain data about the City are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to the Act, the General Ordinance, the Ninth Supplemental Ordinance, and the Report of the Airport Consultant are qualified in their entirety by reference to each such document. Copies of the Act, the General Ordinance, the Ninth Supplemental Ordinance, and the financial statements of the City for the Fiscal Year ended June 30, 2008, are available from the Office of the Director of Finance, 13th Floor, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102. A copy of the financial statements of the City for the Fiscal Year ended June 30, 2008 may be downloaded at http://www.phila.gov/investor. Financial statements of the Division of Aviation for the Fiscal Year ended June 30, 2008, are attached hereto as APPENDIX I. The Report of the Airport Consultant is attached hereto as APPENDIX II. The Engineer's Letter is attached hereto as APPENDIX III. Summaries of legislation authorizing the issuance of the City's Airport Revenue Bonds, the Insurance and Reimbursement Agreement and the Airport-Airline Use and Lease Agreements (the "Airline Agreement") are attached hereto as APPENDIX IV. Certain information concerning the government of and fiscal affairs of the City is attached hereto as APPENDIX V. The form of approving opinion of Co-Bond Counsel that will be delivered in connection with the issuance of the Bonds is attached hereto as APPENDIX VI. The form of the Continuing Disclosure Agreement is attached hereto as APPENDIX VII. The form of Specimen Financial Guaranty Insurance Policy to be issued by Assured Guaranty Corp. in connection with the issuance of the Bonds is attached hereto as APPENDIX VIII.

Under the caption "CERTAIN INVESTMENT CONSIDERATIONS" is a discussion of certain investment risks which, among others, may affect repayment of and security for the Bonds.

THIS OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE REPORT OF THE AIRPORT CONSULTANT, CONTAINS STATEMENTS RELATING TO FUTURE RESULTS THAT ARE "FORWARD LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "ANTICIPATE," "FORECAST," "PROJECT," "INTEND," "PROPOSE," "PLAN," "EXPECT," "ASSUME" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD LOOKING STATEMENTS. THE REPORT OF THE AIRPORT CONSULTANT IS DATED MARCH 24, 2009, AND HAS NOT BEEN UPDATED TO REFLECT EVENTS AND CHANGES IN CIRCUMSTANCES SINCE SUCH DATE.

Outstanding and Additional Indebtedness

Pursuant to the General Ordinance, as supplemented and amended, as of December 31, 2008, $1,287,685,000 of previously issued parity Airport Revenue Bonds (defined hereinafter) were outstanding.

The City has previously issued the following series of parity Airport Revenue Bonds: Airport Revenue Bonds, Series 1997A (the "1997A Bonds"), which are currently outstanding in the aggregate principal amount of $34,780,000; Airport Revenue Bonds, Series 1998A (the "1998A Bonds"), which are currently outstanding in the aggregate principal amount of $78,075,000; Airport Revenue Bonds, Series 2001B Bonds, which are currently outstanding in the aggregate principal amount of $36,315,000 (the "2001B Bonds"); Airport Revenue Bonds, Series 2005A (the "2005A Bonds"), which are currently outstanding in the aggregate principal amount of $124,985,000; Airport Revenue Bonds, Series 2005B (the "2005B Bonds"), which are currently outstanding in the aggregate principal amount of $41,000,000, and which are being refunded with proceeds of the Bonds; Airport Revenue Refunding Bonds, Series

2005C, which are currently outstanding in the aggregate principal amount of $178,600,000 (the "2005C Bonds"); Airport Revenue Bonds, Series 2007A (the "2007A Bonds"), which are currently outstanding in the aggregate principal amount of $172,470,000; and Airport Revenue Bonds, Series 2007B (the "2007B Bonds"), which are currently outstanding in the aggregate principal amount of $79,415,000. The City has also issued its $443,700,000 Airport Revenue Bond, Series 1998B (Philadelphia Airport System Project), which is currently outstanding in the aggregate principal amount of $377,820,000 (the "1998B Bond") and its $187,680,000 Airport Revenue Bond, Series 2001A (Philadelphia Airport System Project), which is currently outstanding in the aggregate principal amount of $164,225,000 (the "2001A Bond"), both of which are additionally secured by a pledge of passenger facility charges ("PFC"). The 1997A Bonds, the 1998A Bonds, the 1998B Bond, the 2001A Bond, the 2001B Bonds, the 2005A Bonds, the 2005B Bonds, the 2005C Bonds, the 2007A Bonds, the 2007B Bonds and the Bonds (collectively, the "Airport Revenue Bonds") are parity bonds issued under the General Ordinance. The Bonds are not secured by a pledge of Pledged PFC Revenues. See: "SECURITY FOR THE BONDS – Certain Provisions of General Ordinance Effective Upon City Election and Certain Consents" below for further information on the Pledged PFC Revenues as additional security for certain series of the Airport Revenue Bonds.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. See "BOND INSURANCE" herein.

PLAN OF FINANCE

The proceeds of the Bonds are being used, together with other monies of the City, to (i) currently refund the 2005B Bonds, (ii) fund a deposit to the Parity Sinking Fund Reserve Account, and (iii) pay the costs of issuance of the Bonds.

See "SECURITY FOR THE BONDS – Sinking Fund Reserve Account."

AUTHORIZATION FOR THE BONDS

The Bonds are authorized and are being issued under the Act, the General Ordinance, and the Ninth Supplemental Ordinance. The Act authorizes cities of the first class to issue revenue bonds to finance certain revenue producing projects and to refund any such bonds or other bonds of the City issued for the foregoing purposes. Such bonds must be payable solely from Project Revenues (as defined in the Act). See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance-Covenants of the City."

DESCRIPTION OF THE BONDS

General

The Bonds will be dated, will bear interest at the rates and will mature on the dates (subject to prior redemption), as shown on the inside cover of this Official Statement. The Bonds have been issued in fully-registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC").

Interest on the Bonds is payable semiannually on each June 15 and December 15, beginning on June 15, 2009 (the "Interest Payment Dates"). Interest is payable on such Interest Payment Dates by check or draft mailed by U.S. Bank National Association, as successor to Wachovia Bank, National Association, as Fiscal Agent and Sinking Fund Depository, (in such capacity, the "Fiscal Agent'), to the registered owners of the Bonds as of the close of business on the first day of the month preceding each such Interest Payment Date (the "Record Date"). Any person who is the registered owner of at least $1,000,000 principal amount of Bonds may, by written request to the Fiscal Agent, at least three days before the Record Date in connection with which such request is made, request that interest be paid by wire transfer to an account at a financial institution in the United States as may be specified in such written request. The principal or redemption price of the Bonds is payable at the principal Philadelphia corporate trust office of the Fiscal Agent upon surrender of the Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE PLEDGED AMOUNTS (AS DESCRIBED HEREIN). THE BONDS ARE NOT SECURED BY A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY. THE BONDS DO NOT CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE A LIEN AGAINST ANY PROPERTY OF THE CITY OTHER THAN AGAINST THE PLEDGED AMOUNTS. SEE "SECURITY FOR THE BONDS."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 1 7A of the Bonds Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of principal or redemption price of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Fiscal Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof. **For further information, Beneficial Owners should contact DTC in New York, New York.**

THE CITY AND THE FISCAL AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE ACCURACY OF THE RECORDS OF DTC, ITS NOMINEE OR ANY DTC PARTICIPANT WITH RESPECT TO ANY OWNERSHIP INTEREST IN THE BONDS, OR PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Optional Redemption

The Bonds maturing on or after June 15, 2018 are subject to redemption prior to maturity in whole or in part (and if in part, in such order of maturity as the City may direct and within a maturity by lot) on and after June 15, 2017, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing June 15, 2024 and June 15, 2029 are subject to mandatory redemption prior to maturity (to the extent that such Bonds in the principal amount otherwise required to be redeemed have not been previously purchased by the City), in part, as drawn by lot by the Fiscal Agent, from moneys as required to be deposited for that purpose in the Sinking Fund on June 15 of the following years at a redemption price equal to 100% of the principal amount of each such Bond to be redeemed, plus accrued interest to the date of redemption according to the following schedules:

Bonds Maturing June 15, 2024

Year	Principal Amount
2023	$1,195,000
2024*	2,745,000

Bonds Maturing June 15, 2029

Year	Principal Amount
2025	$2,885,000
2026	3,040,000
2027	3,200,000
2028	3,375,000
2029*	3,555,000

*Stated Maturity

At its discretion, the City, with the consent of Assured Guaranty Corp., is authorized under the direction of the Director of Finance to satisfy any mandatory sinking fund redemption requirements for the Bonds by purchasing the Bonds in the open market at a price of not more than par and presenting such Bonds to the Fiscal Agent in lieu of required deposits to the Sinking Fund.

Notice of Redemption

As provided more fully in the General Ordinance and in the forms of the Bonds, notice of redemption of the Bonds shall be given by the Fiscal Agent by mailing a copy of the redemption notice by first class mail, postage prepaid, to each Holder of Bonds to be redeemed at such Holder's registered address as it appears in the Bond Register, not less than 30 or more than 60 days prior to the redemption date. Each notice shall be given in the name of the City and shall contain the CUSIP number, and, in the case of partial redemption of any Bonds, the certificate numbers and the respective principal amounts of the Bonds to be redeemed, the publication date, the redemption date, the redemption price and the name and address of the redemption agent, and shall further identify the Bonds by date of issue, interest rate and maturity date. Failure to mail any notice or any defect in a mailed notice or in the mailing thereof in respect of any notice shall not affect the validity of the redemption proceedings. If at the time of mailing notice of redemption the City shall not have deposited with the Fiscal Agent monies sufficient to redeem the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the redemption monies with the Fiscal Agent not later than the redemption date, and such notice shall be of no effect unless such monies are so deposited. Notice having been given and funds having been deposited in the Sinking Fund in accordance with the requirements of the General Ordinance, all interest on the Bonds called for redemption shall cease accruing from the date fixed for redemption.

ESTIMATED SOURCES AND USES OF FUNDS

Estimated Sources of Funds

Principal Amount of Bonds	$45,715,000.00
Net Original Issue Discount	(91,923.50)
Other Available Monies of the City	511,665.45
Total Sources	$46,134,741.95

Estimated Uses of Funds

Deposit to Sinking Fund to redeem 2005B Bonds	$41,047,458.90
Deposit to Parity Sinking Fund Reserve Account	3,749,503.76
Costs of Issuance*	1,337,779.29
Total Uses	$46,134,741.95

* Includes bond insurance premium, underwriters' discount, printing costs, rating agency fees, legal and financial advisor fees and other expenses.

SECURITY FOR THE BONDS

Pledge of Project Revenues and Funds

Pursuant to the General Ordinance, the City has covenanted that the Bonds, together with all other parity Airport Revenue Bonds issued under and outstanding or subject to the General Ordinance, are and will be equally and ratably secured by a lien on and security interest in (i) Project Revenues (as defined below); (ii) amounts payable to the City under a Qualified Swap; (iii) all amounts on deposit in or credited to the Aviation Funds, except for amounts deposited into any Non-Parity Sinking Fund Reserve Subaccount; and (iv) proceeds of the foregoing (subsections (i) through (iv) are collectively referred to herein as the "Pledged Amounts"). See APPENDIX IV – "SUMMARY OF AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance Pledge of Revenues; Grant of Security Interest; Limitation on Recourse." To the extent that the Fiscal Agent maintains such Pledged Amounts, the Fiscal Agent shall hold and apply the Pledged Amounts in trust, for the equal and ratable benefit and security of all Holders of parity Airport Revenue Bonds issued under or subject to the General Ordinance. The General Ordinance provides that such Pledged Amounts may also be pledged for the benefit of a letter of credit issuer, municipal bond insurance provider, standby purchaser, swap provider or any other person who undertakes to provide monies for the account of the City for the payment of principal or redemption price of and interest on any series of Airport Revenue Bonds on an equal and ratable basis with Airport Revenue Bonds.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT PLEDGE THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY, OR CREATE ANY DEBT OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE ANY LIEN AGAINST ANY PROPERTY OF THE CITY, OTHER THAN AGAINST THE PLEDGED AMOUNTS THEREFOR.

Definition of Project Revenues. The General Ordinance defines Project Revenues to include all of the revenues, rents, rates, tolls or other charges imposed upon all lessees, occupants and users of the Airport System and all monies received by or on behalf of the City from all sources during any Fiscal Year (except as hereinafter excluded) from or in connection with the ownership, operation, improvements and enlargements of the Airport System, or any part thereof and the use thereof including, without limitation, revenues pledged or appropriated for the benefit of the Airport System, all rentals, rates, charges, landing fees, use charges, concession revenues, income derived from the City's sale of services, fuel, oil, and other supplies or commodities and all other charges received by the City or accrued by it from the Airport System, and any investment income realized from the investment of the foregoing, except as provided below, and all accounts, contract rights and general intangibles representing the Project Revenues, all consistently determined in accordance with the accrual basis of accounting adjusted to meet particular requirements of the Airline Agreements (if any of the Airline Agreements are in effect) and the General Ordinance.

Project Revenues as defined in the preceding paragraph shall not include (a) any and all Passenger Facility Charges or any taxes which the City may from time to time impose upon users of the Airport System, (b) any governmental grants and contributions in aid of capital projects, (c) such rentals as may be received pursuant to Special Facility Agreements for Special Purpose Facilities, (d) proceeds of the sale of Bonds and any income realized from the investment of proceeds of the sale of Bonds maintained in the Aviation Capital Fund and income realized from investments of amounts maintained in the Renewal Fund and Sinking Fund Reserve Account, (e) except as required by applicable laws, rules or regulations, net proceeds from the sale of Airport assets, including the sale or transfer of all or substantially all of the assets of the Airport System under Section 9.01 of the General Ordinance unless the Division of Aviation determines to include any such net proceeds as Project Revenues and such determination is evidenced by written notification by the City to the Fiscal Agent, (f) proceeds of insurance or eminent domain (other than proceeds that provide for lost revenue due to business interruption or business loss), and (g) net amounts payable to the City under a Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap).

City May Pledge Passenger Facility Charges Revenues. Under federal law, the City is permitted under certain circumstances to include PFC Revenues in pledged airport revenues. However, the pledge of PFC Revenues is limited to the allowable costs of approved PFC projects ("PFC-Eligible" projects) and may not be used to pay debt service on any bonds issued to finance non-PFC-Eligible projects. The City may pledge PFC Revenues (defined herein) pursuant to a Supplemental Ordinance and such PFC Revenues shall constitute Pledged Amounts; provided, however, that if as a result of applicable law, rules and regulations, such PFC Revenues may only be pledged to secure one or more specified series of Airport Revenue Bonds, Pledged PFC Revenues and proceeds thereof shall constitute Pledged Amounts solely with respect to such series of Airport Revenue Bonds; provided, further, that PFC Revenues shall not constitute Pledged Amounts or Amounts Available for Debt Service unless the City first receives written confirmation from all Rating Agencies then rating any Airport Revenue Bonds outstanding under the General Ordinance, that the pledge of PFC Revenues, in and of itself, will not result in a downgrade, suspension or withdrawal of rating on any outstanding Airport Revenue Bonds, without taking into account Airport Revenue Bonds the rating on which is based upon a Credit Facility for such Airport Revenue Bonds, provided that if all outstanding Airport Revenue Bonds are rated based upon a Credit Facility, then PFC Revenues may be pledged only upon receipt by the City of written consent by the providers of such Credit Facilities. See "THE AIRPORT SYSTEM – Funding Sources for Airport System Capital Improvement Projects – Passenger Facility Charges" for additional information concerning the impact of federal law on the City's ability to collect and pledge, respectively, PFCs and PFC Revenues

"PFC Revenues" means PFCs paid to the City as a result of enplanements at the Airport, together with investment earnings thereon. "Pledged PFC Revenues" means the PFC Revenues pledged by the City pursuant to a Supplemental Indenture, subject to the following limitation: at no time shall the amount of PFC Revenues pledged to the 1998B Bond and the 2001A Bond in any year exceed the lesser of (a) 70% of the amount of all PFCs actually paid to the City in that year, or (b) 75% of total debt service on such series of Airport Revenue Bonds in that year.

In addition to the previously issued 1997A Bonds, 1998A Bonds, 2001B Bonds, 2005A Bonds, 2005B Bonds, 2005C Bonds, 2007A Bonds and 2007B Bonds, the City issued solely to the Philadelphia Authority for Industrial Development ("PAID") the 1998B Bond, in the original aggregate principal amount of $443,700,000 to acquire a capital leasehold interest in two new terminals, Terminal A West and Terminal F, and related improvements at the Airport (the "Terminal A West/Terminal F Project") (See "THE AIRPORT SYSTEM – Recently Completed and In Progress Capital Improvement Projects") and its 2001A Bond, in the original aggregate principal amount of $187,680,000, to finance the cost of the completion of the acquisition of the leasehold interest in the Terminal A West/Terminal F Project, which 1998B Bond and 2001A Bond are also secured by Pledged PFC Revenues. The 1997A Bonds, the 1998A Bonds, the 1998B Bond, the 2001A Bond, the 2001B Bonds, the 2005A Bonds, the 2005B Bonds, the 2005C Bonds, the 2007A Bonds, and the 2007B Bonds are, and the Bonds are being issued as, parity Airport Revenue Bonds under the General Ordinance. The 1998B Bond and the 2001A Bond are the only two series of Airport Revenue Bonds additionally secured by a pledge of Pledged PFC Revenues. **The Bonds are not secured by a pledge of Pledged PFC Revenues.**

Flow of Funds and Application of Project Revenues

Under the provisions of the General Ordinance, the City is required to deposit all Project Revenues and other amounts received which relate to the Airport System into the Aviation Funds. The Aviation Funds are to be held separate and apart from all other funds and accounts of the City and the Fiscal Agent and the funds and accounts therein shall not be commingled with or loaned or transferred among themselves or to any other funds or accounts of the City (except for transfers between City funds which are expressly permitted by the General Ordinance). Amounts on deposit in the Aviation Operating Fund shall be applied by the City or the Fiscal Agent, as the case may be, in the following order of priority:

(a) To pay such sums constituting Net Operating Expenses in a timely manner.

(b) For deposit in the appropriate accounts of the Sinking Fund, the amount necessary to provide for the timely payment of the Debt Service Requirements.

(c) For deposit in the Sinking Fund Reserve Account or the appropriate subaccount thereof, the amount, if any, required to eliminate any deficiencies therein; provided, however, in the event there are insufficient amounts available to replenish all of the accounts or subaccounts within the Sinking Fund Reserve Account, the amount to be deposited in each Sinking Fund Reserve Account or subaccount shall be determined by dividing the Sinking Fund Reserve Requirement on the Outstanding Bonds secured thereby by the sum of the Sinking Fund Reserve Requirements on all Bonds Outstanding under the General Ordinance and multiplying that result by the total amount available to be deposited under this clause (c).

(d) For deposit in the Renewal Fund the amount, if any, required to eliminate any deficiency therein, and to pay amounts due and payable under Exchange Agreements.

(e) To pay termination amounts, to a Qualified Swap Provider due as a result of the termination of a Qualified Swap and termination amounts, if any, payable to JP Morgan Chase Bank – New York with respect to Payments upon Early Termination on the Interest Rate Swap Transaction effective June 15, 2005.

(f) For deposit in the Subordinate Obligation Fund (i) the amount necessary to provide for the timely payment of the principal or redemption price of and interest on Subordinate Obligations, (ii) on or before the dates that other payments are due under any credit facility, liquidity facility or swap agreement constituting Subordinate Obligations, to deposit the amount necessary to make such payments, (iii) forward to the paying agent in respect of bond anticipation notes (payable by exchange for, or out of the proceeds of the sale of Subordinate Obligations) the amount necessary to provide for the timely payment of interest thereon (to the extent not capitalized), and (iv) deposit in the applicable subaccount of the Sinking Fund Reserve Account for a series of Subordinate Obligations the amounts, if any, required to eliminate any deficiency in such account.

(g) To pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest on General Obligation Bonds.*

(h) To pay any Interdepartment Charges.

(i) To pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest on NSS (non-self-sustaining) General Obligation Bonds.†

Any amounts remaining in the Aviation Operating Fund following any transfer then required to be made pursuant to subparagraphs (a)-(i) above, may be used at the written direction of the City for any Airport System purposes. In the Airline Agreement, the City has provided its written direction to use such remaining amounts as provided in subparagraphs (j)-(m) below.

So long as any Bonds or bonds are outstanding, the deposit and application of Project Revenues for each Fiscal Year during the term of the Airline Agreement shall be governed by the General Ordinance. The City is expressly permitted in the General Ordinance to use amounts remaining in the Aviation Operating Fund following any transfers pursuant to subparagraphs (a)-(i) above for the Bond Redemption and Improvement Requirement, the O&M Requirement, the Airline Revenue Allocation and City Revenue Allocation (as defined in the Airline Agreement). Pursuant to Section 4.06 of the General Ordinance, any amounts remaining in the Aviation Operating Fund following any transfer then required to be made pursuant to subparagraphs (a)-(i) above may be used for any Airport System purposes at the written direction of the City. The City has directed that such amounts remaining will be applied or credited in the following manner:

(j) <u>Bond Redemption and Improvement Account</u>. In accordance with the provisions of the General Ordinance and the Airline Agreement, amounts on deposit in the Bond Redemption and Improvement Account are available for use by the City for the payment of deficiencies with respect to the Debt Service Requirements and the Sinking Fund Reserve Requirement, as provided under the General Ordinance. If (i) no such deficiencies exist, (ii) the City is not in default under the General Ordinance and (iii) a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, mutually agree (whose agreement will not be unreasonably withheld), then the Division of Aviation may use such amounts for: repair, renewals, replacements or alterations to the Airport System, redemption of Bonds, costs of Capital Projects or equipment, purchase of Bonds, arbitrage rebate pursuant to Section 148(f) of the Code or for any lawful Airport System purposes.

In accordance with the provisions of the General Ordinance and the Airline Agreement, the balance of monies on deposit in the Bond Redemption and Improvement Account shall equal the "Bond Redemption and Improvement Requirement." For the sole purpose of establishing the Bond Redemption and Improvement Requirement, and expressly not for the purpose of establishing a debt service reserve fund as set forth in the General Ordinance, the Bond Redemption and Improvement Requirement shall mean an amount not to exceed the lesser of (1) the amount of Debt Service Reserve Surety Bonds

* No general obligation debt of the City described in (g) is currently outstanding.
† No general obligation debt of the City described in (i) is currently outstanding.

fulfilling the City's Sinking Fund Reserve requirements, and (2) such dollar amount required to maintain a dollar balance in the Bond Redemption and Improvement Account equal to (A) in Fiscal Year 2009, fifteen percent (15%) of the Debt Service Requirement, (B) in Fiscal Year 2010, twenty percent (20%) of the Debt Service Requirement and (C) in Fiscal Year 2011 and thereafter, twenty-five percent (25%) of the Debt Service Requirement. At the termination of the Airline Agreement, it is the City's intention to retain the balance in the Bond Redemption and Improvement Account in an Airport related account with substantially the same purpose. For additional information, see "APPLICATION OF PROJECT REVENUES" in APPENDIX II of this Official Statement.

(k) O&M Account. The O&M Account is available for use by the City for the payment of Operating Expenses in the City's sole discretion in the event the then current Airport Revenues allocated to Operating Expenses in the Annual Budget are deemed to be insufficient. For additional information, see "APPLICATION OF PROJECT REVENUES" in APPENDIX II of this Official Statement.

(l) Airline Revenue Allocation. For each Fiscal Year during the term of the new Airline Agreement, the Airline Revenue Allocation shall be equal to fifty percent (50%) of the prior Fiscal Year's total net revenue from the Outside Terminal Areas Cost Center reduced by an amount of up to $7,000,000, to the extent net revenue from the Outside Terminal Areas Cost Center equals or exceeds $7,000,000.

(m) Discretionary Account. Following any and all transfers required by subparagraphs (a)-(l) above, any amounts remaining in the Aviation Operating Fund, less the Airline Revenue Allocation shall be deposited in the Discretionary Account to be used at the written direction of the City for any Airport System purposes.

Sinking Fund Reserve Account

Under the General Ordinance, the City is required to maintain a parity Sinking Fund Reserve Account within the Sinking Fund known as the Parity Sinking Fund Reserve Account. The City is required to maintain an aggregate balance in the Parity Sinking Fund Reserve Account for all Airport Revenue Bonds which are to be secured by the Parity Sinking Fund Reserve Account, equal to the lesser of (a) the greatest amount of Debt Service Requirements on Airport Revenue Bonds payable in any one Fiscal Year, determined as of any particular date, or (b) the maximum amount permitted by the Internal Revenue Code of 1986, as amended (the "Code"), to be maintained without yield restriction for bonds, the interest on which is not includable in gross income for Federal income tax purposes; provided, however, that additional Airport Revenue Bonds may be secured by a Non-Parity Sinking Fund Reserve Account under certain circumstances. See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance – Establishment of Funds and Accounts."

In the event that the monies in the Debt Service Account of the Sinking Fund are insufficient to pay as and when due, the principal of (and premium, if any) or interest on any Airport Revenue Bonds or other obligations payable from the Debt Service Account then due (including any amounts payable out of the Sinking Fund under Swap Agreements), the Fiscal Agent is authorized and directed (i) with respect to Airport Revenue Bonds secured by the Parity Sinking Fund Reserve Account, to withdraw an amount equal to the deficiency from the Parity Sinking Fund Reserve Account, and use such amount to pay debt service on the Airport Revenue Bonds secured thereby, and (ii) with respect to Airport Revenue Bonds secured by a Non-Parity Sinking Fund Reserve Subaccount, to withdraw an amount equal to the deficiency from such Non-Parity Sinking Fund Reserve Subaccount and use such amount to pay debt service on the Airport Revenue Bonds secured thereby. If by reason of such withdrawal or for any other reason there is a deficiency in the Sinking Fund Reserve Account or any subaccount thereof, the City has covenanted to restore such deficiency promptly from Project Revenues, in no event later than the next interest payment date for Airport Revenue Bonds outstanding under the General Ordinance.

Any monies in the Sinking Fund Reserve Account or any subaccount thereof in excess of the applicable Sinking Fund Reserve Requirement shall be transferred on an annual basis to the Debt Service Account of the Sinking Fund at the written direction of the City.

Under the General Ordinance, in lieu of the required deposits into the Sinking Fund Reserve Account, the City may cause to be deposited in such Account an unconditional and irrevocable surety bond, an insurance policy or an irrevocable letter of credit in the required amount; provided that such surety bond, insurance policy or irrevocable letter of credit, or the issuer thereof (as applicable), at least meets the credit ratings' threshold prescribed in the General Ordinance.

Upon the issuance and delivery of the 2005A Bonds, the City delivered to the Fiscal Agent an unconditional and irrevocable surety bond issued by MBIA Insurance Corporation ("MBIA") to satisfy the required funding requirement for the Parity Sinking Fund Reserve Account with respect to the 2005A Bonds. As a result of the deterioration of the credit rating of the surety bond provider, MBIA, the City expects to deposit cash in respect of the 2005A Bonds before the date of issuance of the Bonds in an amount sufficient to meet the requirements of the General Ordinance.

Upon the issuance and delivery of the 2005B Bonds, the City delivered to the Fiscal Agent an unconditional and irrevocable surety bond issued by MBIA to satisfy the sinking fund reserve requirement. The surety bond will expire in connection with the issuance of the Bonds and refunding of the 2005B Bonds.

The City delivered to the Fiscal Agent on December 23, 2008, a Sinking Fund Reserve Letter of Credit issued by TD Bank, N.A., which was deposited into the Parity Sinking Fund Reserve Account in respect of the 2005C Bonds.

Renewal Fund

The General Ordinance establishes a renewal fund (the "Renewal Fund") in the amount of $2,500,000 (the "Renewal Fund Requirement"). The amount required to be maintained in the Renewal Fund may be increased or decreased from time to time as determined by the Consultant. The Renewal Fund is maintained by the Fiscal Agent and, under the General Ordinance, may be used (i) to pay the cost of major repairs, renewals and replacements of Airport System facilities for purposes of meeting unforeseen contingencies and emergencies arising from the operation of the Airport System, (ii) to pay expenses chargeable as Operating Expenses if Project Revenues are insufficient, for whatever reason, to cover such Operating Expenses in any Fiscal Year, (iii) to pay debt service on Airport Revenue Bonds, or (iv) to repay any loan from the Aviation Capital Fund to the Aviation Operating Fund, in accordance with the requirements of the General Ordinance. If the amount in the Renewal Fund drops below the Renewal Fund Requirement, such deficiency must be restored by regular quarterly deposits from Project Revenues which shall not be required to exceed the total of $500,000 in any Fiscal Year. If the monies and investments in the Renewal Fund are in excess of the Renewal Fund Requirement, the amount of such excess, on order of the Director of Finance, shall be paid over by the City to the Debt Service Account of the Sinking Fund, to be used and applied as are all other monies deposited in or on deposit therein.

Rate Covenant

The City covenants with the holders of the Bonds, that it will, at a minimum, impose, charge and recognize as revenues in each Fiscal Year such rentals, charges and fees as shall, together with that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service and carried forward at the beginning of such Fiscal Year and together with all other Amounts Available for Debt Service to be received in such Fiscal Year, be equal to not less than the greater of:

(a) the sum of: (i) all Net Operating Expenses payable during such Fiscal Year; (ii) 150% of the amount required to pay the Debt Service Requirements during such Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during such Fiscal Year; or

(b) the sum of: (i) all Operating Expenses payable during such Fiscal Year, and; (ii) (A) all Debt Service Requirements during such Fiscal Year, (B) all Debt Service Requirements during such Fiscal Year in respect of all outstanding General Obligation Bonds issued for improvements to the Airport System and all outstanding NSS General Obligation Bonds issued for improvements to the Airport System, (C) all the Debt Service Requirements during such Fiscal Year on Subordinate Obligations and any other subordinate indebtedness secured by any Amounts Available for Debt Service; (D) amounts required to repay loans among the funds made pursuant to Section 4.05(c) of the General Ordinance; (E) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund during such Fiscal Year and (F) all amounts required to be paid under Exchange Agreements.

For a further discussion of the funds and accounts, priority of payment, the Rate Covenant, the Alternative Rate Covenant which may be elected by the City, and other provisions of the General Ordinance, see APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance."

Certain Provisions of General Ordinance Effective Upon City Election and Certain Consents

The City may elect an alternative rate covenant in lieu of the Rate Covenant (the "Alternative Rate Covenant"), upon the conveyance of all or substantially all of the City's right, title and interest in the Airport System, the occurrence other certain circumstances and the consent of certain parties, all as set forth in the General Ordinance. Presently, the City has no plans to elect the Alternative Rate Covenant, however, the City may elect the Alternative Rate Covenant in the future. For additional information about the City's election and calculation of the Alternative Rate Covenant, see APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Conveyance of System and Assignment, Assumption and Release of Obligations – *Alternative Rate Covenant*."

Issuance of Additional Airport Revenue Bonds

The General Ordinance permits the issuance of additional Bonds which, except as otherwise provided in the General Ordinance, will be equally and ratably secured with the Bonds and all other outstanding parity Bonds issued under and/or subject to the General Ordinance. Additional Bonds may be issued under the General Ordinance to pay the costs of Projects relating to the Airport System, to reimburse the City for the prior payment of such costs, to fund any such costs for which the City shall have outstanding obligations, to refund Bonds of the City previously issued for such purposes or to finance other costs relating to the Airport System permitted under the Act; provided that, among other requirements, in each case other than certain refundings of Bonds, the City obtains reports of the Consultants stating, among other things, that (i) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultants' reports, the Airport System yielded pledged Amounts Available for Debt Service, sufficient to satisfy the Rate Covenant, (ii) the Airport System will, in the opinion of the Consultant, yield pledged Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the issuance of the Bonds, sufficient to comply with the Rate Covenant, and (iii) a statement that the Airport System is in good operating condition or that adequate steps are being taken to return the Airport System to good operating condition. For a discussion of the issuance and assumption of additional Bonds under the General Ordinance, see APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance – Conditions of and Provisions Relating to Issuing Bonds."

Authorization for Possible Transfer of Airport System

The General Ordinance provides that, under certain circumstances, the City has the ability to transfer the Airport System to a municipal authority created pursuant to the Municipality Authorities Act, or to an authority created pursuant to other authorizing legislation or to another entity which will assume the obligations evidenced by the outstanding Bonds. See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS – The Amended and Restated General Airport Revenue Bond Ordinance – Summary of Operative Provisions of the General Ordinance -– Conveyance of System and Assignment, Assumption and Release of Obligations" for a summary of the conditions which must be satisfied prior to any such transfer.

SOURCES OF PROJECT REVENUES UNDER THE GENERAL ORDINANCE

Airport-Airline Use and Lease Agreements

General. Through June 30, 2006, the principal airlines serving the Airport operated under the terms of the Airline-Airport Use and Lease Agreement (the "Prior Airline Agreement") that established procedures for the annual review and adjustment of airline rentals, fees, and charges so that the Airport System yielded Amounts Available for Debt Service at least sufficient to comply with the Rate Covenant.

Between July 1, 2006 and June 30, 2007, all airlines serving the Airport operated under an Airport Rates and Charges Regulation (the "Regulation") adopted by the City on June 16, 2006. Since July 1, 2007, the City and the principal airlines serving the Airport have operated under the terms of a new Airport-Airline Use and Lease Agreement (the "Airline Agreement") to succeed the Prior Airline Agreement. The procedures in the Airline Agreement for setting airline rentals, fees, and charges are such as to ensure continued compliance with the Rate Covenant. The Airline Agreement expires June 30, 2011, unless earlier terminated as provided therein.

The new Airline Agreement has been executed by airlines accounting for substantially all of the landed aircraft weight at the Airport.

There follows a summary of certain provisions of the Airline Agreement. This summary is in all respects subject to and qualified in its entirety for the complete form of the Airline Agreement, copies of which are available from the Office of the Director of Finance. Certain capitalized terms in this summary are as defined in the Airline Agreement.

See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS" for a more detailed description of the provisions of the Airline Agreement.

Cost Centers

For purposes of developing rentals, fees and charges under the Airline Agreement, the Airport System has been divided into the following cost centers to which all revenues, expenses, and debt service on Airport Revenue Bonds are allocated. Under the Airline Agreement, each Signatory Airline agrees that, pursuant to the Authorizing Legislation (as defined therein), which includes the General Ordinance, the City shall impose, charge and collect and the Signatory Airline agrees to pay such rental charges and fees as may be required pursuant to the Authorizing Legislation (including the Rate Covenant).

Effective July 1, 2007, all revenues derived from such cost centers are Project Revenues under the General Ordinance.

Terminal Area. Revenues from the Terminal Building consist of concession revenues, Terminal Rentals, International Common Use Area Revenues, and miscellaneous revenues.

Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport. Revenues from the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport consist of landing fees, site rentals, fuel flowage fees, concession fees and other direct charges.

Ramp Areas. Revenues from the Ramp Areas consist of charges for use of aircraft parking ramps.

Outside Terminal Area. Parking revenues and other revenues generated by or allocable to the Outside Terminal Area Cost Center historically were excluded from Project Revenues. Effective July 1, 2007, all such revenues are pledged as Project Revenues. Outside Terminal Area revenues comprise net parking revenues, certain rental car revenues, certain ground transportation revenues, and revenues from a hotel.

Airport Services. Revenues from Airport Services consist of revenues not directly accounted for in the other Cost Centers. Expenses associated with Airport Services are allocated to the other Cost Centers based on the proportionate share of Operating Expenses and Non-Airline Revenues directly allocated to each such Cost Center.

Adjustment of Rentals, Fees, and Charges

The Airline Agreement provides for the periodic adjustment of Landing Fee Rates, Terminal Rentals, International Common Use Area Fees, Ramp Area Rentals, and other charges, normally in connection with the City's budgeting process to allow for variations in revenues, expenses, and fund requirements. Fund requirements include those amounts required to maintain balances in the Bond Redemption and Improvement Account and O&M Account.

Landing Fee Rates. Signatory Airline Landing Fees are calculated according to a multiple cost-center residual methodology to recover the net costs of the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers. The Airfield Area Requirement is calculated by summing all estimated debt service requirements, operating expenses, and fund requirements allocable to the three cost centers and deducting (i) all estimated revenues for the three cost centers from sources other than Landing Fees, (ii) any Airline Revenue Allocation, equal to 50% of any net revenues of the OTA Cost Center in excess of $7.0 million from the prior Fiscal Year, and (iii) 2% of the operating costs of the Airfield Area included in Ramp Area Rentals. The residual amount is divided by the landed weight of the Signatory Airlines to derive the required Airline Landing Fee rate per 1,000 pounds of landed weight.

Terminal Rentals and International Common Use Area Fees. Terminal Building Rentals are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Terminal Building are recovered according to a cost-center residual rate calculation methodology.

For use of the international terminal facilities, the City collects from the airlines Federal Inspection Services ("FIS") Area charges, departure and arrival gate use fees, and space rentals for leased areas. The FIS Area includes space for customs, border protection, and immigration inspection offices; inbound baggage and international baggage claim facilities; and a pro rata share of public space. FIS Area charges are calculated by dividing the total cost of FIS space by the number of deplaning passengers using the FIS facilities.

Ramp Area Rentals. Ramp Area Rentals are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Ramp Area are recovered according to a modified cost-center residual rate calculation methodology. While no operating expenses are directly assigned to the Ramp Area, 2% of the operating expenses of the Airfield Area are included in the calculation of Ramp Area Rentals.

Non-Signatory Airline Rentals, Fees, and Charges. Non-Signatory Airlines are required to pay amounts equal to 115% of the calculated Signatory Airline Landing Fee Rate, Terminal Rentals, International Common Use Area Fees, and Domestic Common Use Area Fees.

Operating Budget. The Aviation Operating Fund budget is developed annually by the City to provide sufficient appropriations for the payment of all operating expenses and debt service payments projected for the Airport System for the ensuing Fiscal Year and satisfaction of the Rate Covenant. The budget, together with all other operating budgets of the City, is submitted by the Mayor to City Council for adoption at least 90 days prior to the beginning of such Fiscal Year.

Annual Adjustment. On the basis of the Aviation Operating Fund budget and the applicable Rate Covenants prescribed in the General Ordinance, the City computes the rates and charges which it regards as necessary for the ensuing Fiscal Year. Under the Airline Agreement, the City must provide such computations to the Signatory Airlines no less than 45 days, and hold a consultation meeting no less than 30 days, prior to implementation of the adjustment.

Mid-Year Adjustment. Additional provisions permit adjustments during any Fiscal Year in the event the City estimates a substantial (10% or more) decrease in revenues or increase in expenses. Under the Airline Agreement, the City must hold a consultation meeting with the Signatory Airlines no less than 30 days prior to any such mid-year adjustment.

Majority-in-Interest Approval of Capital Expenditures

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest. For projects affecting Terminal Area rentals, fees, and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. Majority-in-Interest approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant.

Accommodation of Airlines

The Airline Agreement provides the basis for the use and lease of the Airport's terminals, aprons, and other areas. Under the Prior Airline Agreement, most of the gates at the Airport were leased to airlines for their exclusive use. Under the new Airline Agreement, to promote the high utilization of gates, all gates are being leased on a preferential-use basis or assigned on a common-use basis.

The Airline Agreement contains provisions obligating each Signatory Airline to accommodate the proposed operations of another airline at such Signatory Airline's preferential-use premises under certain circumstances if (i) the City cannot accommodate the existing or proposed operations of the requesting airline (either a Signatory Airline or Non-Signatory Airline) on a common-use gate, and (ii) the use by the requesting airline would not interfere with a Signatory Airline's operations.

If the requesting airline's operations cannot be accommodated at a Signatory Airline's preferential-use premises, the Airline Agreement also provides for the reallocation of leased gates and other terminal areas to provide facilities for lease to a requesting airline or for additional common-use gates. The City may reallocate a portion of any Signatory Airline's leased premises according to specified procedures if such Signatory Airline does not maintain certain minimum use requirements. The minimum use requirement ranges between 4.25 departures per gate per day for a Signatory Airline leasing only one gate to 5 departures per gate per day for Signatory Airlines leasing four or more gates.

Certain Other Revenues

Some air carriers operating at the Airport are governed by duly promulgated regulations of the Department of Commerce of the City, rather than pursuant to written agreements. Certain of these carriers are not tenants and, whether scheduled or nonscheduled, their operations at the Airport do not warrant the undertaking of the obligations imposed upon carriers entering into written agreements. Pursuant to the Airline Agreement, rates and charges paid by such carriers may not be less than the rates and charges paid by the Signatory Airlines.

Users of the Airport other than Signatory Airlines and other air carriers include providers of aviation services, such as ground handlers, fixed base operators, fuelers and in-flight kitchen operators. Concessionaires provide services and products to passengers and visitors, and include, among other things, restaurant and fast-food service, newsstands and gift shops, rental cars, taxi and limousine and other forms of ground transportation and on-Airport and off Airport parking. See "Philadelphia Parking Authority" below. Lease and license agreements with the providers of these products and services provide the Airport with rentals and concession revenues.

Philadelphia Parking Authority

The Philadelphia Parking Authority ("PPA") was established by City of Philadelphia ordinance in 1950 pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorize PPA to plan, design, acquire, hold, construct, improve, maintain, and operate, own or lease land and facilities for parking in the City, including such facilities at the Airport; and to administer and enforce City on-street parking regulations for the City through an Agreement of Cooperation (the "Agreement of Cooperation") with the City.

Revenues under the Ground Lease with the Philadelphia Parking Authority

The PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease that extends to December 31, 2030 or such time all Bonds issued under the Indenture have been retired (the "Ground Lease"). The Ground Lease provides for payment of rent to the City (the "Rental Payment"), which is equal to gross receipts less operating expenses, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of Rental Payments in Fiscal Year 2004 and Fiscal Year 2005 that totaled $14,539,053 and $27,239,109, respectively. The Rental Payment that was transferred from the PPA to the City's Aviation Operating Fund as rent on June 30, 2006, 2007 and 2008 were $30,186,642, $33,184,918, and $33,570,037, respectively.

One component of operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the "FAA Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs throughout all its revenue centers. (PPA owns and operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement.)

BOND INSURANCE

The following information is not complete and reference is made to Appendix VIII for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of the Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the City solely as a result of the failure by the Fiscal Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Fiscal

Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the City to have provided sufficient funds to the Fiscal Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the City, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Fiscal Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., "AAA" (stable) by Fitch, Inc. and "Aa2" (stable) by Moody's Investors Service, Inc. Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments. On November 14, 2008, AGL announced that it had entered into a definitive agreement to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see the Annual Report on Form 10-K filed by AGL with the Securities and Exchange Commission (the "SEC") on February 26, 2009.

Capitalization of Assured Guaranty Corp. As of December 31, 2008, Assured Guaranty had total admitted assets of $1,803,146,295 (unaudited), total liabilities of $1,425,012,944 (unaudited), total surplus of $378,133,351 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,090,288,113 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

Incorporation of Certain Documents by Reference. The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2008 (which was filed by AGL with the SEC on February 26, 2009); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE-The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE".

THE AIRPORT SYSTEM

General

The Airport System consists of the Airport and the Northeast Philadelphia Airport and is owned by the City and operated by the Division of Aviation of the City's Department of Commerce.

The City is classified as a large air traffic hub by the Federal Aviation Administration (the "FAA"). According to the Airport Council International, in calendar year 2007, the Airport was ranked 17th in passenger traffic among U.S. airports and served a total of approximately 32.2 million passengers. Origin-destination traffic for Fiscal Year 2008 accounted for approximately 64% of annual passengers, with the remaining 36% being passengers who connected between flights. For information on airline market share, passenger enplanements, airline landed weight and historical and projected airline traffic activity at the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009, – Airline Traffic Analysis."

Management of the Airport System

The Acting Director of Aviation, Mark Gale, is responsible for the operation of the Division of Aviation. As of June 30**,** 2008, there were approximately 1,000 persons employed by the City at the Airport.

Airport System operations are conducted under the supervision of the following members of the Division of Aviation Staff:

Mark Gale, Acting Director of Aviation. On January 30, 2009, Mr. Gale was appointed by Mayor Nutter and Deputy Mayor of Transportation and Utilities Rina Cutler to serve as Philadelphia's Acting Director of Aviation. Prior to this appointment, Mr. Gale most recently served as Deputy Director – Operations and Facilities, as which Mr. Gale was responsible for leading a group of managers in directing the day-to-day activities of the Airport, including all aspects of airport operations, electrical and electronic services, design and construction, HVAC, pavement and grounds, facility services and related administrative units. Prior to being appointed Deputy, he served as the Airport's Operations Manager (1996-2000), and has held several other operations positions with the Division of Aviation since 1989. Mr. Gale holds a Bachelor's degree in Aeronautical Studies from Embry-Riddle Aeronautical University (1987). He is an accredited member in the American Association of Airport Executives (AAAE). Mr.

Gale also serves on several industry committees, including AAAE's Safety, Security and Technical Services Steering Group, as well as Airports Council International – North America (ACI-NA) Technical Affairs Committee. Mr. Gale was appointed Acting Aviation Director upon the retirement of Charles J. Isdell, Jr., who served as Philadelphia's Aviation Director from 2000. The City currently is conducting a national search for a permanent Aviation Director.

Edward C. Anastasi, Deputy Director of Aviation – Finance and Administration. Mr. Anastasi is responsible for Airport financial operations, capital program funding and administration, human resources, procurement, contract management and materials management. He joined the Division of Aviation in 1977 and became the Airport's Financial Services Manager in 1980. He was appointed Deputy Director in 1997. Prior to his joining the Division of Aviation, he served as Audit Supervisor for the Office of the City Controller, Philadelphia, where he oversaw financial and performance audits, then developed and managed the office's computer auditing division. Mr. Anastasi holds a Bachelor's degree (B.S. Accounting, 1971) from LaSalle University. He is a member of Airports Council International--North America's Finance Committee.

James Tyrrell, Deputy Director of Aviation – Property Management and Business Development. Mr. Tyrrell is responsible for the Property Management and overall Business Development functions for the Airport System. He joined the Division of Aviation in 1987 and served as the Airport Properties Manager from 1993 to 2001. He obtained his undergraduate degree (B.S. Marketing/Management, 1982) from Saint Joseph's University. Prior to joining the Airport he worked in commercial real estate as a site selector for a franchise company.

Calvin M. Davenger, Jr., Deputy Director of Aviation – Planning and Environmental Stewardship. Mr. Davenger started his aviation career at Philadelphia International Airport in 1991. He is responsible for directing the development of a comprehensive Airport Master Plan and an accelerated environmental review resulting in two Environmental Impact Statements. He is also responsible for ensuring that the Airport adheres to environmental regulatory measures and heads the Airport's Sustainability Initiative. Mr. Davenger received a Bachelor of Science degree in Mechanical Engineering from the Pennsylvania State University (1971). He was licensed in 1976 as a Registered Professional Engineer in Pennsylvania and a Certified Member of the American Association of Airport Executives.

Dennis A. Waller, Deputy Director of Aviation – For Compliance. In accordance with the Directives of City government and the Federal Aviation Administration, Mr. Waller is responsible for ensuring that Disadvantaged Business Enterprises (DBE's) participate in Airport contract opportunities including construction, capital projects, supplies, services and professional and consulting contracts as well as concessions. Mr. Waller joined the Division of Aviation in 2007 after serving 13 years as the Deputy Director for Business Development at the Fairmount Park Commission. Prior to his service at Fairmount Park, Mr. Waller served as the Deputy and acting Director of the Minority Business Enterprise Council. Mr. Waller obtained his undergraduate degree (Bs-Ed) from Wilberforce University and holds a Masters Degree in Public Administration from the University of Pennsylvania.

Description of the Airport

The Airport was opened in 1940, is owned by the City and operated by the Division of Aviation, and serves residents of and visitors to a broad geographic area that includes portions of four states: Pennsylvania, New Jersey, Delaware and Maryland. The primary service region of the Airport consists of the Philadelphia and Wilmington Metropolitan Statistical Areas. The Airport is located partly in the southwestern section of the City and partly in the northeastern section of Delaware County 7.2 miles from center city Philadelphia. It is adjacent to Interstate 95 and is served by a commuter rail line with direct service to center city Philadelphia operated by the Southeastern Pennsylvania Transportation Authority ("SEPTA").

Land. The Airport contains approximately 2,328 acres, which the City owns in fee simple subject only to certain liens or encumbrances which do not interfere with the orderly operation of the Airport.

Airfield. The airfield pavements consist of parallel runways 9L-27R and 9R-27L, crosswind runway 17-35 and commuter runway 8-26, together with interconnecting taxiways and aircraft parking aprons. The runway system is capable of handling the largest commercial aircraft currently operated by the Signatory Airlines. The current lengths and widths of runways comprising the runway system are set forth in the table below.

Runway	Length	Width
9R-27L	10,500’	200’
9L-27R	9,500’	150’
17-35	6,500’	150’
8-26	5,000’	150’

Passenger Terminals. The passenger terminal complex, located north of the main runways, comprises seven terminal units, each providing a concourse for aircraft loading and unloading; a landside building for passenger ticketing, check-in, and security screening; and (except in the case of Terminal F) a separate baggage claim building. The landside buildings and baggage claim buildings are served by separate curbside roadway systems. The terminal complex provides a total of approximately 2.4 million square feet of space and 120 aircraft parking positions and associated facilities (gates).

Ticketing and baggage claim operations occupy the ground level and are served by ground level roadways. Airline operational facilities and baggage make-up areas are located on the ground level of the Terminal Building and in the concourses. While airline office space is provided adjacent to ticket counter locations or in concourses, there are also offices in the connectors, the Terminal B Tower and the Baggage Claim Buildings. Concessions are located throughout the public areas on two levels of the Terminal Building.

All food, beverage and retail concessions in the terminal buildings are managed and operated under the Second Amended and Restated Master Lease, Development and Concession Agreement and Sub-Sublease Development and Concession Agreement (collectively, the “Master Lease Agreement”) between the City and Marketplace Redwood Limited Partnership which was executed in January 2001 and extends through Fiscal Year 2013. The Master Lease Agreement provides for Marketplace Redwood to develop and manage Airport concessions showcasing national brands and local Philadelphia products. Approximately 115,000 square feet of space in the passenger terminals has been developed for concessions.

Parking and Outside Terminal Area. The Outside Terminal Area includes public parking facilities, certain ground transportation and rental car facilities, and an airport hotel.

Public parking facilities, which are leased to and operated by the Philadelphia Parking Authority, consist of five multi-story garages and surface lots immediately north of the terminals (approximately 11,750 spaces) and a surface lot remote from the terminal complex and served by shuttle buses (approximately 6,250 spaces). A 50-acre site north of the terminal complex, designated the Outside Terminal Area, accommodates the parking garages as well as a hotel, rental car storage and maintenance sites, commercial ground transportation, and other facilities. The parking garages and hotel are connected directly to the terminals by enclosed walkways.

Seven car rental companies (Avis, Budget, Dollar, Enterprise, Hertz, National and Alamo) lease parking areas and areas adjacent to the baggage claim building for shuttle bus pickup and drop off.

Parkway Corporation manages the Airport ground transportation system and provides for the orderly dispatch of taxicabs to and from the terminal baggage claim facilities and the sequencing of taxicabs in the Airport's taxicab holding area. An eight-zone system for delineating commercial traffic is in effect on the north and south sides of the baggage claim areas, which provides separate zones for SEPTA, rental car shuttles, parking shuttles, hotel shuttles, taxicabs, inter-terminal shuttles, limousine and shuttle van services and charter buses and courier services. The City imposes egress fees for commercial vehicles based upon the seating capacity. All commercial vehicles are subject to the fees and must pay to enter the commercial roadway at a tollbooth operated by Parkway Corporation. The only exception to the fees is for those operators who do not operate "for hire" (i.e., rental car courtesy vehicles, hotel courtesy vehicles and parking shuttle services).

Host Marriott Corporation operates a l4-story hotel with approximately 419-rooms on approximately three acres leased from the City adjacent to the Terminals A-B parking garage. It features a restaurant, lounge and an approximately 7,000 square foot grand ballroom.

General Aviation Facilities. Atlantic Aviation, a fixed based operator located at the easternmost end of the Philadelphia International Airport, services general aviation operations. This 29 acre facility, constructed and operated by Atlantic Aviation, opened in May 2000 with the following: an 8,800 square foot terminal building; two 24,000 square foot open hangars, a fuel farm consisting of two 20,000 gallon jet fuel tanks and one 10,000 gallon aviation gas tank and 18 acres of ramp space.

Cargo and Other Facilities. Air cargo facilities are located in eight major structures in and near Cargo City at the western end of the Airport. Facilities that constitute Cargo City consist of the following: U.S. Postal Service, American Airlines/United Airlines, US Airways, two Aero Philadelphia buildings, Ridgely Group, AMB/AFCO Cargo West*Pac, and UPS Air Cargo, which operates its east coast package handling and sorting hub from an approximately 675,000 square foot building at the south side of the Airport.

US Airways operates an aircraft maintenance hangar and parking apron on 9.15 acres of land located in Cargo City.

Hertz Rent-A-Car operates a maintenance facility located on 10 acres of land at the corner of 84th Street and Bartram Avenue.

Northeast Philadelphia Airport

Northeast Philadelphia Airport is located on a 1,150-acre site situated within the City limits about 13 miles by road northeast of center city Philadelphia and provides for general aviation, air taxi and corporate, as well as occasional military use.

The airport currently has no scheduled commercial service. In recent years, the airport has handled approximately 110,000 general aviation operations annually. There are 85 T-hangars and 7 corporate hangars in use, and 6 open hangars for general aviation activities.

General aviation fuel services for both propeller and jet aircraft as well as aircraft and avionics maintenance are available. There are approximately 220 general aviation aircraft based at Northeast Philadelphia Airport.

Two fixed based operators service general aviation operations at the Northeast Philadelphia Airport.

Atlantic Aviation is located on the southwest side of the airport. This facility opened in 2000 and consists of the following facilities: an 8,000 square foot terminal building, four open hangars totaling a combined 73,280 square feet, 65 T-hangars, a fuel farm consisting of two 15,000 gallon tanks, and 17 acres of ramp space.

The North Philadelphia Jet Center is located on the northeast side of the airport. The Jet Center opened in 1977 and has subsequently been renovated. The Jet Center includes a two-story 8,000 square foot terminal building, two open hangars totaling a combined 20,000 square feet, a fuel farm consisting of four 10,000 gallon fuel tanks, and 20 T-hangars.

Recently Completed and In Progress Capital Improvement Projects

Set forth below is a list of major capital projects in the Airport System that have been or are expected to be completed in Fiscal Year 2008 through approximately Fiscal Year 2013.

Expansion and Modernization of Terminals D and E. This project consists of a new 210,000 square foot multi-level connector building between Terminals D and E, a 50,000 square foot addition to the Terminal E concourse which will provide three additional passenger gates, a 11,000 square foot connector building between Bag Claims D and E, and various renovations to areas within the two terminals and the adjacent Thermal Plant. The first level of the new connector building will house a new baggage make-up area that will contain Explosive Detection Devices which would be operated by the Transportation Security Administration as part of an in-line baggage screening system. The second level will be a fourteen-lane passenger security screening area serving both terminals, and the third level will house Division of Aviation offices and have space for an airline club. Construction work is underway with approximately 60% completed. The combined security checkpoint was opened to the public in December 2008. The ticketing and baggage claim renovations are scheduled to be completed in late 2009 and the Hammerhead Expansion is scheduled to be completed in early 2010. The total estimated cost of the D-E project is $322 million.

Terminal A East Improvements. This project consists of various improvements to the terminal building and concourse of Terminal A-East to make it fully compatible with the newer adjacent international terminal (A-West). The first phase of the work which included conversion of space formerly occupied by FIS agencies to new uses, creation of a new seven lane security checkpoint, and upgrading the fire alarm and fire protection systems, has been completed. Under the other phases, work will also take place in the ticketing area, concourse and other related spaces, and will include new doors, flooring, ceilings, and lighting and upgrading of mechanical and electrical systems. Also, the outbound baggage handling system will be modified to provide an in-line Explosive Detection System ("EDS") for checked baggage. Completion of building renovations is scheduled for 2009 with the in-line EDS scheduled for 2011. The total estimated cost of the A East project is $78 million.

Other Terminal Building Improvements. Recently completed projects include major upgrading of the Security Controlled Access System, major improvements to the fire suppression systems at various locations in the terminal complex, and the first phase of the installation of a new Flight Information Display System ("FIDS"). The total cost of these projects was $19 million. The second phase of the FIDS project is currently underway and scheduled for completion in 2009. The estimated cost of this project is $8 million.

Extension of Runway 17-35. The north-south runway was extended from 5,460 feet to 6,500 feet to accommodate larger aircraft. The project included new airfield lighting, extension of adjacent taxiways and substantial modifications of nearby roadways and parking facilities. Construction work was completed in early 2009. The estimated cost of the runway extension was $70 million.

Other Airfield Area Improvements. Various projects have been in progress to renovate and upgrade existing airfield facilities. The resurfacing of runway 17-35 was completed in 2004 with an approximate cost of $6.5 million. A Surface Movement Guidance and Control System ("SMGCS") which enhances safety on the Airfield was completed in 2006 at a total cost of $8.5 million. The aircraft parking aprons in the vicinity of Terminals D and E and in the Cargo City area are being replaced through multi-year construction programs. The work in those two areas is estimated to have a total cost of $60 million. With approximately 40% of the work completed to date, total completion is scheduled for 2011. Also work is underway to reconstruct several taxiways, and final design is underway for the reconstruction of the Airport's longest runway (9R-27L). The estimated cost for these runway/taxiway projects is $50 million with completion scheduled for 2010.

Employee Parking Lot Expansion. Approximately 16 acres of land adjacent to the existing employee parking lot were acquired in order to provide an additional 1,400 parking spaces. The work included grading, paving, drainage, lighting and fencing and was completed in June 2008. The total cost for the parking lot was approximately $14 million.

Residential Sound Insulation Program ("RSIP"). Through a Part 150 Noise Study completed in 2003, it has been determined that approximately 600 properties in Tinicum Township are located within the 65 DNL contour and are eligible for improvements to lessen the impacts of aircraft noise. A pilot program that involved 27 properties was completed in 2006. Construction is underway for insulation improvements for 138 additional properties which are expected to be completed over the next year. In addition, design of the next group of 150 properties is currently underway which are expected to be completed over the next two years. The Airport plans to continue the program until noise abatement of all the affected properties has been addressed. The schedule for the future work will be dependent on the amount of federal grants-in-aid that can be provided each year. The total cost for the RSIP is expected to be between $40 to $50 million.

Northeast Philadelphia Airport. Recently completed projects include three taxiway extensions with a total cost of $6.0 million, a New Vehicle Storage Building with a total cost of $2.5 million and an airfield lighting project with a total cost of $1.2 million.

Future Airport System Capital Improvement Projects

Over the next several years, the City expects to undertake additional Airport capital improvements and to finance such improvements in part with proceeds of additional bonds. Specifically, the City expects to undertake the projects set forth below.

(a) Terminal F Expansion and Renovation

(b) Terminal B-C In-Line Baggage Handling System

(c) Eastside and Westside Taxiways

(d) Runway 9L-27R Resurfacing

(e) Airport Maintenance Facility

(f) Runways 9L-27R Navaids

(g) Property acquisitions

For a description of these projects, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009. The implementation of these 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 additional bonds test requirements of the General Ordinance.

The City is currently updating its Airport Master Plan and preparing an associated EIS to ensure that the Airport can be developed to accommodate long-term requirements. The capital program beyond Fiscal Year 2011 is being refined and updated as part of the Master Plan process and is expected to include a comprehensive airfield capacity enhancement program, possibly including extension of the existing runways, construction of new runways, and relocation of Airport facilities. The funding of this longer-term capital program will require the issuance of additional bonds.

Such future capital 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.

Funding Sources for Airport System Capital Improvement Projects

Airport System capital improvements have been financed primarily through Federal and Commonwealth grants-in-aid, PFC Revenues, Airport Revenue Bonds and general obligation bonds. The Airport expects to continue to fund capital improvement projects with a combination of Federal and Commonwealth grants-in-aid, PFC Revenues and proceeds from additional issues of Airport Revenue Bonds.

Airport Revenue Bonds and General Obligation Bonds of the City. The financing of a portion of the capital improvements to the Airport System has been accomplished through the sale of Airport Revenue Bonds and the City's general obligation bonds. The City has previously issued several series of general obligation bonds and fifteen series of Airport Revenue Bonds, ten of which are currently outstanding (the 1997A Bonds, the 1998A Bonds, the 1998B Bond, the 2001A Bond, the 2001B Bonds, the 2005A Bonds, the 2005B Bonds, the 2005C Bonds, the 2007A Bonds and the 2007B Bonds). As of December 31, 2008, there were $1,287,685,000 of Airport Revenue Bonds outstanding for the Airport System. No general obligation bonds of the City issued to finance capital improvements to the Airport System are currently outstanding.

Federal Grants-in-Aid. The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program (the "AIP"), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by various Federal aviation user taxes. Grants are available to airport operators across the country in the form of "entitlement" funds and "discretionary" funds. Entitlement funds are apportioned annually based upon cargo volume and enplaned passengers and discretionary funds are available at the discretion of the FAA based upon a national priority system. Actual entitlement funds will vary with the actual numbers of passenger enplanements and cargo volume, with total appropriations for the AIP and with any revision of the existing statutory formula for calculating such funds. In addition, pursuant to the PFC Act (defined below) and the Aviation Investment and Reform Act for the 2lst Century, an airport's annual Federal entitlement grants are reduced 50% following; the imposition of PFCs at the $3.00 level and 75% following imposition at the $4.00 or $4.50 level.

Since 1982, the Division of Aviation has received grants from the Federal government under the AIP. In Fiscal Year 2004 through Fiscal Year 2008, the Division of Aviation received entitlement (passenger and cargo) grants averaging $6.0 million per year and discretionary grants averaging $18.2 million per year. The Airport funded the extension of runway 17-35 and the Residential Sound Insulation Program with a portion of the AIP grants during this period.

Commonwealth Grants-In-Aid. The Pennsylvania Department of Transportation provides grants for airport improvements. The Division of Aviation has received approximately $800,000 per year for improvements at the Airport and $100,000 to $1,000,000 for improvements at the Northeast Philadelphia Airport. The grants have been used for airfield improvements. In addition, two grants of $1,000,000 each were issued through the State Capital Budget in 2006 and 2007 for Philadelphia International Airport.

Passenger Facility Charges. Passenger Facility Charges ("PFCs") are authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), and implemented by the FAA pursuant to published regulations issued with respect to the PFC Act (the "PFC Regulations"). The PFC Act permits a public agency, such as the City, which controls certain commercial service airports to charge each paying passenger enplaning at the airport (subject to certain limited exceptions) a PFC of $1.00, $2.00, $3.00, $4.00 or $4.50. Pursuant to the PFC Act and to the City's current approvals from the FAA, the City may, with certain exceptions, charge each paying passenger who enplanes at the Airport a PFC of $4.50. The annual amount of PFCs payable to the City depends upon the number of passenger enplanements at the Airport. The PFC Act requires air carriers and their agents to collect the

PFCs and to remit to the City once each month the proceeds of such collections, less a handling fee and without interest earned prior to such remittance.

PFC Revenues are to be used to finance approved airport-related projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from an airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers. These projects include airport development or planning, terminal development, airport noise compatibility measures and planning and construction of gates and related areas (other than restaurants, rental car facilities, automobile parking or other concessions) for the movement of passengers and baggage.

The FAA approval provides that bond documents, such as the General Ordinance, may define pledged airport revenues in a manner that would include PFC Revenues. However, the FAA approval also provides that the use of PFC Revenues is limited to the allowable costs of approved PFC projects ("PFC-Eligible" projects) and may not be used to pay debt service on any bonds issued to finance non-PFC-Eligible projects. The use of PFC Revenues deposited in the special PFC account in the Aviation Capital Fund for any other project would require special FAA approval. Under the General Ordinance, PFC Revenues do not constitute Project Revenues, but may be included in Amounts Available for Debt Service to the extent that such PFC Revenues have been pledged pursuant to a Supplemental Ordinance.

The City Program. The City has, since September 1992, been authorized by the FAA to impose a PFC on eligible passengers enplaned at the Airport and to use PFC Revenues to pay the costs of various FAA-approved projects. The PFC was initially $3.00 per passenger and, effective April 1, 2001, was increased to $4.50 per passenger. The City has authority from the FAA to impose the PFC through an estimated date of April 2018 and to collect PFC Revenues, inclusive of investment earnings, of approximately $1.4 billion as shown on the following Table 1.

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Table 1

HISTORY OF APPLICATIONS TO USE PFC REVENUES
Philadelphia International Airport

PFC Application No.	Approval Date	Initial Approved Amount	Amended Approved Amount
93-02-U-00-PHL	05/15/1993	$ 14,250,000	$ 12,805,496
95-03-C-00-PHL	02/27/1995	101,500,000	94,683,961
95-04-U-00-PHL	10/13/1995	950,000	1,270,605
95-05-C-00-PHL	11/21/1995	14,000,000	14,000,000
98-06-C-00-PHL	02/11/1998	26,150,000	19,534,950
99-08-U-00-PHL	10/12/1999	672,000,000	999,267,790
01-09-C-00-PHL	02/22/2000	22,250,000	24,400,000
06-10-C-00-PHL	02/16/2006	83,250,000	238,950,000
Totals		$934,350,000	$1,404,912,802

Source: City of Philadelphia, Division of Aviation.

The City is authorized to use PFC Revenues to pay a portion of the Debt Service Requirements of the 1998B Bond and the 2001A Bond and has pledged PFC Revenues equal to 100% of the annual amount of PFC-eligible debt service on the 1998B Bond and the 2001A Bond, subject to the limitation that in no year shall the amount pledged exceed the lesser of (1) 70% of PFC Revenues received by the City in such year, or (2) 75% of total debt service on the 1998B Bond and the 2001A Bond in such year.

Through December 31, 2008, PFC Revenues received by the City, including investment earnings, totaled approximately $707.2 million, of which approximately $616.6 million had been expended on approved project costs, as shown in Table 2 set forth below.

Table 2

PFC REVENUES
Philadelphia International Airport
(Fiscal Years Ending June 30)

FISCAL YEAR	COLLECTIONS	INTEREST	TOTAL REVENUES
1993	$14,484,101	$ 142,790	$14,626,891
1994	22,605,318	1,111,511	23,716,829
1995	21,828,173	2,285,485	24,113,658
1996	22,817,704	2,277,935	25,095,639
1997	27,229,901	1,837,334	29,067,235
1998	30,931,674	1,654,752	32,586,426
1999	29,408,652	2,018,264	31,426,916
2000	32,278,858	2,828,083	35,106,941
2001	31,880,729	3,362,695	35,243,424
2002	53,688,877	2,112,347	55,801,224
2003	43,961,971	1,537,729	45,499,700
2004	51,766,443	808,417	52,574,860
2005	61,378,549	1,284,025	62,662,574
2006	62,165,176	3,252,682	65,417,858
2007	65,328,768	5,047,044	70,375,812
2008	70,120,974	5,098,760	75,219,734
First half of 2009	27,356,465	1,344,257	28,700,722
Total – Program Inception through December 31, 2008	$669,232,333	$38,004,110	$707,236,443
Expenditures through December 31, 2008			$616,641,416
Balance			$90,595,027

Note: The PFC was initially imposed at a rate of $3.00 effective September 1992, and was increased to $4.50 effective April 2001.

Source: City of Philadelphia, Division of Aviation

Aviation Activity at the Airport

As of January 2009, a total of 611 average daily departures to 124 cities, including 84 domestic and 40 international destinations were provided from the Airport. In 2004, Southwest began service at the Airport with 14 daily departures and has since increased scheduled service to 66 daily departures as of January 2009. Fare competition at the Airport among Southwest, US Airways, and other airlines has resulted in reduced average airfares and increased air travel, both by passengers who otherwise would have used competing airports and by those who would not have traveled by air. In Fiscal Year 2001, average airfares at the Airport were 51% higher than those at Baltimore-Washington International. In Fiscal Year 2007, they were 17% higher.

US Airways remains the principal air carrier operating at the Airport, and the Airport serves as a primary hub in US Airway's route system. US Airways currently leases 68 of the existing 120 gates at the Airport under the US Airways Airline Agreement. US Airways, together with its regional airline affiliates operating as US Airways Express, accounted for approximately 63% of passenger enplanements at the Airport in Fiscal Year 2008, as well as approximately 39.2% of total Aviation Fund operating revenues in Fiscal Year 2007.

The scheduled passenger airlines serving the Airport and their respective market shares are listed in Tables 3 and 4 below. For a more detailed description of airline market share, passenger enplanements, airline landed weight and historical and projected airline traffic activity at the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009 – Airline Traffic Analysis" herein.

Table 3
HISTORICAL ENPLANED PASSENGERS
Philadelphia International Airport
(Fiscal Years Ending June 30)

Fiscal Year	Domestic	International	Total	Total Annual Increase (Decrease)
1993	7,645,396	582,621	8,228,017	8.6%
1994	7,777,184	607,718	8,384,902	1.9
1995	8,419,133	634,955	9,054,088	8.0
1996	8,538,732	665,334	9,204,066	1.7
1997	9,502,168	890,094	10,392,262	12.9
1998	10,601,187	1,104,443	11,705,630	12.6
1999	10,737,979	1,329,813	12,067,792	3.1
2000	10,652,391	1,326,524	11,978,915	(0.7)
2001	11,149,732	1,521,721	12,671,453	5.8
2002	10,501,846	1,499,659	12,001,505	(5.3)
2003	10,519,234	1,617,391	12,136,625	1.1
2004	11,149,952	1,938,821	13,088,773	7.8
2005	13,427,191	2,063,378	15,490,569	18.4
2006	13,563,540	2,011,457	15,574,997	0.5
2007	13,864,721	1,986,970	15,851,691	1.8
2008	13,971,056	2,081,917	16,052,973	1.3
First 6 months				
2008	7,124,976	1,030,806	8,155,782	2.5
2009	6,964,869	976,456	7,941,325	(2.6)
	Average Annual Percent Increase			
1990-2001	3.8%	13.5%	4.5%	
1996-2001	5.5	18.0	6.6	
2001-2008	3.3	4.6	3.4	

Source: City of Philadelphia, Division of Aviation.

Table 4

AIRLINE SHARES OF ENPLANED PASSENGERS
Philadelphia International Airport
(Fiscal Years Ending June 30)

	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Domestic Service						
Scheduled Major and National*						
US Airways	5,577,509	35.8%	5,068,667	32.0%	4,823,618	30.0%
Southwest	1,422,192	9.1	1,653,904	10.4	1,859,184	11.6
American	779,569	5.0	750,476	4.7	700,757	4.4
United	698,887	4.5	675,407	4.3	614,669	3.8
Delta	572,826	3.7	562,536	3.5	571,173	3.6
AirTran	568,166	3.6	529,692	3.3	504,389	3.1
Northwest	397,954	2.6	442,522	2.8	452,213	2.8
Continental	263,132	1.7	254,052	1.6	253,738	1.6
Frontier	80,994	0.5	76,153	0.5	83,216	0.5
Midwest Express	63,955	0.4	75,747	0.5	72,270	0.5
USA 3000	75,323	0.5	58,655	0.4	68,903	0.4
Subtotal	10,500,507	67.4%	10,147,811	64.0%	10,004,130	62.3%
Scheduled Regional Affiliates						
US Airways Express	2,718,827	17.5%	3,371,752	21.3%	3,589,475	22.4%
Other	341,311	2.2	342,437	2.2	375,815	2.3
Subtotal	3,060,138	19.6%	3,714,189	23.4%	3,965,290	24.7%
Nonscheduled	2,895	0.0	2,721	0.0	1,636	0.0
Total Domestic Service	13,563,540	87.1%	13,864,721	87.5%	13,971,056	87.0%

	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008	
	Number	**Percent**	**Number**	**Percent**	**Number**	**Percent**
International Service Scheduled						
US Airways	1,420,521	9.1%	1,425,597	9.0%	1,564,857	9.7%
US Airways Express	171,187	1.1	172,542	1.1	140,444	0.9
British Airways	126,102	0.8	115,772	0.7	114,278	0.7
Lufthansa	80,356	0.5	76,832	0.5	74,508	0.5
Air France	59,544	0.4	61,498	0.4	56,920	0.4
Air Jamaica	36,066	0.2	39,660	0.3	42,445	0.3
Air Canada Jazz	30,739	0.2	50,459	0.3	41,435	0.3
USA 3000	44,812	0.3	40,656	0.3	35,079	0.2
Air Canada	38,558	0.2	1,234	--	10,122	0.1
Piedmont	--	--	--	--	173	0.0
Subtotal	2,007,885	12.9%	1984,250	12.5%	2,080,261	13.0%
Nonscheduled	3,572	0.0	2,720	--	1,656	0.0
Total International Service	2,011,457	12.9%	1,986,970	12.5%	2,081,917	13.0%
Total Service	15,574,997	100.0%	15,851,691	100.0%	16,052,973	100.0%

* America West merged with US Airways in September 2005. Data shown are for America West and US Airways combined.
Note: Columns may not add to totals shown because of rounding.
Source: City of Philadelphia, Division of Aviation.

Information Concerning the Signatory Airlines

General. Signatory Airlines accounting for substantially all of the landed weight at the Airport have entered into the Airline Agreement with the City. The Airline Agreement requires the Signatory Airlines to make payments in each Fiscal Year in amounts which, together with other Project Revenues and other pledged Amounts Available for Debt Service such as pledged PFC Revenues, are sufficient to pay Operating Expenses and annual debt service on all of the City's outstanding Airport Revenue Bends and general obligation bonds issued for the Airport System and are sufficient to comply with the Rate Covenant. See "SOURCES OF PROJECT REVENUES UNDER THE GENERAL ORDINANCE – Airport-Airline Use and Lease Agreements." Certain domestic Signatory Airlines serving the Airport are reporting companies subject to the information requirements of the Securities Exchange Act of 1934 and, in accordance therewith, must file reports and other information with the Securities and Exchange Commission (the "Commission"). Certain information, including financial information, concerning such a Signatory Airline (or its agent corporation) is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected in the Public Reference Room of the Commission at 450 Fifth St., N.W., Washington. D.C. 20549, or at the Commission website at http://www.sec.gov, and copies of such reports and statements can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, each Scheduled Airline is required to file periodic reports of financial and operating statistics with the Department of Transportation. Such reports may be inspected at the following location: Office of Aviation information Management; Data Requirements and Public Reports Division Research and Special Programs Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590. Domestic airlines serving the Airport that are privately held, foreign airlines serving the Airport, and foreign corporations operating airlines serving the Airport (unless such foreign airlines have ADRs registered on a national exchange) are not required to file information with the Commission. Such airlines, or foreign corporations operating airlines, serving the Airport file limited information only with the DOT. Additional data may be posted at the websites of the respective airlines. The City makes no representation as to the accuracy or completeness of any such information prepared and filed by any of the Signatory Airlines.

US Airways. According to the records of the Division of Aviation, US Airways, Inc. ("US Airways") and its regional affiliates accounted for 63% of the total enplaned domestic and international passengers at the Airport in the Fiscal Year ended June 30, 2008.

Based on its current activities at the Airport, US Airways is an "obligated person" as such term is defined by Rule 15c2-12 promulgated by the Commission ("Rule 15c2-12") and as used in the Continuing Disclosure Agreement to be executed by the City and acknowledged by US Airways in connection with the delivery of the Bonds. See "CONTINUING DISCLOSURE AGREEMENT" and APPENDIX VII – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

THE AIRPORT SERVICE REGION

For a discussion of the service region and the region served by the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009 – Airline Traffic Analysis – Airport Service Region." See also APPENDIX V – "CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA."

FINANCIAL FACTORS

The City Controller has not participated in the preparation of the budget estimates and projections set forth in various tables contained in this Official Statement or otherwise set forth herein. The financial statements, tables, statistics and other information contained in this Official Statement have been provided by the Division of Aviation and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report ("CAFR") for the Fiscal Years 2004 through 2008.

Historical Project Revenues and Operating Expenses

For information regarding the historical Project Revenues and Operating Expenses of the Airport System, see the Report of the Airport Consultant included as APPENDIX II of this Official Statement. The Report of the Airport Consultant should be read in its entirety.

The data in Table 5 shown below have been provided by the Division of Aviation from its unaudited accrual basis reports and presents information regarding Project Revenues and expenses of the City's Airport System.

Table 5

SUMMARY OF HISTORICAL PROJECT REVENUES AND EXPENSES OF THE AIRPORT SYSTEM CITY OF PHILADELPHIA (Fiscal Years Ending June 30) (Dollar Amounts are listed in thousands)

LINE		2004	2005	2006	2007	2008
	AMOUNTS AVAILABLE FOR DEBT					
1.	Revenue deferred from prior year	$17,768	$18,688	$22,876	$9,621	($12,485)
1a.	Deferred revenue adjustment			(3,714)	0	6,667
2.	Space rentals	39,195	44,883	47,947	55,929	75,420
3.	Landing fees	35,963	36,314	29,622	25,845	44,597
4.	Ramp Area rentals	1,144	1,482	1,128	285	800
5.	Terminal Payments-in-Aid	19,421	13,884	9,719	0	0
6.	Outside Terminal Area Payments-in-Aid	0	982	0	0	0
7.	International Terminal revenues	24,619	19,553	16,919	15,370	17,722
8.	Revenue (deferred) / accrued to subsequent year	(18,688)	(22,876)	(9,621)	12,485	(3,304)
9.	Subtotal, Airline Rentals, Fees and Charges	119,422	112,910	114,876	119,535	129,418
10.	Nonairline Revenues	62,732	71,599	84,187	90,105	119,533
11.	Interest income	1,153	618	1,724	1,619	1,594
12.	Total Project Revenues	183,307	185,127	200,787	211,259	250,544
13.	Passenger Facility Charges (PFCs) Available for Debt Service	32,777	32,908	32,592	32,921	32,926
14.	Portion of Fund Balance Attributable to Amounts Available for Debt Service	0	0	0	10,241	42,583
15.	Total Amounts Available for Debt Service	216,084	218,035	233,379	254,421	326,053
	EXPENSES					
16.	Net Operating Expenses	71,863	71,348	77,152	87,073	99,820
17.	Required Renewal Fund Deposit	0	0	0	0	0
18.	Revenue Bond Debt Service	89,653	88,081	88,126	85,565	84,388
19.	General Obligation Bond Debt Service	1,051	1,051	0	0	0
20.	Interdepartmental Charges	52,218	57,555	57,860	70,670	89,136
21.	Total Expenses	214,786	218,035	223,138	243,308	273,344
22.	**NET REVENUE**	$1,298	$0	$10,241	$11,113	$52,709
	RATE COVENANT TESTS OF THE ORIGINAL GENERAL ORDINANCE					
23.	Test A (Line 15– Line 16– Line 17) / (Line 18)	1.61	1.67	1.77	1.96	2.68
24.	Test B (Line 15– Line 16– Line 17– Line 20) / (Line 18 + Line 19)	1.01	1.00	1.12	1.13	1.62

Note: The information presented above reconciles to the Basic Financial Statements contained in the City's Comprehensive Annual Financial Reports, which are audited by the Office of the City Controller.

Management Discussion of Historical Results

Table 5 presents the annual revenues and expenses of the Airport System for Fiscal Year 2004 – Fiscal Year 2008. As shown in the table, Fiscal Year 2008 results are markedly higher than they were in Fiscal Year 2004 to Fiscal Year 2007. This is primarily due to enactment of the seventh supplemental amendment to the General Ordinance, which provides for inclusion of Outside Terminal Area (OTA) revenues and expenses in the calculation of debt service coverage. Since the OTA typically generates net revenue, coverage for Fiscal Year 2008 is significantly higher than Fiscal Year 2004 to Fiscal Year 2007 levels. This enhancement of debt service coverage was a primary consideration in amending the General Ordinance.

The information contained in Table 5 is presented on the accrual basis of accounting adjusted to meet the particular requirements of the General Ordinance, the Prior Airline Agreement and, for Fiscal Year 2008, the new Airline Agreement. See APPENDIX I – "FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION."

Fiscal Year 2004 to Fiscal Year 2007 Discussion. By optimizing Nonairline Revenues and controlling costs, Airline Revenues generally held constant from Fiscal Year 2004 to Fiscal Year 2007. This end result exemplifies a fundamental goal of Airport management to minimize increases in airline rentals and fees for the use and lease of Airport facilities.

An average 12.8% increase in Nonairline Revenues played a key role in containing Airline Revenues required for Fiscal Year 2004 to Fiscal Year 2007. The growth in Nonairline Revenues was stimulated by an 8.2% average annual increase in originating passengers and an 8.1% increase in aircraft departures for the period. Sources of the additional Nonairline Revenues include:

- A $7.5 million increase in terminal concession program rentals, associated profit sharing payments and terminal advertising program commissions.
- A $3.4 million increase in rental car concession revenues, excluding car rental revenues of the OTA.
- A $13.5 million increase in terminal rentals and landing fees from airlines not signatory to the Prior Airline Agreement, due to the commencement of air service by Southwest Airlines, Frontier Airlines and USA 3000, and leasehold expansion by Southwest Airlines.
- A $3.0 million increase in other Nonairline Revenue sources, including utility sales and the lease of Airport-owned jet bridges and other equipment to passenger airlines.
- Net Operating Expenses (expenses of the Division of Aviation) increased at an average annual rate of 6.6% between Fiscal Year 2004 and Fiscal Year 2007. The specific components of this cost increase include:
  - A $4.8 million increase in payroll costs (4.7%), attributable to wage increases pursuant to civilian collective bargaining agreements and the filling of Division of Aviation vacant positions.
  - A $9.0 million increase in contractual services (7.9%), attributable to facility maintenance, public information services and infrastructure improvements funded through the operating budget.
  - A $1.4 million increase in other Division of Aviation expenses, primarily attributable to equipment and vehicle purchases and price escalations for materials and supplies.

Interdepartmental Charges rose at an average annual rate of 10.6%, reflecting increased annual costs to fund the City's defined benefit pension plans and City-administered health and medical plans. In addition, Police costs increased at an annual rate of 9.1%, due primarily to enhanced federal security mandates and the required funding of Police binding arbitration contracts with the City.

Fiscal Year 2008 Discussion. As referenced previously, Fiscal Year 2008 is the first year in which revenues and expenses of the OTA are included in the calculation of debt service coverage. This inclusion, and the establishment of new operating reserves, account for the significant increase in the "Portion of Fund Balance Attributable to Amounts Available for Debt Service" (from $10.2 million in Fiscal Year 2007 to $61.4 million in Fiscal Year 2008).

The principal sources of OTA revenues in Fiscal Year 2008 include net income from the public parking operation ($33.6 million), rental car concession fees and ground rentals ($3.4 million), the Airport hotel concession ($2.0 million), commercial ground transportation egress fees ($1.4 million) and utility sales ($0.4 million). Estimated OTA operating expenses for Fiscal Year 2008 total $31.3 million, and include payroll, shuttle bus service costs, Police costs and other operating expenses allocable to the OTA.

Variances in space rentals, landing fees and Nonairline revenues from Fiscal Year 2007 to Fiscal Year 2008 are primarily due to changes in revenue classifications under the new Airline Agreement and an increase in the number of signatory airlines over the Prior Airline Agreement.

Net Revenue. Net Revenue is the amount remaining after Total Expenses, including Revenue Bond Debt Service, have been subtracted. Net Revenue has increased significantly, from $1.3 million in Fiscal Year 2004 to $71.5 million estimated for Fiscal Year 2008, due to the following factors: (a) inclusion of the OTA in debt service coverage; (b) establishment of a new Operating and Maintenance reserve under the new Airline Agreement; and (c) establishment of a new Bond Redemption and Improvement account under the new Airline Agreement.

Rate Covenants. As illustrated in Table 5, the rate covenants prescribed in the General Ordinance were satisfied in each fiscal year. The significant increase in achieved rate coverage from Fiscal Year 2004 to Fiscal Year 2008 is directly attributable to the above-referenced growth in Net Revenue.

Management Discussion of Fiscal Year 2009 Budget and Fiscal Year 2009 Expected Results

The Airport System's operating expenses are projected to increase by 5.3%, from $184.6 million in the Fiscal Year 2008 budget to $194.5 million in the Fiscal Year 2009 budget. Interdepartmental Charges account for the majority of this increase, attributable to the following:

- Additional wage and benefit costs pursuant to Fiscal Year 2009 binding arbitration with the Fraternal Order of Police ($1.7 million) and estimated costs from binding arbitration in process with the International Association of Fire Fighters Local 22 ($1.4 million)
- Increases in the cost of various utilities as a result of: a) anticipated rate tariff adjustments and fuel surcharges for natural gas and electricity; and b) additional storm water runoff costs ($2.0 million)
- Additional pension costs and other civilian employee benefits, including health and medical, social security and workers' compensation ($2.6 million)
- Increases in various other Interdepartmental Charges, including legal costs, centralized fleet costs, insurance premiums and the cost of services performed by the City's General Fund departments on behalf of the Airport System ($2.2 million)

The Airport System's debt service payments are projected to increase by 10.7%, from $87.7 million in the Fiscal Year 2008 budget to $97.1 million in the Fiscal Year 2009 budget. This increase is primarily due to completion of capitalized interest periods for various components of the Series 2005A, Series 2005B and Series 2007A Airport Revenue Bonds. The Fiscal Year 2009 budget assumes continued improvement in rate covenant tests with coverage of 2.73 for Test A and 1.83 for Test B. See Table 5 herein, lines 23 and 24 for an explanation of how coverage is calculated under Test A and Test B.

The Airport System's revenues and expenses for Fiscal Year 2009 are presently expected to approximate budgeted revenues and expenses. Revenues from airline and non-airline sources were budgeted in recognition of significant increases in aviation fuel costs, which have led several airlines to reduce capacity throughout the nation.

Airport Insurance

The City maintains comprehensive general liability aviation insurance coverage for claims arising out of bodily injury, personal injury or property damage arising from the operations of the Airport System. This insurance coverage provides a combined single limit of $500 million for each occurrence/aggregate. The Self Insured Retention is $1,000,000 each occurrence/$1,000,000 aggregate. "War Risk" coverage in the amount of $50 million also is provided under our general liability insurance policy. The City also maintains "all risks" property insurance coverage for property at the Airport System (including real and business) in the amount of $2 billion with deductibles of $250,000 at the Airport and $100,000 at the Northeast Philadelphia Airport. The property policy also includes but is not limited to business interruption (including loss of rents and extra expense), mechanical breakdown coverage, electronic data processing coverage, flood, earthquake, and terrorism coverage.

Cash Management and Investment Policies

As a division of the City, the Airport is subject to the City cash management and investment policies. See APPENDIX V – "CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA – CITY CASH MANAGEMENT AND INVESTMENT POLICIES."

Hedges and Swaps

General. The General Ordinance authorizes the City, at the time of issuance of a series of Bonds or at any time thereafter, to enter into interest rate exchange agreements, interest rate swap agreements or other similar agreements, to the extent permitted by applicable law and in accordance with the General Ordinance, if the City determines that such agreement will assist the City in more effectively managing its interest costs. Such agreements may be effected as Qualified Swaps or as Exchange Agreements. Payments under Qualified Swaps (other than termination payments) are made from the Sinking Fund and are calculated as part of Debt Service Requirements, and payments under Exchange Agreements (other than termination payments) are made only after required deposits to the Sinking Fund and the Sinking Fund Reserve are made and are on a parity with required deposits to the Renewal Fund. Termination payments on Qualified Swaps and on a certain Exchange Agreement (discussed below) are made only after required transfers to the Sinking Fund, Sinking Fund Reserve and the Renewal Fund have been made.

The General Ordinance provides, among other things, that the City will not enter into a Qualified Swap or Exchange Agreement unless it receives written confirmation from S&P that such agreement, in and of itself, will not result in a downgrade, withdrawal or suspension of the credit ratings on the Bonds.

The City has entered into one swaption agreement pursuant to the General Ordinance, which is an Exchange Agreement, as such term is defined in the General Ordinance. The City's obligations under the Swap Agreement are payable solely from and secured solely by Project Revenues in the order of priority listed in Section 4.06 of the General Ordinance, that is, subject and subordinate to the City's obligations to pay Net Operating Expenses, Debt Service Requirements (including debt service on the Bonds, payments on Qualified Swaps and Credit Facility charges secured on a parity to Bonds) and obligations to replenish the Sinking Fund Reserve. However, the City's obligation to pay termination payments with respect to the Swap Agreement and the security interest in Project Revenues therefor are subject and subordinate to its obligation to make periodic payments under the Swap Agreement.

Schedule of Debt Service

The following schedule of debt service shows the debt service requirements on the Bonds together with estimated debt service on other outstanding Airport Revenue Bonds.

Fiscal Year Ending June 30	2009A Bonds Debt Service Principal	2009A Bonds Debt Service Interest	Other Airport Revenue Bonds Debt Service[1, 2, 3]	Total Airport Revenue Bonds Debt Service
2009	$ 5,000	$ 354,900	$102,560,533	$102,920,432
2010	5,000	2,094,416	102,958,015	105,057,431
2011	1,655,000	2,094,316	106,418,964	110,168,280
2012	1,700,000	2,044,666	106,762,614	110,507,280
2013	1,755,000	1,993,666	107,169,771	110,918,438
2014	1,805,000	1,941,016	107,428,196	111,174,213
2015	1,865,000	1,882,354	107,731,173	111,478,526
2016	1,960,000	7,789,104	101,925,360	105,674,464
2017	2,035,000	1,710,704	102,262,154	106,007,858
2018	2,120,000	1,629,304	101,446,299	105,195,603
2019	2,205,000	1,544,504	91,217,559	94,967,063
2020	2,295,000	1,451,894	91,299,810	95,046,704
2021	2,395,000	1,354,356	91,240,360	94,989,716
2022	2,500,000	1,246,581	91,028,095	94,774,676
2023	2,615,000	1,130,956	90,777,878	94,523,834
2024	2,745,000	1,000,206	90,388,855	94,134,061
2025	2,885,000	862,956	89,867,770	93,615,726
2026	3,040,000	707,888	73,141,094	76,888,981
2027	3,200,000	544,488	73,150,750	76,895,238
2028	3,375,000	372,488	67,107,088	70,854,575
2029	3,555,000	191,081	22,845,213	26,591,294
2030	–	–	22,855,650	22,855,650
2031	–	–	22,852,175	22,852,175
2032	–	–	20,092,863	20,092,863
2033	–	–	20,095,375	20,095,375
2034	–	–	20,095,213	20,095,213
2035	–	–	20,090,663	20,090,663
2036	–	–	11,780,000	11,780,000
2037	–	–	11,775,750	11,775,750
Total	$45,715,000	$27,941,844	$2,068,365,240	$2,142,022,084

1 Interest calculated at the current fixed swap rate of 6.04% per annum for the Series 2005C Bonds; actual results may vary.

2 Totals may not add due to rounding.

3 Does not include debt service on the 2005B Bonds, which are being refunded with proceeds of the Bonds.

REPORT OF THE AIRPORT CONSULTANT

Jacobs Consultancy prepared the Report of the Airport Consultant (included as APPENDIX II to this Official Statement) in connection with the issuance of the Bonds. References made herein to the Report of the Airport Consultant are made to the entire Report of the Airport Consultant, which contains material information, forecasts, findings, assumptions and conclusions concerning the Airport System. The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of Jacobs Consultancy as airport consultants.

The Report of the Airport Consultant presents certain airline traffic and financial estimates and forecasts for Fiscal Year 2009 through Fiscal Year 2013 and sets forth the assumptions upon which the forecasts are based. The financial forecasts are based on certain assumptions that were provided by, or reviewed and agreed to by, Division of Aviation management. In the opinion of Jacobs Consultancy, these assumptions provide a reasonable basis for the forecasts.

The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions contained therein.

Debt Service Coverage

The following Table 6 presents debt service coverage taken from the Report of the Airport Consultant included herein as APPENDIX II, Exhibit G-1, and the City's financial records.

Table 6
HISTORICAL DEBT SERVICE COVERAGE ON THE AIRPORT REVENUE BONDS

(Fiscal Years Ending June 30)

Fiscal Year	Pledged Amounts Available for Debt Service (A)	Annual Airport Revenue Bond Debt Service Requirements (B)	Debt Service Coverage (A/B)	Debt Service Coverage Requirement
2005	$146,686,783	$ 88,080,960	1.67	1.50
2006	156,226,633	88,125,733	1.77	1.50
2007	167,347,713	85,564,659	1.96	1.50
2008	226,232,866	84,388,275	2.68	1.50

Airline payments for landing fees, terminal rentals and other use charges are often expressed on a per enplaned passenger basis for the purpose of comparing airline payments at different airports and assessing the reasonableness of major capital programs from an airline payments standpoint. The following Table 7 presents the airline payments (which include landing fees, terminal rentals and other use charges) per enplaned passenger for Fiscal Year 2007 taken from the Report of the Airport Consultant included herein as APPENDIX II, Exhibit G-1 and for Fiscal Year 2008 taken from the City's financial records.

Table 7

AIRLINE PAYMENTS PER ENPLANED PASSENGER
Philadelphia International Airport
(Fiscal Years Ending June 30)

Fiscal Year	Airline Payments Per Enplaned Passenger
2007	$6.15
2008	$8.06

The Report of the Airport Consultant has been included herein in reliance upon the knowledge and experience of Jacobs Consultancy as airport consultants.

As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from those forecast, and the variations may be material. See "CERTAIN INVESTMENT CONSIDERATIONS" herein. The Report of the Airport Consultant was completed and is dated March 24, 2009, and has not been updated to reflect events or changes in

circumstances since such date. The Airport Consultant has consented to the use of the report in the Official Statement.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds entails certain investment risks. Prospective purchasers of the Bonds are urged to read this Official Statement in its entirety. The factors set forth below, among others, may affect repayment of and the security for the Bonds. See APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009 – Airline Traffic Analysis – Key Factors Affecting Future Airline Traffic" for additional information regarding investment risks.

General Factors Affecting the Airline Industry

The revenues of the Airport are affected substantially by the economic health of the airport transportation industry and the airlines serving the Airport. Particularly, since 2001 the airline industry has undergone structural changes and sustained significant financial losses. The economic condition of the industry is volatile and the industry is sensitive to a variety of factors, including (i) the cost and availability of fuel, labor, aircraft, and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing, (vi) traffic and airport capacity constraints, (vii) governmental regulation, including security regulations and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel, and (ix) disruption caused by airline accidents, criminal incidents and acts of war or terrorism, such as the events of September 11, 2001. Due to the discretionary nature of business and personal travel spending, airline passenger traffic and revenues are heavily influenced by the strength of the U.S. economy, other regional economies, corporate profitability, security concerns and other factors. Ongoing structural changes to the industry are the result of a number of factors including the impact of low cost carriers, internet travel web sites and carriers reorganizing under the U.S. Bankruptcy Code.

For a discussion of other factors affecting the airline industry and airline passenger traffic at the Airport, see APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009."

Economic Conditions

The financial performance of the air transportation industry correlates with the state of the national economy. Future increases in passenger traffic will depend largely on the ability of the U.S. to sustain growth in economic output and income. Since 2006, the rate of economic growth in the U.S. has slowed considerably, due in part to losses in real estate values and the tightening of credit in the financial markets. Since December 2007, according to National Bureau of Economic Research, the United States economy has been in recession. During 2008, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Association ("Freddie Mac") were taken over by the federal government to prevent their collapse. Several commercial and investment banks declared bankruptcy, were acquired by or combined with other financial institutions, or sought huge infusions of capital from public and private sources. The dislocation in the capital markets led the United States and other national governments to intervene in the financial markets and to take stakes in privately owned financial institutions. Significant additional steps are under active consideration. The American Recovery and Reinvestment Act of 2009, recently enacted, is intended to alleviate some of these adverse conditions. The short, intermediate and long term effects of these developments on the economy are not known at this time. There can be no assurances that such developments will not have an adverse effect on the air transportation industry.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY AND DO NOT PLEDGE THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY, OR CREATE ANY DEBT

OR CHARGE AGAINST THE TAX OR GENERAL REVENUES OF THE CITY, OR CREATE ANY LIEN AGAINST ANY PROPERTY OF THE CITY, OTHER THAN AGAINST THE PLEDGED AMOUNTS THEREFOR.

Aviation Fuel Costs

According to the Air Transport Association, in mid-2008, jet fuel accounted for 20-30% of the airline industry's operating expenses, overtaking labor as the top cost for most carriers, while historically it only accounted for 10-15% of total airline costs. During 2007 to 2008 fuel prices rose to record levels only to fall precipitously in the second half of 2008, as demand was reduced worldwide. A number of airlines locked in fuel costs by way of hedge agreements that have resulted in these airlines' paying higher than the spot rate for a portion of their current usage. Fuel prices are a crucial and uncertain determinative of an air carrier's operating economics. Airline earnings are affected by changes in the price of aircraft fuel, which in turn is affected by, natural disasters, hostilities and political unrest in various parts of the world, Organization of the Petroleum Exporting Countries (OPEC) policy, the growth of the economies of countries such as China, disruptions to production and refining operations, and other factors determining demand and supply. U.S. airlines have passed on higher fuel costs to consumers by imposing fuel surcharges and increasing airfares. The early, significant increases in the cost of jet fuel, combined with declining passenger demand, have led to several airlines to reduce their capacity. Significant and prolonged high aviation fuel costs or any decreases in the availability of aviation fuel would likely have an adverse impact on air transportation industry economics and its ability to provide air service.

Airline Economics, Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile, rail or other land travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. If airlines are unable to charge fares sufficiently high to cover operating costs and interest expense they will continue to experience financial difficulty, which could adversely affect Airport revenues.

Capacity of National Air Traffic Control and Airport Systems

Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic mutes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

Aviation Security Concerns

A terrorist threat or terrorist incident aimed at aviation could have an immediate and significant impact on the demand for aviation services, including, but not limited to, services at the Airport and depress airline industry revenues and the Airport's revenues.

As a result of the events of September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airport operators. These precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the TSA and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also, the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

Because of the implementation of the Congressional mandate for the screening of all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under "Code Orange" (high) and "Code Red" (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory System, there is the potential for significantly increased inconvenience and delays at many airports, although to date only relatively minor delays have been experienced as a result of these enhanced security procedures.

The Report of the Airport Consultant states that historically airline travel demand has recovered from temporary decreases stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities and, provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, of which there can be no assurance, it can be expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors. See APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009 – Airline Traffic Analysis – Key Factors Affecting Future Airline Traffic – Aviation Security Concerns."

US Airways' Presence at the Airport

US Airways filed for Chapter 11 bankruptcy protection in August 2002 and emerged from bankruptcy in March, 2003. After failing to achieve sought cost savings, US Airways again filed for Chapter 11 protection in September 2004. The Chapter 11 filing permitted US Airways, and each of the other related debtors, to continue operations while developing a plan of reorganization to address existing debt, capital and cost structures.

In November 2004, US Airways drastically reduced service at its Pittsburgh hub, rationalized its aircraft fleet, reduced leasing costs, and ratified agreements with its pilots, flight attendants, mechanics, and other employee groups to reduce labor costs. In February 2005, the U.S. Pension Benefit Guaranty Corporation assumed responsibility for the pensions of many US Airways employees. In September 2005, US Airways successfully emerged from bankruptcy protection with a revised cost structure, and the parent company of US Airways simultaneously merged with the parent company of America West Airlines, Inc. ("America West").

Prior to the merger, America West largely served the western United States; America West also had a small hub at Columbus, Ohio, but reduced service there beginning in 2003. The post-merger combined company now operates domestic and international connecting hubs at Phoenix, Arizona; Las Vegas, Nevada; Charlotte, North Carolina and Philadelphia, Pennsylvania. Philadelphia serves as US Airways' primary northeast connecting hub and the airline's international gateway. SEE APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009."

The City has no information regarding the financial condition of US Airways and its future plans generally, and with regard to the Airport in particular, other than from the Commission filings and bankruptcy court filings. The Commission website is http://www.sec.gov. *None of the City and the Underwriters undertakes any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the Commission, including but not limited to, updates of such information or links to other internet sites accessed through the Commission web site. See also "Effect of Bankruptcy on Airline Use and Lease Agreements and Additional Airline Operating Agreements" and "Limitations on Bondholders' Remedies" below.*

Information Concerning the Airlines

Many of the principal domestic airlines serving the Airport, or their respective parent corporations, and foreign airlines serving the Airport with American Depository Receipts ("ADRs") registered on a national exchange are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the Commission. Certain information, including financial information, concerning such domestic airlines, or their respective parent corporations, and such foreign airlines is disclosed in certain reports and statements filed with the Commission. Such reports and statements can be inspected and copied at the public reference facilities maintained by the Commission, which can be located by calling the Commission at 1-800-SEC-0330. The Commission maintains a web site at http:/www.sec.gov containing reports, proxy statements and other information regarding registrants that file electronically with the Commission. In addition, each airline is required to file periodic reports of financial and operating statistics with Department of Transportation ("DOT"). Such reports can be inspected at DOT's Office of Airline Information, Bureau of Transportation Statistics, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590 and copies of such reports can be obtained from DOT at prescribed rates.

Foreign airlines serving the Airport, or foreign corporations operating airlines serving the Airport (unless such foreign airlines have ADRs registered on a national exchange) are not required to file information with the Commission. Such foreign airlines, or foreign corporations operating airlines, serving the Airport file limited information only with the DOT.

Neither the City nor the Underwriters undertakes any responsibility for or makes any representation as to the accuracy or completeness of (i) any reports and statements filed with the Commission or DOT or (ii) any material contained on the Commission's website as described in the preceding paragraph, including, but not limited to, updated information on the Commission website or links to other Internet sites accessed through the Commission's website.

Assumptions in the Report of the Airport Consultant; Forward Looking Statements

The Report of the Airport Consultant discloses numerous assumptions regarding the factors that will affect future airline traffic at the Airport and the future financial results of the Airport System and states that any forecast is subject to uncertainties. Significant assumptions disclosed in the Report of the Airport Consultant include, among others, that: (i) sustained national economic growth will occur during the forecast period (beginning in mid-Fiscal Year 2010); and (ii) the Airport will remain a major national and international system hub for US Airways. The Report of the Airport Consultant should be read in its entirety regarding the assumptions used to prepare the forecasts presented therein. No assurances can be given that the assumptions contained in the Report of the Airport Consultant will occur. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from the forecast results, and the variations may be material. See APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009 – Airline Traffic Analysis– Forecast Airline Traffic."

This Official Statement, including particularly the Report of the Airport Consultant, contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "anticipate," "forecast," "project," "intend," "propose," "plan," "expect," "assume" and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The Report of the Airport Consultant is dated March 24, 2009, and has not been updated to reflect events and changes in circumstance since such date.

Passenger Facility Charge Revenues

Possibility and Consequences of Insufficiency of PFC Revenues. The ability of the City to collect annually sufficient PFC Revenues depends upon a number of factors including the operation of the Airport by the City, the number of enplanements at the Airport, the use of the Airport by Collecting Carriers, and the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the City. The City relies upon the Collecting Carriers' collection and remittance of PFCs and both the City and the

FAA rely upon the air carriers' reports of enplanements and collections. The Bonds are not secured by a pledge of PFC Revenues

Amendment to the PFC Act. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or the City's approvals from the FAA will not be amended in a manner that would adversely affect the City's ability to collect and use PFC Revenues in amounts sufficient to make timely payments of a portion of the principal and interest on those Airport Revenue Bonds secured by PFC Revenues, including the 1998B Bond and the 2001A Bond. In such event, the City may have less PFC Revenues available than projected and may have to use other Pledged Amounts to pay debt service on the 1998B Bond and the 2001A Bond.

Termination of Authority to Impose and Use PFCs. The FAA may terminate the City's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the City is in violation of certain provisions of the Noise Act (as defined herein) relating to airport noise and aces restrictions, (ii) PFC Revenues are not being used for approved PFC funding in accordance with the FAA's approvals or with the WC Act and the PFC Regulations, (iii) implementation of projects financed with PFC Revenues does not commence within the time periods specified in the PFC Act and the PFC Regulations, or (iv) the City is otherwise in violation of the PFC Act, the PFC Regulations or the PFC approvals.

Treatment of PFCs in Air Carrier Bankruptcies. The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the City) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the PFC Enabling Act, as amended in December 2003, provides that (1) PFCs are and remain trust funds, (2) the airline in bankruptcy may not grant to any third party any security or other interest in PFC revenue, and (3) the airline in bankruptcy must segregate in a separate account PFC revenue equal to its average monthly PFC liability. Despite these enhanced statutory protections, it is unclear whether the City would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline in the event of a liquidation or cessation of business. The City also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the City or whether the bankruptcy estate would have sufficient monies to pay the City in full for PFCs owed by such airline. All airlines operating at the Airport are current in the payment of PFCs owed to the City.

Effect of Bankruptcy on Airline Use and Lease Agreements and Additional Airline Operating Agreements

General. The Airport derives a substantial portion of its operating revenues from landing fees, rentals and concession fees. The financial strength and stability of the airlines serving the Airport, together with numerous other factors, influence the level of aviation activity at the Airport. In addition, individual airline decisions regarding the level of service, particularly hubbing activity and aircraft size (such as the use of regional jets) can affect total enplanements,

The airlines serving the Airport have all been impacted by the events described above and have experienced an increase in costs and a resulting decline in financial condition to varying degrees. Since 2001, several airlines with operations at the Airport have filed for bankruptcy protection, including United Airlines, US Airways (twice), Air Canada, Frontier Air Lines, American Trans Air (ATA), Delta Air Lines and Northwest Airlines. Of these airlines, US Airways emerged from both of its bankruptcy proceedings and was part of the merger of the parent companies of US Airways and America West that occurred in September 2005; Air Canada emerged from bankruptcy in September 2004, United emerged from bankruptcy in February 2006; Delta emerged from bankruptcy in April 2007; Northwest emerged from bankruptcy in May 2007. ATA discontinued all operations in April 2008. Frontier Airlines filed for bankruptcy protection in April 2008, but has since assumed its Airline Agreement and is continuing operations at the Airport. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. It is not possible to predict the impact on the Airport or the recent, potential and any future bankruptcies, liquidations or major restructurings of other airlines.

Assumption or Rejection of Agreements. In the event of bankruptcy proceedings involving one or more of the Signatory Airlines or other air carriers, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Airline Agreement or Other Airline Agreement. In the event of assumption, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant agreements. Rejection of a lease or executory contract by any of the Signatory Airlines would give rise to an unsecured claim of the City for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code. However, the costs of Terminal Building Area vacated as a result of a rejection of an Airline Agreement by a Signatory Airline in bankruptcy would be passed on to the remaining Signatory Airlines under their Airline Agreements. If the bankruptcy of one or more Signatory Airlines were to occur, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the Airline Agreements. See "THE AIRPORT SYSTEM – Information Concerning the Signatory Airlines." See also APPENDIX II – "REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009."

If contractual agreements with the airlines do not exist, rates and charges for use of the Airport System are required to be established by ordinance of City Council.

Limitations on Bondholders' Remedies

The rights and remedies of the Fiscal Agent and the Bondholders with respect to the Bonds are subject to various provisions of Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"), which permits, under certain circumstances, a political subdivision or public agency or instrumentality of a state to file a voluntary petition in bankruptcy in the nature of a plan for adjustment in the repayment of debts if, generally, the entity is insolvent or unable to meet its debts as they mature. Such a petition may be filed by a political subdivision (such as the City) only if the state legislature has specifically authorized (by description or by name) the entity to be a debtor under Chapter 9 of the Bankruptcy Code or a governmental officer or organization empowered by state law to give such authorization has done so. The Financially Distressed Municipalities Act, Act No. 1987-47 of the Commonwealth of Pennsylvania, approved July 10, 1987, amended in 1992 and now known as the Municipalities Financial Recovery Act, Act No. 1992-69 of the Commonwealth, approved June 30, 1992 ("Financial Recovery Act"), provides, among other things, for the restructuring of debt of a financially distressed municipality and the method by which such entities are permitted to apply for relief under the Bankruptcy Code. In addition, the Financial Recovery Act empowered the Department of Community Affairs of the Commonwealth (now the Department of Community and Economic Development) to declare certain municipalities financially distressed upon the occurrence of certain events and the making of certain determinations by such Department.

With respect to the City, certain provisions of the Financial Recovery Act have been preempted by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class, Act No. 1991-6 of the Commonwealth, approved June 5, 1991 (the "PICA Act"). The provisions of the Financial Recovery Act relating to the City that were not preempted have been suspended with respect to the City by the PICA Act. The PICA Act prevents the City from filing a petition for relief under Chapter 9 of the Bankruptcy Code as long as PICA has outstanding any bonds issued pursuant to the PICA Act. As of June 30, 2008, PICA had bonds outstanding in the aggregate principal amount of $572,095,000 and the maturity of those bonds extends until 2023 in the absence of early redemption. If no such bonds were outstanding, the PICA Act requires approval in writing by the Governor of the Commonwealth for a filing under Chapter 9 by the City. If the provisions of the PICA Act relating to the authorization by the Governor for the City to file a petition under Chapter 9 of the Bankruptcy Code were invoked, such provisions could limit the enforcement of rights and remedies by holders of the Bonds and other Airport Revenue Bonds. Because the term of the Bonds extends beyond the latest maturity date of the bonds issued by PICA, there is a possibility that the City could file for bankruptcy protection under the Bankruptcy Code. Should the City ever file under Chapter 9 of the Bankruptcy Code, the rights and remedies of the holders of the Bonds and other Airport Revenue Bonds may be adversely affected.

The enforceability of the rights and remedies of the Fiscal Agent and the holders of Bonds may also be limited by other bankruptcy or insolvency or other laws now or hereafter in effect affecting the rights or remedies of creditors generally, or be subject to principles of equity, if equitable remedies are sought.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the City subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The City has covenanted to comply with such requirements.

In the opinion of Co-Bond Counsel, interest (including accrued original issue discount) on the Bonds is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any Bond during any period such Bond is held by a person who is a "substantial user" of the facilities financed or refinanced with the Bond proceeds or a "related person," as those terms are used in Section 147 (a) of the Internal Revenue Code of 1986, as amended (the "Code"). The opinion of Co-Bond Counsel is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so includable in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

Interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations. Co-Bond Counsel expresses no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon. See discussion of "Alternative Minimum Tax," "Branch Profits Tax," "S Corporations with Passive Investment Income," "Social Security and Railroad Retirement Benefits," "Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations," and "Property or Casualty Insurance Corporation," "Accounting Treatment of Original Issue Discount and Amortizable Bond Premium," "Reportable Payments and Backup Withholding" and "Recent State Tax Developments" below.

In the opinion of Co-Bond Counsel, under the laws of the Commonwealth of Pennsylvania as enacted and construed on the date hereof, the Bonds and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange, or other disposition of the Bonds are subject to state and local taxation within the Commonwealth of

Pennsylvania. Specifically, the Bonds are exempt from personal property taxes in Pennsylvania and interest on the Bonds is exempt from the Pennsylvania personal income tax and the Pennsylvania corporate net income tax.

Alternative Minimum Tax

Interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations.

Branch Profits Tax

Under the Code, foreign corporations engaged in a trade or business in the United States may be subject to a "branch profits tax" equal to thirty percent (30%) of the corporation's "dividend equivalent amount" for the taxable year. The term "dividend equivalent amount" includes interest on tax-exempt obligations such as the Bonds.

S Corporations With Passive Investment Income

Section 1375 of the Code imposes a tax on the "excess net passive income" of certain small business corporations for which an S Corporation election is in effect. For purposes of Section 1375 of the Code, the term "passive investment income" may include interest on the Bonds. This tax applies to an S Corporation for a taxable year if the S Corporation has Subchapter C earnings and profits at the close of the taxable year and has gross receipts, more than twenty-five percent (25%) of which are "passive investment income." Thus, interest on the Bonds may be subject to federal income taxation under Section 1375 of the Code if the requirements of that provision are met.

Social Security and Railroad Retirement Benefits

Under Section 86 of the Code, certain Social Security and Railroad Retirement benefits (the "benefits") may be includable in gross income. The Code provides that interest on tax-exempt obligations (including interest on the Bonds) is included in the calculation of "modified adjusted gross income" in determining whether a portion of the benefits received are to be includable in the gross income of individuals.

Deduction for Interest Paid by Financial Institutions to Purchase or Carry Tax-Exempt Obligations

The Code, subject to limited exceptions inapplicable to the Bonds, denies the interest deduction for indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or carry tax-exempt obligations such as the Bonds. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired after August 7, 1986.

Property or Casualty Insurance Company

The Code also provides that a property or casualty insurance company may also incur a reduction, by a specified portion of its tax-exempt interest income such as interest on the Bonds, of its deduction for losses incurred.

Accounting Treatment of Original Issue Discount and Amortizable Bond Premium

The Bonds maturing on June 15 in the years 2014, 2018 through 2022, 2024 and 2029 are herein referred to as the "Discount Bonds." In the opinion of Co-Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the inside cover page and the stated redemption price at maturity of each such Discount Bond constitutes "original issue discount," all or a portion of which will, on the disposition or payment of such Discount Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of the Discount Bonds under a "constant interest method," which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. Prospective purchasers of the Discount Bonds should consult their tax advisors regarding the Pennsylvania tax treatment of original issue discount.

The Bonds maturing on June 15 in the years 2010 through 2013, 2015 and 2016 are hereinafter referred to as the "Premium Bonds." An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning Premium Bonds.

Reportable Payments and Backup Withholding

Under 2006 amendments to the Internal Revenue Code, payments of interest on the Bonds will be reported to the internal Revenue Service by the payor on Form 1099 unless the holder is an "exempt person" under Section 6049 of the Code. A holder who is not an exempt person may be subject to "backup withholding" at a specified rate prescribed in the Code if the holder does not file Form W-9 with the payor advising the payor of the holder’s taxpayer identification number. Holders should consult with their brokers regarding this matter.

The Fiscal Agent will report to the bondholders and to the Internal Revenue Service for each calendar year the amount of any "reportable payments" during such year and the amount of tax withheld, if any, with respect to payments made on the Bonds.

Recent State Tax Development

In the May 19, 2008 ruling of *Dep't of Revenue of Kentucky v . Davis*, 128 S. Ct. 1801 (U.S. 2008) the U.S. Supreme Court (the “Court") generally upheld states' selective tax exemptions for interest on in-state, but not out-of-state, municipal bonds. However, the *Davis* decision did not address the permissibility of disparate state tax treatment for "private activity" bonds. It is uncertain at this time if and when the Court will grant a writ of *certiorari* to hear litigation on this issue. If the Court does agree to hear a case involving private activity bonds, the Court may follow the *Davis* precedent and uphold disparate tax treatment, or the Court may differentiate "private activity" bonds from the *Davis* decision and prohibit selective tax exemptions for this specific method of debt issuance. The outcome of such review, and its impact, if any on the exemption of private activity bonds and interest thereon from state and local taxes in Pennsylvania, or on the market value or marketability of private activity bonds, cannot be predicted, and prospective purchasers of private activity bonds should consult their own tax advisors regarding the foregoing matters.

LEGAL PROCEEDINGS

General

The City is involved in several claims and lawsuits arising in the ordinary course of operations of the Airport System. The City estimates that any liability assessed against the City as a result of claims that are not covered by insurance would not materially and adversely affect the Bonds, the security for the Bonds or the financial condition or operations of the Airport System. There has been no litigation seeking to enjoin the sale of the Bonds.

No Litigation Opinion

Upon delivery of the Bonds, the City Solicitor will furnish an opinion, in form satisfactory to Co-Bond Counsel, to the effect that, among other things, except for litigation which in the opinion of the City Solicitor is without merit and except as disclosed in this Official Statement, there is no litigation or other legal proceeding pending in any court, or, to the knowledge of the Law Department after investigation, threatened in writing against the City, to restrain or enjoin the remarketing of the Bonds or in any way contesting the validity or enforceability of the Bonds.

UNDERWRITING

The Bonds are being purchased by the underwriters listed on the cover page of this Official Statement (the "Underwriters"), for whom Citigroup Global Markets Inc. is acting as Representative, at a purchase price of $45,296,680.97, which represents the principal amount of the Bonds, less net original issue discount of $91,923.50, and less an underwriters' discount of $326,395.53. The Underwriters will purchase all of the Bonds if any Bonds are purchased. The obligation of the Underwriters to purchase the Bonds is subject to certain terms and conditions set forth in the purchase contract related to the Bonds.

The initial public offering prices of the Bonds set forth on the inside cover page of this Official Statement may be changed without notice by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers (including dealers deposition Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at process lower that the offering prices set forth on the inside cover page.

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services, a Division of The McGraw–Hill Companies, Inc. ("Standard & Poor's") and Fitch Ratings, Inc. ("Fitch") are expected to assign ratings to the Bonds of "Aa2", "AAA" and "AAA", respectively, with the understanding that, upon delivery of the Bonds, Assured Guaranty will issue the Policy guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

A rating, including any related outlook with respect to potential changes in such ratings, reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any of such rating agencies if, in the judgment of any of them, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

CONSULTING ENGINEER

The report on the physical condition of the Airport System has been prepared by Urban Engineers, Inc. A copy of this report is available from the Administrative Office of the Division of

Aviation, Philadelphia International Airport, Philadelphia, Pennsylvania 19153. APPENDIX III to this Official Statement is a letter from Urban Engineers, Inc., which is included in reliance upon the knowledge and experience of such firm in the field of physical properties consulting.

CO-FINANCIAL ADVISORS

Public Financial Management, Inc., Philadelphia, Pennsylvania, and Frasca & Associates, L.L.C., New York, New York, have been retained by the City as Co-Financial Advisors in connection with the remarketing of the Bonds and, in such capacity, have assisted the City in the preparation of Bond-related documents.

Although the Co-Financial Advisors have read and participated in the preparation of this Official Statement, they have not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from the City's records and from other sources that are believed to be reliable, including financial records of the City, reports of consultants and other entities that may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any such information. No person, therefore, is entitled to rely upon the participation of the Co-Financial Advisors as an implicit or explicit expression of opinion as to the completeness and accuracy of the information contained in this Official Statement.

APPROVAL OF LEGALITY

Certain legal matters incident to the authorization, issuance and sale of the Bonds will be passed upon by Saul Ewing LLP and Andre C. Dasent, P.C., both of Philadelphia, Pennsylvania, Co-Bond Counsel. The proposed form of such approving opinion is included herein as Appendix VI. Certain legal matters will be passed upon for the City of Philadelphia by the City Solicitor. Certain legal matters will be passed upon for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP and TME Law, both of Philadelphia, Pennsylvania, Co-Counsel to the Underwriters.

RELATIONSHIPS OF CERTAIN PARTIES

Andre C. Dasent, P.C. provides ongoing legal services to the City. Public Financial Management, Inc. provides financial advisory services to the City with respect to matters other than the Department of Aviation. Ballard Spahr Andrews & Ingersoll, LLP, TME Law and Saul Ewing LLP have all in the past provided legal services to the City and periodically represent the City on matters unrelated to the issuance and sale of the Bonds.

ADDITIONAL INFORMATION

It is the practice of the City in connection with the issuance and sale of each issue of the City's bonds or notes, to require in its contract with its underwriters that the underwriters deposit the Official Statement of the City relating to such issue of bonds or notes with a nationally recognized municipal securities information repository (a "Repository") as soon as practicable after delivery of such Official Statement. It is also the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with a Repository as soon as practicable after delivery of such report. The CAFR for the City's Fiscal Year ended June 30, 2008 was deposited with the appropriate Repositories on February 24, 2009. The CAFR is prepared by the Office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2008. Such a request should be addressed to: Office of the

Director of Finance, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. A copy of the financial statements of the City for the Fiscal Year ended June 30, 2008 may be downloaded at http://www.phila.gov/investor. The CAFR contains pertinent information with respect to the Division of Aviation. The City also expects to provide financial and other information as to the City from time to time to Moody's, S&P and Fitch in connection with securities ratings issued by those rating agencies for bonds or notes of the City.

The foregoing statement as to filing or furnishing of additional information reflects the City's current practices, but is not a contractual obligation to the holders of the City's bonds or notes.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

BondResource Partners, L.P., the verification agent will deliver a report as of the closing date of the Bonds verifying the accuracy of (a) the mathematical computations of the adequacy of the funds deposited in the Sinking Fund to pay, on the closing date, the redemption price of and interest on the 2005B Bonds and the (b) mathematical computations supporting the conclusion of Co-Bond Counsel that the Bonds are not "arbitrage bonds" under the Code. Such verification will be based upon certain information supplied by the Underwriters to the verification agent.

CONTINUING DISCLOSURE AGREEMENT

In order to assist the Underwriters in complying with the requirements of Section (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will enter into a continuing disclosure undertaking (the "Continuing Disclosure Agreement") for the benefit of the owners of the Bonds. See APPENDIX VII – "FORM OF CONTINUING DISCLOSURE AGREEMENT" for the detailed provisions of the proposed form of Continuing Disclosure Agreement.

At this time, only the City and US Airways (which is a party to the Airline Agreement and pursuant thereto currently accounts for at least 20% of Project Revenues, as defined in the General Ordinance for the past two Fiscal Years) are "obligated persons" for annual reporting purposes under the criteria specified in the Continuing Disclosure Agreement. Pursuant to the Continuing Disclosure Agreement, US Airways has agreed to make available, and the City agrees to use its best efforts to require any future obligated persons to make available financial information and operating data with respect to themselves as required by the Rule. US Airways will acknowledge the Continuing Disclosure Agreement and agree to make available such information for as long as it remains an obligated person under the criteria specified in the Continuing Disclosure Agreement. Upon expiration of its Airline Agreement, in the absence of another contractual arrangement between the City and US Airways, US Airways may cease to be an obligated person under Rule 15c2-12.

CERTAIN REFERENCES

All summaries of the Act, the General Ordinance, the Ninth Supplemental Ordinance, the Insurance and Reimbursement Agreement and the Airline Agreements contained in this Official Statement, including the Appendices hereto, are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents for the complete terms and provisions thereof. Copies of these documents are available from the Office of the Director of Finance, 13th Floor, Municipal Services Building, 1401 John F. Kennedy Boulevard, Philadelphia, Pennsylvania 19102.

All quotations from and summaries and explanations of the Constitution and laws of the Commonwealth and Ordinances of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds are qualified in their entirety by reference to the definitive form of the Bonds. All capitalized terms used herein which are not defined herein or in APPENDIX IV shall have the meanings ascribed to them in the Act and the General Ordinance. See APPENDIX IV – "SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS."

Any statements made in this Official Statement involving matters of opinion, projections or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The Appendices are integral parts of this Official Statement and must be read together with all parts of this Official Statement.

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This Official Statement has been duly approved, executed and delivered by the following officers on behalf of the City.

CITY OF PHILADELPHIA

By: /s/ Michael A. Nutter
Michael A. Nutter, Mayor

/s/ Alan L. Butkovitz
Alan L. Butkovitz, City Controller

/s/ Shelley R. Smith
Shelley R. Smith, City Solicitor

Approved:

/s/ Rob Dubow
Rob Dubow, Director of Finance

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APPENDIX I

FINANCIAL STATEMENTS OF THE DIVISION OF AVIATION

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FINANCIAL STATEMENTS
OF THE DIVISION OF AVIATION

For purposes of calculating Scheduled Airline rentals, fees and charges, and demonstrating compliance with the Rate Covenant, Aviation Fund accounts are maintained on the accrual basis of accounting adjusted to meet the particular requirements of the General Airport Revenue Bond Ordinance of the City. Using this basis of accounting, revenues are recorded as they are earned, and operating expenses are recorded as they are incurred. In addition, principal payments on debt are recorded as an element of expense in lieu of depreciation, and equipment purchases and other capital outlays funded from operations are charged to expense in the year of acquisition.

For purposes of budgeting, Aviation Fund accounts are maintained on the modified accrual basis of accounting also referred to as the "legally enacted basis." Under this basis, revenues are recorded in the year received. Obligations are recognized and recorded as expenses at the time they are paid or encumbered. A reserve is maintained for encumbrances at the close of the fiscal year, intended to be sufficient to liquidate the estimated related obligations.

The accounting policies of the City of Philadelphia, as reflected in the accompanying Aviation Fund financial statements, conform to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board. Accounting principles generally accepted in the United States of America for proprietary funds, such as the Aviation Fund, require that both earnings and expenses be recorded as they accrue, and that depreciation of fixed assets be recorded as an expense. The financial statements for fiscal year 2008 are presented in accordance with accounting principles generally accepted in the United States of America.

The financial statements contained in Appendix I are reconcilable with the Basic Financial Statements contained in the City's Comprehensive Annual Financial Report for fiscal year 2008, which are audited by the Office of the Controller of the City of Philadelphia.

INTRODUCTION

The following discussion and analysis of the financial performance and activity of the City of Philadelphia Airport System (the Airport System) is to provide an introduction and understanding of the basic financial statements of the Philadelphia Aviation Fund (Aviation Fund) for the year ended June 30, 2008 (Fiscal 2008) with selected comparative information for the year ended June 30, 2007 (Fiscal 2007). Philadelphia International Airport (PHL, or the Airport) and Northeast Philadelphia Airport (PNE) comprise the Airport System, which is owned by the City of Philadelphia (the City) and operated by the Division of Aviation (the Division).

This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto that follow this section. The financial statements presented are for the Aviation Fund only, and are not intended to present fairly the financial position of the City as a whole and the results of its operations and cash flows. The Comprehensive Annual Financial Report (CAFR) of the City provides complete financial information as to the City and its component units.

AIRPORT ACTIVITIES AND HIGHLIGHTS

- **Financial Position:** The Airport continued to strengthen its financial position in Fiscal 2008, as revenues exceeded expenses by $36.8 million, and assets exceeded liabilities by $759.3 million (total net assets), a 5.1% increase from last year. This amount includes Aviation Fund unrestricted net assets of $85.5 million to supplement continuing operations.

- **North American Satisfaction Study:** J.D. Power and Associates, in its 2008 North America Airport Satisfaction Study, ranked PHL highest among large airports in overall customer satisfaction. The study rated 27 specific attributes within six customer satisfaction factors, including airport accessibility, baggage claim, check-in/baggage check process, terminal facilities, security check, and food and retail services. PHL scored highest among its large airport peers in baggage claim and terminal facilities.

- **Passenger Traffic:** In Fiscal 2008, PHL set a new record in passenger traffic, surpassing previous records for passenger traffic set in the four preceding fiscal years. While passenger enplanements grew by 1.3%, aircraft operations and landed weight decreased 1.9% and 3.3% respectively. This variation is primarily due to system-wide capacity reductions and changes in aircraft fleet mix instituted by the major airlines to enhance economies and efficiencies.

Enplanements and Operations Activity at PHL

	Fiscal 2008	Fiscal 2007	% Increase (Decrease) from 2007
Enplanements (Outbound passengers):	16,052,973	15,851,691	1.3%
Operations (Takeoffs & landings):	499,281	509,137	-1.9%
Landed Weight (1,000-pound units):	23,823,664	24,644,464	-3.3%

- **Airport Revenue Bonds:** In August 2007, the City completed the sale of its Series 2007A and 2007B Airport Revenue Bonds totaling approximately $255 million. Proceeds from the 2007A Bonds ($172 million) are funding several new capital projects at PHL, including international terminal gate expansion, an infrastructure improvement program, design work for the expansion of Terminal F and design of a new in-line baggage system for Terminal B/C. The 2007B Bonds ($83 million) refunded the Airport's Series 1997B Bonds. This transaction realized a net present value savings of approximately $2.6 million.

- ***Passenger Terminal World* Recognition:** In its 2008 Annual Review, *Passenger Terminal World* named PHL one of its "Most Noteworthy Airports" for "centre city connections". The European-based periodical recognized PHL for its convenient access to center city Philadelphia by major interstate highways, regional rail service and a variety of taxi and shuttle choices. In the Annual Review, a panel of experts, considered nominations received through the magazine's website, and recognized 17 airports in 20 noteworthy categories. PHL was one of six North American airports to make the list.

- **Philadelphia Marketplace:** Philadelphia Marketplace Food and Shops in the B/C Terminal Complex was named "Best Food and Beverage Program" in 2008 among large airports in North America by Airports Council International – North America. The competition drew more than 120 entries from large, medium and small airports. Entries were evaluated on concessions goals, use of concepts/branding, design/layout, customer service and revenue performance..

- **International Air Service:** US Airways began nonstop service to London Heathrow International Airport in March 2008, and announced new nonstop service to Tel Aviv, Birmingham, England and Oslo, Norway starting in 2009. The nonstop flights to Tel Aviv, Birmingham and Oslo are the first ever from PHL. US Airways presently operates 24 daily flights to 20 destinations in 13 countries throughout Europe, and serves 13 Caribbean and Latin American destinations.

- **Low Fare Domestic Air Service**: Southwest Airlines increased its market share of enplaned passengers at PHL to 11.6% in Fiscal 2008 from 10.4% in Fiscal 2007. Southwest is PHL's second leading air carrier operating a total of 71 daily flights to 20 domestic cities at the end of Fiscal 2008.

- **Grant Funding:** In 2008, the Airport was awarded FAA grants totaling approximately $21.4 million, including $5.3 million in entitlement funds and $16.1 million in discretionary dollars. These grants will fund airfield construction projects, a noise compatibility program and new environmental initiatives. In addition, in September 2008, PHL was awarded $18 million in new funding from the Transportation Security Administration (TSA) for the construction of an in-line baggage handling system for Terminal D-E. The Airport also received $2.6 million in grants from the Commonwealth of Pennsylvania for the Extension of Runway 17-35.

- **New Terminal D-E Connector and Security Checkpoint:** This project, which includes a 14-lane security screening checkpoint, advanced screening technology and ten new food and retail shops, opened to the public on December 30, 2008. The project will significantly improve passenger wait times in Terminal D-E, which accommodates 25% of total PHL passengers. The connector project is the first phase of a $300 million Terminal D-E renovation, which also includes a ticketing lobby with 20 additional ticket counter positions; a 50,000 square foot baggage makeup area with 8 explosive detection machines; a 9,000 square foot bag claim connector featuring two new baggage carousels; and three new aircraft gates at the end of Concourse E.

- **Extension of Runway 17-35:** This project provides for a 1,040-foot extension of the Airport's east/west runway, from 5,460 feet to 6,500 feet. The extension enables narrow-body and regional jets, which account for 75% of aircraft operations at PHL, to use Runway 17-35, so as to reduce delays on the Airport's two primary runways. The runway extension was completed in December 2008 and commissioned by FAA on February 12, 2009. Projects costs totaled $70 million, including design, construction and project management.

- **Capacity Enhancement Program:** In September 2008, the FAA issued a Draft Environmental Impact Statement (DEIS) for the Airport's Capacity Enhancement Program. The DEIS assessed the potential environmental impacts associated with various concept designs to enhance airport capacity and accommodate demand beyond the year 2020. After issuing the DEIS, the FAA conducted a series of public hearings within the Airport region. FAA expects to issue the final EIS in the Fall of 2009 and a Record of Decision in the first quarter of 2010.

- **Environmental Stewardship:** PHL's purchase of clean, renewable wind energy beginning in 2007 has earned the Airport a Green Power Award from the Citizens for Pennsylvania's Future (PennFuture). The Green Power awards recognize organizations and individuals for their work in promoting clean, renewable energy in Pennsylvania.

- **Exhibitions Program Celebrates 10th Anniversary:** In 2008, PHL's popular Exhibitions Program celebrated its ten year anniversary. One of the largest and longest running Airport art programs in the country, the Exhibitions Program has showcased nearly 200 exhibits featuring a variety of themes in various mediums and forms. The program started with one location in Terminal C in 1998 and has grown to 15 rotating display locations.

AIRLINE MERGERS

- **Delta Air Lines/Northwest Airlines:** Delta Airlines and Northwest Airlines, and subsidiaries, emerged from bankruptcy protection in April and May of 2007, respectively. On October 28, 2008, Delta and Northwest merged, thus creating the world's largest airline. The new carrier operates under the Delta name and is based in Atlanta, Georgia. In Fiscal 2008, Delta and Northwest operated 24 daily flights and 18 daily flights at PHL, respectively, accounting for an aggregate 6.4% of the Airport's enplaned passengers

DESCRIPTION OF PHILADELPHIA AIRPORT SYSTEM

PHL is classified by the Federal Aviation Administration as a large air traffic hub (enplaning 1.0% or more of the total passengers enplaned in the U.S.). According to data reported by Airports Council International – North America, PHL was ranked as the seventeenth busiest airport in the United States, serving 32.2 million passengers in 2007, and is presently the eleventh busiest in the world, and ninth in the nation, based on aircraft operations.

The Airport serves residents and visitors from a broad geographic area that includes eleven counties within four states: Pennsylvania, New Jersey, Delaware and Maryland. The Airport System consists of the following:

Philadelphia International Airport

- *Land.* Approximately 2,302 acres located partly in the southwestern section of the City and partly in the northeastern section of Delaware County, about 7.2 miles from center city Philadelphia.
- *Runways.* A four-runway system, capable of handling the largest commercial aircraft currently in operation.
- *Terminal Building.* Approximately 2.9 million square feet, consisting of seven terminal units (A West, A East, B, C, D, E and F). Terminal facilities principally include: ticketing areas, passenger holdrooms, baggage claim and approximately 160 food, retail and service establishments.
- *Cargo Facilities.* Located in seven major structures in and around Cargo City at the western end of the Airport.
- *Outside Terminal Area.* Consisting of a 14-story, 400-room hotel, seven rental car facilities and five parking garages and surface lots operated by the Philadelphia Parking Authority.

Northeast Philadelphia Airport

PNE is located on 1,153 acres situated within the City limits 10 miles northeast of center city Philadelphia. PNE serves as a reliever airport for PHL and provides for general aviation, air taxi, corporate, and occasional military use. The airport currently has no scheduled commercial service. There are presently eighty-five (85) T-hangars, eight (8) corporate hangars and six open hangars for general aviation activities. There are approximately 210 general aviation based aircraft at PNE.

BACKGROUND INFORMATION ON THE AVIATION FUND

The Aviation Fund is an enterprise fund of the City. Enterprise funds are established by governmental units to account for services that are provided to the general public on a user charge basis and are operated in a manner similar to business-type activities. The Aviation Fund was created and authorized as part of the Fiscal 1974 Operating Budget Ordinance approved by City Council on June 7, 1973 and made effective July 1, 1973.

The Aviation Fund is self-supporting, using aircraft landing fees, terminal building rentals, concession revenue and other facility charges to fund annual expenses. The Airport's capital program is funded by airport revenue bonds issued by the City, federal and state grants, Passenger Facility Charges (PFCs) and operating revenues.

FINANCIAL STATEMENTS OVERVIEW

The basic financial statements of the Aviation Fund are designed to provide readers with a broad overview of Airport System finances, in a manner similar to the private sector. The financial statements are prepared in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB).

Financial statements of the Aviation Fund continue to be presented on an accrual basis, and accordingly, income is recorded as earned and expenses as incurred. Operating revenues include charges for goods and services, rentals and concessions. Operating expenses include the purchase of services, payroll and employee benefits, materials and supplies and depreciation/amortization. Non-operating revenue and expense items include interest income, interest expense, PFC revenues and operating grants.

Aviation Fund financial activity is presented in three financial statements:

- The S*tatement of Net Assets* presents information on all Aviation Fund assets and liabilities, classified between current and non-current. The difference between assets and liabilities is reported as *net assets*. Net assets is segregated into four components: invested in capital assets, net of related debt; restricted for capital projects; restricted for debt service; and unrestricted net assets.
- The S*tatement of Revenues, Expenses and Changes in Fund Net Assets* presents revenue and expense activity for the current year. The difference between revenue and expense will either increase or decrease total net assets. The ending balance of net assets resulting from this increase or decrease is reflected on the Statement of Net Assets.
- The S*tatement of Cash Flows* presents the actual inflow and outflow of cash by category during the year. The difference between the inflow and outflow of cash increases or decreases the total cash balance. The resulting ending cash balance is reflected on the Statement of Net Assets.

The Aviation Fund financial statements can be found on pages 15 through 17 of this report.

Notes to Financial Statements. The Notes provide additional information that is essential to a full understanding of the data provided in the Aviation Fund financial statements. The Notes to Financial Statements can be found on pages 18 through 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, government accounting standards require presentation of *required supplementary information* (RSI) concerning the progress in funding employee pension benefit obligations. Discrete pension information is not available for the Aviation Fund, but is available for the City as a whole. Please see the Comprehensive Annual Financial Report (CAFR) of the City of Philadelphia for complete financial information for the City and its component units.

FINANCIAL POSITION

The following table summarizes the Airport System's assets, liabilities and net assets at June 30, 2008 and June 30, 2007:

City of Philadelphia – Aviation Fund
Statement of Net Assets
(amounts expressed in thousands)

	2008	2007	Increase (Decrease) from 2007	% Increase (Decrease) from 2007
Current and other assets	$ 655,063	$ 534,993	$ 120,071	22.4%
Capital assets	1,474,348	1,404,354	69,994	5.0%
Total assets	2,129,411	1,939,347	190,065	9.8%
Long-term liabilities	1,255,346	1,119,050	$ 136,296	12.2%
Other liabilities	114,727	97,725	17,002	17.4%
Total liabilities	1,370,073	1,216,775	153,298	12.6%
Net assets:				
Invested in capital assets, net of related debt	479,583	457,691	21,892	4.8%
Restricted for Capital Projects	81,674	79,714	1,960	2.5%
Restricted for Debt Service	112,613	110,507	2,107	1.9%
Unrestricted	85,468	74,659	10,808	14.5%
Total net assets	$ 759,338	$ 722,572	$ 36,767	5.1%

Net Assets serves as a useful indicator of the Airport's financial position and is a measurement of the financial condition of the Airport at a specific point in time. At June 30, 2008, the Airport System's assets exceeded liabilities by $759 million. Between Fiscal 2007 and Fiscal 2008, total net assets increased by $37 million. Changes in total net assets are summarized below:

- **Total Assets** increased $190 million due primarily to the sale of the Series 2007A Airport Revenue Bonds totaling $172 million, during the first quarter of Fiscal 2008.

- **Total Liabilities** increased $153 million due to the sale of the Series 2007A bonds totaling $172 million, offset by bond principal payments of $32 million, and an increase of $13 million in construction payables and other payables.

- **Invested in capital assets, net of related debt** increased by $22 million. Capital assets, net of depreciation, and unspent bond proceeds increased $70 million and $104 million respectively. These increases were offset by an increase in debt of $152 million, mostly from the issuance of the Series 2007A bonds. Although these capital assets assist the Airport in providing services to the traveling public, they are generally not available to fund operations of future periods.

- **Restricted for capital projects** represents funds available and restricted for construction of capital assets, reduced by debt payable on those funds. This balance increased by $2.0 million in Fiscal 2008 due primarily to an increase in interest income dedicated to capital projects.

- **Restricted for debt service** increased $2 million as a result of the issuance of the Series 2007A bonds discussed above.

- **Unrestricted net assets** increased by $10.8 million. Unrestricted net assets may be used to supplement the Airport System's ongoing operations.

The following table compares the changes in revenues, expenses and fund net assets between Fiscal 2008 and Fiscal 2007:

City of Philadelphia – Aviation Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
(amounts expressed in thousands)

	2008	2007	Increase (Decrease) from 2007	% Increase (Decrease) from 2007
Revenues:				
Operating income	$ 238,357	$ 243,210	$ (4,853)	-2.0%
Operating grants and contributions	1,917	1,484	433	29.2%
Capital grants and contributions	33,603	22,409	11,193	49.9%
Passenger facility charges	64,855	66,029	(1,174)	-1.8%
Interest income	20,687	13,675	7,012	51.3%
Total revenues	359,419	346,808	12,611	3.6%
Expenses:				
Operating expenses	260,006	255,911	4,096	1.6%
Debt service interest	57,669	53,031	4,637	8.7%
Other expenses	5,441	5,368	74	1.4%
Total expenses	323,116	314,310	8,807	2.8%
Increase in Net Assets	36,303	32,499	3,804	11.7%
Net assets beginning of year	722,572	690,073	32,499	4.7%
Prior Period Adjustment	464	-	464	0.1%
Net assets adjusted beginning of year	723,035	690,073	32,962	4.8%
Net assets end of year	$ 759,338	$ 722,572	$ 36,767	5.1%

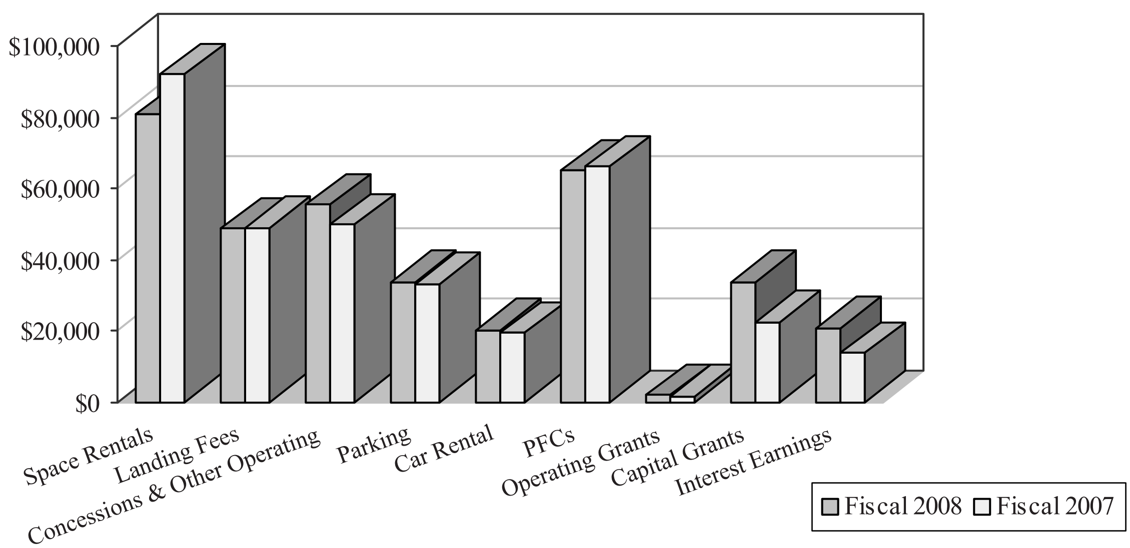
Changes in net assets represent the results of operations and are useful indicators of whether the overall financial condition of the Airport has improved or declined during the year. In Fiscal 2008, net assets increased $37 million, or 5.1%, from the prior year. This increase reflects Airport net income and capital contributions. In addition, approximately $464,000 of this increase was due to an actuarial adjustment to the Fiscal 2008 beginning balance to correct an error in the Fiscal 2007 calculation of the City's actual contributions to its Net Pension Obligation. Airport income before capital contributions is composed of operating and non-operating revenues, net of expense. Capital contributions represent federal and state grants for approved capital projects.

Revenues

Approximately 66% of all revenue came from operating sources, which include space rentals, landing fees and revenues from parking, concessions and car rentals. PFCs account for another 18%, with the remainder coming from Federal and State grants, and interest earnings.

The graph below presents the major components of revenue for Fiscal 2008 and 2007, followed by explanations of significant changes in these categories between years.

Revenues by Source (Thousands)



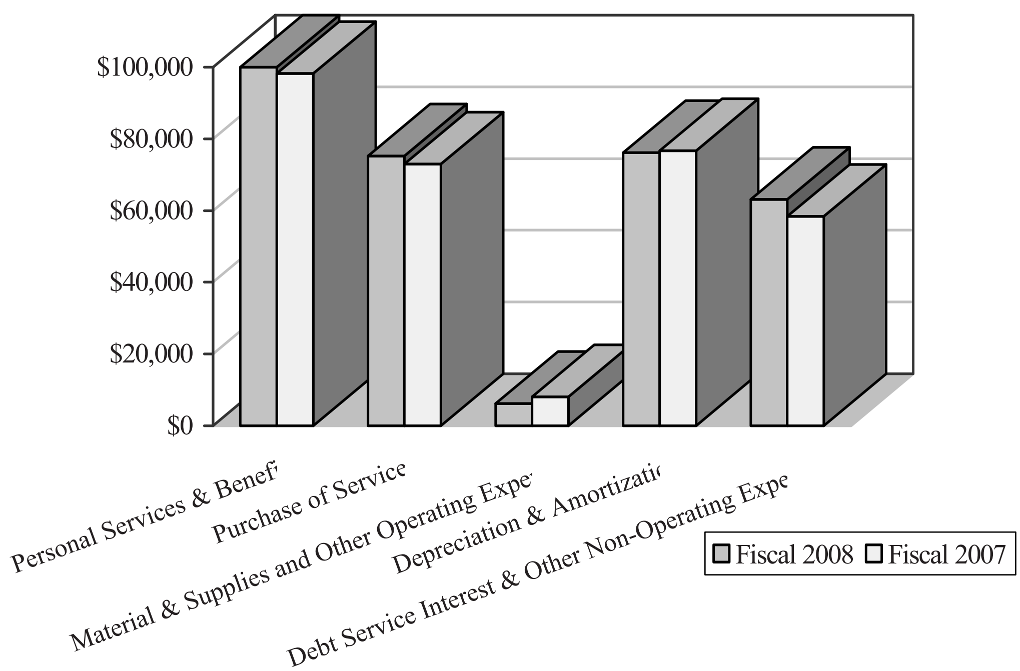
- Operating revenues, which include the first five categories in the bar graph above, decreased approximately 2% in Fiscal 2008. Space rentals decreased primarily as a result of a net decrease in airline deferred revenue, which was partially offset by an 11% increase in terminal rental rates between Fiscal 2007 and Fiscal 2008. Landing fees remained relatively unchanged, while concessions, parking and car rentals increased as passenger counts continued to rise at PHL.
- PFC revenue decreased slightly although passenger traffic increased 1.3% in Fiscal 2008. There is no absolute correlation between PFC revenue and passenger traffic because: a) air travel tickets, which contain the PFC, are often sold in advance of the actual flight; and b) a PFC may not be imposed at every boarding point of an itinerary.
- Operating and capital grants increased in Fiscal 2008 due to an increase in grant-eligible expenditures during the year, most of which related to the completion of the extension of Runway 17-35 and noise mitigation projects. It should be noted that capital grant expenditures in any given year are dependent upon actual construction timelines for Airport capital projects.
- Interest earnings increased in Fiscal 2008 due to the investment of proceeds from the Series 2007A bonds.

Expenses

Airport expenses result from a wide range of services; wages, benefits and contractual services account for approximately 55% of total expenses. Depreciation and amortization comprise roughly 24% of the total, and the remainder consists of debt service interest and other operating and non-operating expenses.

The graph below presents the major components of expense for Fiscal 2008, followed by explanations of significant changes in these components from Fiscal 2007.

Expenses by Source ($000)



- Personal services and benefits increased 4% in Fiscal 2008 primarily due to increases in uniformed and non-uniformed wage rates and increased health care and pension costs.
- Purchase of services increased 3% in Fiscal 2008 due to: implementation of an Automated Vehicle Identification (AVI) system for commercial ground transportation operators; increased infrastructure maintenance; additional professional services related to construction management and environmental engineering services; and increases in rents for leased facilities.
- Material and supplies and other operating expenses decreased (23%) in Fiscal 2008 due to reduced purchases of vehicles, office equipment and office furnishings.
- Depreciation and amortization decreased slightly in Fiscal 2008 due to useful life extensions made to specific capital assets. In addition, certain capital facilities became fully depreciated in Fiscal 2008. The straight-line method is used to record depreciation.

- Debt service interest increased in Fiscal 2008 due to the sale of the Series 2007A bonds in the amount of $172 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Airport's investment in capital assets, net of accumulated depreciation, amounted to $1.5 billion at the end of the current fiscal year. The following table presents the changes in capital assets for Fiscal 2008. It should be noted that some beginning balances have been reclassified to conform to current-year cost center presentation under the new Airport-Airline Use and Lease Agreement.

City of Philadelphia – Aviation Fund
Capital Assets
(amounts expressed in thousands)

	July 1, 2007	Additions	Deletions	June 30, 2008
Non-Depreciable Business Type Assets				
Land	$ 88,353	$ 80	$ -	$ 88,433
Construction in Progress	47,766	149,205	(120,725)	76,246
Total Non-Depreciable Business Type Assets	136,119	149,285	(120,725)	164,679
Depreciable Business Type Assets				
Buildings	1,638,803	80,218	-	1,719,021
Infrastructure	489,132	33,924	-	523,056
Equipment	42,699	4,143	(2,245)	44,597
Total Depreciable Business Type Assets	2,170,635	118,285	(2,245)	2,286,674
Accumulated Depreciation				
Capital Additions	(649,847)	(53,662)	-	(703,509)
Infrastructure	(228,831)	(19,367)	-	(248,198)
Equipment	(23,722)	(3,151)	1,576	(25,298)
Total Accumulated Depreciation	(902,400)	(76,181)	1,576	(977,005)
Net Depreciable Business Type Assets	1,268,235	42,104	(669)	1,309,669
Total Business Type Assets	$ 1,404,354	$ 191,389	$ (121,395)	$ 1,474,348

Capital Assets

Major capital asset events for which capital expenditures were incurred during Fiscal 2008 include the following:

- *Construction in Progress.* Additions to construction in progress totaled $149.2 million at June 30, 2008. Major projects under construction at fiscal year-end included: expansion and modernization of Terminals D and E; extension of Runway 17-35; Facility Management System upgrade; taxiway reconstruction; and cargo ramp reconstruction. Substantially completed projects, identified below, were transferred from construction in progress to capital assets.

✈ *Buildings, Infrastructure & Equipment.* Fixed asset additions totaled $118.3 million during Fiscal 2008. Significant design and construction projects substantially completed during Fiscal 2008 include the following:

- Terminal D&E Expansion & Modernization – completed phases ($46.8 million)
- Runway 17–35 Extension – completed phases ($19.6 million)
- Terminal A East Renovations – completed phases ($2.7 million)
- Employee Parking Lot Expansion ($1.6 million)
- Facility Management System ($2.9 million)
- Airport Master Plan/Environmental Impact Statement – completed phases ($2.9 million)
- Apron and Taxiway Reconstruction ($10.2 million)
- Noise Programs ($1.1 million)
- Southwest Airlines Managed Improvements ($2.3 million)

Long-Term Debt

Principal paid on debt instruments totaled $114 million for Fiscal 2008, which included refunding the Series 1997B bonds in the amount of $81.4 million plus $1.6 million in call premium. The refunding realized a net present value savings of $2.6 million. Interest payments on debt instruments totaled $70.1 million for Fiscal 2008. The following table summarizes the changes in long-term debt, including the current portion, for Fiscal 2008:

City of Philadelphia – Aviation Fund
Changes in Long-Term Debt
(amounts expressed in thousands)

	July 1, 2007	Additions	Retirements/ Repayments	June 30, 2008
Revenue bonds	$ 1,161,410	$ 255,385	$ 113,995	$ 1,302,800

As of June 30, 2008, total revenue bonds payable, less current maturities of $36.3 million, equated to $78.90 per enplaned passenger, compared to $71.26 as of June 30, 2007.

Due to financial instability within the bond insurance and credit markets that began in 2008, the City has taken certain steps to minimize market-related cost increases and to ensure compliance with the Amended and Restated General Airport Revenue Bond Ordinance of 1995 (the Bond Ordinance):

- In June 2008, the City purchased a letter of credit from Wachovia Bank, N.A. to replace the surety policy originally purchased from FGIC related to the sinking fund reserve account for the Series 1998B Airport Revenue Bonds. Because FGIC was downgraded below the AA category, the surety policy no longer met the rating requirements of the Bond Ordinance. The Wachovia Bank letter of credit presently meets the Bond Ordinance's rating requirements.

- In December 2008, the outstanding balance of $178.6 million of the Series 2005C Airport Revenue Refunding Bonds was reoffered under an irrevocable direct pay letter of credit (LOC) from TD Bank. The LOC replaces a bond insurance policy from MBIA Insurance Corporation issued simultaneously with the issuance of the 2005C bonds in June, 2005, and a liquidity facility for the 2005C bonds provided by JP Morgan Chase Bank, N.A. The LOC constitutes both a credit facility and liquidity facility under the Bond Ordinance and the Variable Rate Securities Agreement, and TD Bank will be a credit provider and liquidity provider under the Bond Ordinance and the Variable Rate Securities Agreement. The bonds have a weekly interest rate and maturity date of 2025.

- The Series 2005A and 2005B Bonds currently have MBIA Insurance Corporation surety policies for their sinking fund reserve requirements. Because MBIA was downgraded below the 'AA' category, the surety policies no longer meet the requirements of the Bond Ordinance. The City is presently working on refunding the 2005B bonds as well as the reserve fund surety for the Series 2005B bonds and is pursuing remedies to meet the ordinance requirements as it relates to the reserve fund surety for the 2005A bonds

BUDGETARY HIGHLIGHTS FROM FISCAL 2008

Actual expenditures for Fiscal 2008 were 2.1% higher that budgeted expenditures. The following factors contributed to this difference:

- Net interdepartmental charges were $13.4 million higher than projected due to the following: higher than budgeted fringe benefit rates attributable to increasing costs for health care and pension; increased police costs due to enhanced security measures mandated by the Transportation Security Administration; and increased utility costs resulting from increases in natural gas and water/sewer costs.

- Net debt service was 1.1% ($0.6 million) greater than budgeted as a result of higher than anticipated for interest rates on variable rate debt and a less than anticipated excess in sinking fund reserves accounts, which is used to pay debt service.

- The above increases were offset by less than budgeted expenditures for Division of Aviation personal services, contractual services, materials and supplies, equipment, and other direct expenses of $9.0 million.

KEY FACTORS AFFECTING THE FISCAL 2009 OPERATING BUDGET

The Airport System's Fiscal 2009 operating budget increased by 8.7% from Fiscal 2008 due to the following factors:

- A 13.0% increase in net interdepartmental charges due to anticipated increases in the citywide health care and pension costs.
- A 12.7% increase in utilities costs to adjust for Fiscal 2008 increases in natural gas and water/sewer rates, and anticipated electricity tariff increases for Fiscal 2009.
- Anticipated increases in annual tax payments to Delaware County taxing districts. PHL is situated in both Philadelphia County and Delaware County.
- A $10.5 million increase (20.7%) in net debt service attributable to the anticipated completion of various capital projects funded by the 2005A and 2007A Bonds. Debt service on these capital projects was previously capitalized.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Philadelphia Airport System finances and to demonstrate the City's accountability for the funds it receives and disburses. For additional information concerning this report, please contact: Edward C. Anastasi, Deputy Director of Aviation - Finance and Administration, Terminal E, Philadelphia International Airport, Philadelphia, PA 19153.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Net Assets
June 30, 2008
(Unaudited)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 103,053,490
Accounts receivable:	
Utility & aviation charges	2,110,567
Other	11,046,742
Total accounts receivable	13,157,309
Allowance for doubtful accounts	(1,245,662)
Inventories	2,934,146
Due from other governmental units	845,848
Total current assets	118,745,131
Restricted assets:	
Cash and cash equivalents	423,605,077
Sinking funds and reserves held by fiscal agents	50,582,786
Grants from other governments for capital purposes	8,825,658
Passenger facility charges receivable	6,146,723
Interest receivable	4,541,355
Cash held by fiscal agent	30,780,650
Total restricted assets	524,482,249
Net pension assets	11,836,075
Property, plant and equipment:	
Land	88,432,784
Infrastructure	523,055,902
Construction in progress	76,245,784
Buildings and equipment	1,763,618,275
Less: accumulated depreciation and amortization	(977,004,917)
Property, plant and equipment, net	1,474,347,828
Total assets	2,129,411,283
LIABILITIES	
Current liabilities:	
Vouchers payable	3,396,482
Accounts payable	9,735,566
Salaries and wages payable	2,951,169
Construction contracts payable	33,618,458
Accrued expenses	18,149,932
Deferred revenue	10,575,682
Current maturities of long-term bonded debt	36,300,000
Total current liabilities	114,727,289
Long-term liabilities:	
General obligation bonds	-
Revenue bonds - principal amount	1,266,500,000
Unamortized discount on revenue bonds	(6,743,295)
Unamortized loss on retirement of bonds	(13,854,142)
Other long-term liabilities	9,443,188
Total long-term liabilities	1,255,345,751
Total liabilities	1,370,073,040
NET ASSETS	
Invested in capital assets, net of related debt:	479,582,879
Restricted:	
Capital projects	81,674,094
Debt service	112,613,486
Unrestricted	85,467,784
Total net assets	$ 759,338,243

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2008
(Unaudited)

Operating revenues:	
Charges for goods and services	$ 71,807,780
Rentals and concessions	160,623,758
Miscellaneous operating revenues	5,925,273
Total operating revenues	238,356,811
Operating expenses:	
Personal services	62,924,125
Purchase of services	75,225,589
Materials and supplies	4,632,327
Employee benefits	39,474,973
Indemnities and taxes	1,568,449
Depreciation and amortization	76,180,892
Total operating expenses	260,006,355
Operating loss	(21,649,544)
Nonoperating revenues (expenses):	
Operating grants	1,917,216
Passenger facility charges	64,855,338
Interest income	20,687,036
Net pension obligation	(4,771,824)
Debt service, interest	(57,668,503)
Loss on disposal of property, net	(669,431)
Other revenue (expenses)	-
Total nonoperating revenues (expenses)	24,349,832
Income before capital contributions	2,700,288
Capital contributions	33,602,655
Change in net assets	36,302,943
Net assets beginning of period	722,571,538
Prior period adjustment	463,762
Net assets beginning of period, as adjusted	723,035,300
Net assets end of period	$ 759,338,243

See notes to the financial statements.

CITY OF PHILADELPHIA
AVIATION FUND
Statement of Cash Flows
For the Year Ended June 30, 2008
(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	$ 241,025,511
Receipts from interfund services	896,394
Payments to suppliers	(82,157,438)
Payments to employees	(99,100,340)
Internal activity-payments to other funds	(4,970,321)
Other receipts (payments)	265,322
Net cash provided by operating activities	55,959,128
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES :	
Grant proceed not specifically restricted for capital purposes	1,754,820
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from capital debt	254,927,761
Capital contributions	32,647,100
Purchase of capital assets	(127,957,954)
Principal paid on capital debt	(115,623,700)
Interest paid on capital debt	(70,071,092)
Passenger facility charges	70,149,617
Other receipts (payments)	(759,257)
Net cash provided by capital and related financing activities	43,312,475
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale and maturities of investments	(11,395,465)
Interest and dividends	27,665,085
	16,269,620
NET INCREASE IN CASH AND CASH EQUIVALENTS:	117,296,043
Balance beginning of year	440,143,174
Balance end of year	$ 557,439,217
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	$ (21,649,544)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	76,180,892
Changes in assets and liabilities:	
Decrease (increase) in receivables	2,004,023
(Increase) in inventories	95,210
(Increase) in payables	(5,921,643)
(Decrease) in other liabilities	(832,360)
(Decrease) in deferred revenue	6,082,550
Net cash provided by operating activities	$ 55,959,128

See notes to the finanacial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Aviation Fund is a proprietary fund of the City of Philadelphia (City). It was created and authorized as part of the Fiscal 1974 Operating Budget Ordinance approved by City Council on June 7, 1973 and became effective July 1, 1973. This fund was established to facilitate administrative and financial operations necessary to maintain, improve, repair and operate Philadelphia International Airport and Northeast Philadelphia Airport. The financial statements presented are for the Aviation Fund only, and are not intended to present fairly the financial position of the City of Philadelphia as a whole and the results of its operations and cash flows. The comprehensive annual financial report of the City of Philadelphia provides complete financial information as to the City and its component units.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time obligations are incurred.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and the proprietary fund financial statements to the extent that they do not conflict or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The City has elected not to follow subsequent private sector guidelines.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenue of the Aviation Fund is charges for the use of the airport facilities. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments

The Aviation Fund's deposits and investments are held in segregated operating and capital accounts and by an outside fiscal agent. Sinking funds and reserves are maintained in segregated investment accounts, to comply with reserve and other requirements of the bond covenants. No Aviation Fund accounts are commingled with other City funds. All highly liquid investments (except for repurchase agreements) with a maturity of three months or less are considered to be cash equivalents. Investments are recorded at fair value. Short-term investments are reported at cost, which approximates fair value.

Statutes authorize the City to invest in obligations of the Treasury, agencies, and instruments of the United States, repurchase agreements, collateralized certificates of deposit, bank acceptance or mortgage obligations, certain corporate bonds, and money market funds. Management is not aware of any violations of statutory authority or contractual provisions for investments for the year ended June 30, 2008.

Accounts Receivable

Accounts receivable included in current assets consists of billed and unbilled rentals and fees, which have been earned but not collected as of June 30, 2008. Credit balance receivables have been included in deferred revenue in the statement of net assets. The allowance for doubtful accounts is management's estimate of the amount of accounts receivable, which will be deemed to be uncollectible and is based upon specific identification. Unpaid accounts are referred to the City's law department if deemed uncollectible. Accounts are written off when recommended by the law department.

Inventories

Inventories consist of materials and supplies and are carried at amounts determined on a moving-average cost basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Restricted assets represent amounts that have been legally restricted by contracts or outside parties and are not available for payment of operating fund expenditures. The following represent restricted assets of the Aviation Fund:

- Funds available for construction, including grants due from other governments for capital purposes.

- Sinking funds and reserves reserved for debt service and construction, pursuant to revenue bond indentures.

- Passenger facility charges (PFCs), representing revenues collected from airlines based on the number of ticket sales for flights boarding passengers at Philadelphia International Airport, reserved for the funding of certain capital projects and debt service payments, as approved by the Federal Aviation Administration (FAA). Collection of PFCs began in the fall of 1992. All unexpended PFC funds, including accumulated interest, are classified as restricted assets.

Capital Assets

Capital assets include property, plant and equipment and infrastructure assets constructed or acquired by purchase with an initial individual cost in excess of $5,000 and a useful life in excess of three years. Capital assets are recorded at cost.

Construction in progress includes construction costs, architects fees, construction manager's fees and capital administrative costs. At the commencement of construction, legal fees, consulting fees and capitalized interest costs are allocated to capital administration costs. Interest expense on tax-exempt bonds used for construction in progress is capitalized, net of related interest income earned on the invested funds during the construction period. After construction is completed, interest income and expense on these funds are recorded as non-operating revenue and expense. Construction in progress is transferred to capital assets when 80% of the estimated project costs have been expended. Depreciation commences in the year following the transfer.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

Buildings	20 to 50 years
Improvements other than buildings	10 to 25 years
Equipment	5 to 10 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management periodically reviews its long-lived assets for impairment. At present, management does not believe any impairment exists.

Deferred Revenue

Deferred revenue arises primarily from excess billings to signatory airlines and from advance payments received from air carriers. Such deferrals are ultimately included in income when earned, usually during the next year.

Revenues

Operating revenues consist primarily of the following:

- Charges for goods and services – landing fees, international terminal charges, and utility charges.
- Rental and concessions – space rentals, parking revenue, car rental and concession revenues. Income from lease contracts is recorded when earned. Adjustments to revenue resulting from audits of tenants are recorded as determined. Income from the Philadelphia Parking Authority for operation of the airport parking facilities is recorded in rental and concession income at the amount received. The amount recorded is subject to final audit adjustment.

Non-operating revenues consist primarily of the following:

- Operating grants.
- PFCs –revenue from PFCs is reserved for the funding of certain capital expenditures and debt service payments, as approved by the FAA.
- Interest income.

Capital contributions consist of federal and state grant reimbursements for capital expenditures.

Operating Expenses

Operating expenses consist primarily of personnel and administrative services, purchase of services and depreciation and amortization expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of Discount on Bonded Debt and Loss on Retirement of Bonds

Discount and issuance costs are amortized over the life of the debt using the effective interest method. The loss on retirement of bonds is amortized on the straight-line method over the life of the new debt issued.

Pensions

For the year ended June 30, 2008, the City has implemented the provisions of the GASB Statement No. 50 *Pension Disclosures,* issued May 2007.

Other Post Employment Benefits

During fiscal year 2008, the City adopted GASB Statement No. 45, *Accounting for Post-Employment Benefits Other than Pensions* (OPEB), issued July 2004. The statement establishes standards for the measurement, recognition, and display of expenses/ expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information in the financial reports of state and local governments.

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation benefits. Vacation pay is accrued as earned. Sick leave balances are not accrued in the financial statements because sick leave rights are non-vesting.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

For the year ended June 30, 2008, deposits and investments are included in the financial statements in current (operating fund) and restricted (capital fund) cash and cash equivalents, in sinking funds and reserves held by fiscal agents, and in cash held by fiscal agent.

2. DEPOSITS AND INVESTMENTS (continued)

Deposits

State statutes require banks to collateralize City deposits at amounts equal to or in excess of the City's balance. Such collateral is to be held in the City's name by the Federal Reserve Bank or the trust department of a commercial bank other than the pledging bank. At year-end, the Aviation Fund had no deposits. All funds were held in short and long term investments.

Investments

The City has established a comprehensive investment policy to minimize custodial credit risk for its investments. To minimize custodial risk, the City has selected custodian banks that are members of the Federal Reserve System to hold its investments. Delivery of the applicable investment documents to the City's custodian is required for all investments.

As of June 30, 2008 the fair value of the Aviation Fund's investments consisted of the following:

	Fair Value	% of Total
U.S. Government Securities	$ 7,122,767	1%
U.S. Government Agency Securities	360,340,792	59%
Corporate Bonds	84,116,595	14%
Short-Term Investment Pools	114,216,280	19%
Repurchase Agreements	10,658,601	2%
Commercial Paper	31,246,010	5%
	$ 607,701,045	

2. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk: The City's investment portfolio is managed to accomplish preservation of principal, maintain liquidity and maximize the return on the investments. To limit its exposure to fair value losses from rising interest rates the City's investment policy limits investments to maturities of no longer than two years, except in sinking fund reserve portfolios.

	Less Than 1 Year	1 - 3 Years	More Than 3 Years
U.S. Government Securities	$ 350,931	$ 6,771,836	$ -
U.S. Government Agency Securities	343,353,062	16,987,730	-
Corporate Bonds	83,614,730	501,865	-
Short-Term Investment Pools	114,216,280	-	-
Repurchase Agreements	-	-	10,658,601
Commercial Paper	31,246,010	-	-
	$ 572,781,013	$ 24,261,431	$ 10,658,601

Credit Risk: The City's credit risk is limited by investing in US Government securities (5.3%) or US Government Agency obligations (59.1%). The US Government Agency obligations must be rated AAA by Standard & Poor's (S&P) or Aaa by Moody's Investor Services (Moody's). All US Government Securities meet the criteria. The City's investment in commercial paper (9.6%) must be rated A1 by S&P and/or M1G1 by Moody's and the senior long-term debt of the issuer must not be rated lower than A by S&P and/or Moody's. Commercial paper is also limited to 25% of the portfolio. All commercial paper investments meet the criteria. Of the corporate bonds held by the City, 88% had an S&P rating of AAA to AA. Cash accounts are swept nightly and idle cash invested in money market funds (short-term investment pools). Short-term investment pools are rated AAAm by S&P and Aaa by Moody's. The City limits its foreign currency risk by investing in certificates of deposit and bankers acceptances issued or endorsed by non-domestic banks that are denominated in US dollars providing that the banking institution has assets of not less than $100 million and has a Thompson's Bank Watch Service "Peer Group Rating" not lower than II. At the end of the fiscal year the City did not have any investments of that nature.

3. CASH HELD BY FISCAL AGENT

Cash held by fiscal agent consists of year-end cash and investment balances related to the net proceeds of Philadelphia Authority for Industrial Development's (PAID) Airport Revenue Bonds Series 1998A and 2001A. In accordance with GASB Interpretation No. 2, these bonds are considered by PAID to be conduit debt. Therefore, no assets related to the bond proceeds are reported in PAID's financial statements. Instead, the proceeds, which are held by a fiscal agent and disbursed at the City's discretion to pay for capital improvements at the airport, are shown as assets of the Aviation Fund.

4. CAPITAL ASSET ACTIVITY

The following schedule reflects the capital asset activity for the Aviation Fund during the year. Some beginning balances have been reclassified to conform to current year cost center presentation under the new Airport-Airline Use and Lease Agreement.

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Non-depreciable Assets				
Land	$ 88,352,615	$ 80,169	$ -	$ 88,432,784
Construction-in-progress	47,766,381	149,204,703	(120,725,300)	76,245,784
Total non-depreciable business type assets	136,118,996	149,284,872	(120,725,300)	164,678,568
Depreciable business type assets				
Buildings	1,414,548,378	68,875,906	-	1,483,424,284
Infrastructure	489,132,262	33,923,640	-	523,055,902
Equipment	42,699,317	4,143,042	(2,245,370)	44,596,989
Other improvements	224,254,622	11,342,380	-	235,597,002
Total depreciable business-type assets	2,170,634,579	118,284,968	(2,245,370)	2,286,674,177
Accumulated depreciation				
Infrastructure	(228,830,633)	(19,367,494)	-	(248,198,127)
Building & Improvement	(541,501,261)	(45,344,115)	-	(586,845,376)
Equipment	(23,722,432)	(3,151,150)	1,575,938	(25,297,644)
Other improvements	(108,345,637)	(8,318,133)		(116,663,770)
Total accumulated depreciation	(902,399,963)	(76,180,892)	1,575,938	(977,004,917)
Net depreciable business type assets	1,268,234,616	42,104,076	(669,432)	1,309,669,260
Total business type assets	$ 1,404,353,612	$ 191,388,948	$ (121,394,732)	1,474,347,828

A portion of bond interest expense net of related interest income on unexpended funds is capitalized during the construction phase of the projects funded by the bonds. Net interest capitalized to construction in progress was $6,320,404 for the fiscal year, which represents $14,748,586 in interest expense net of $8,428,182 of related interest income. Depreciation and amortization expense for the year was $76,180,892.

5. DEFERRED REVENUE

Deferred revenue of $10,575,682 consists of excess billing to the scheduled airlines, revenues received in advance and credit balance receivables at June 30, 2008.

6. ARBITRAGE REBATE

The Aviation Fund has several series of revenue bonds subject to federal arbitrage requirements. Federal tax legislation requires that the accumulated net excess of interest income on these issues over interest expense paid on the bonds be paid to the federal government at the end of a five year period. The arbitrage rebate liability as of June 30, 2008 was $267,767 and is included in other long-term liabilities.

7. INTEREST RATE SWAPTION

Objective: In April 2002, the City entered into a swaption that provided the City's Aviation Department with an up-front payment of $6,536,800. As a synthetic refunding of its 1995 Bonds, this payment approximated the present value savings as of April, 2002, of a refunding on June 15, 2005 based upon interest rates in effect at the time. The swaption gave JPMorgan Chase Bank, N.A. the option to enter into an interest rate swap with the Airport whereby JPMorgan Chase would receive fixed amounts and pay variable amounts.

Terms: JPMorgan Chase exercised its option to enter into the swap on June 15, 2005 and the swap commenced on that date. Under the swap, the Airport pays multiple fixed swap rates (starting at 6.466% and decreasing over the life of the swap to 1.654%). The rates are based on an amortizing notional schedule (with an initial notional amount of $189,500,000) and when added to an assumption for remarketing, liquidity costs and cost of issuance will approximate the debt service of the refunded bonds. The swap's variable payments are based on the SIFMA Municipal Swap Index. If the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%, JPMorgan Chase has the option to terminate the swap.

As of June 30, 2008, the swap had a notional amount of $178,600,000 and the associated variable-rate bond had a $178,600,000 principal amount. The bonds' variable-rate coupons are not based on an index but on remarketing performance. The bonds mature on June 15, 2025. The swap will terminate on June 15, 2025 if not previously terminated by JP Morgan Chase.

7. INTEREST RATE SWAPTION (Continued)

Fair Value: As of June 30, 2008, the swap had a negative fair value of ($22,813,937). This means that if the swap terminated today, the Airport would have to pay this amount to JP Morgan Chase.

Risks: As of June 30, 2008, the Airport was not exposed to credit risk because the swap had a negative fair value. Should interest rates change and the fair value of the swap become positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. In addition, the Airport is subject to basis risk should the relationship between SIFMA and the bonds change; if SIFMA resets at a rate below the variable bond rate, the synthetic interest rate will be greater than anticipated. The swap includes an additional termination event based on downgrades in credit ratings. The swap may be terminated by the Airport if JP Morgan Chase's ratings fall below A- or A3, or by JP Morgan Chase if the Airport's ratings fall below BBB or Baa2. However, because the Airport's swap payments are insured by MBIA, no termination event based on the Airport's ratings can occur as long as MBIA is rated at least A- or A3.

As of June 30, the rates were:

Interest Rate Swap	Terms	Rates
Fixed payment to JPMorgan Chase	Fixed	6.044%
Variable rate from JPMorgan Chase	SIFMA	1.550%
Net interest rate swap payments		4.494%
Variable rate bond coupon payments	Weekly resets	5.350%
Synthetic interest rate on bonds		9.844%

The 5.35% interest is a weighted average of the percentage of bonds that were owned by the liquidity bank and being charged 5% and those in the market with investors, which were at a rate of 7.9%. Because of the disruption in the markets, the City worked together with the Airport on restructuring the 2005C bonds with a letter of credit.

On December 23, 2008, the 2005C bonds were successfully remarketed with a letter of credit provided by TD Bank. The letter of credit will provide both a credit facility and liquidity facility. As a result, through February 2009, the weekly resets have been closely approximating the SIFMA-based rate from JP Morgan Chase.

7. INTEREST RATE SWAPTION (continued)

Swap Payments and Associated Debt: As of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments for their term, assuming current interest rates remain the same, were as follows:

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Interest Rate Swaps Net	Total Interest
2009	$ 4,700,000	$ 9,555,100	$ 8,026,284	$ 17,581,384
2010	5,300,000	9,303,650	7,815,066	17,118,716
2011	6,000,000	9,020,100	7,576,884	16,596,984
2012	6,700,000	8,699,100	7,307,244	16,006,344
2013	7,500,000	8,340,650	7,006,146	15,346,796
2014 - 2018	49,100,000	34,876,650	29,296,386	64,173,036
2019 - 2023	53,200,000	17,168,150	14,421,246	31,589,396
2024 - 2025	46,100,000	4,980,850	4,183,914	9,164,764
	$ 178,600,000	$ 101,944,250	$ 85,633,170	$ 187,577,420

As rates vary, variable rate bond interest payments and swap payments will vary. The swap increases the Aviation Fund's exposure to variable interest rates starting June 15, 2008 and thereafter to the extent that the rolling 180-day average of the SIFMA Municipal Swap Index exceeds 7.00%. Should that occur, JPMorgan Chase has the option to terminate the swap.

8. BONDS PAYABLE

General obligation (G.O.) bonds, payable out of Aviation Fund revenues, consist of bonds declared by statute to be self-sustaining from airport revenues. There are no G.O. bonds outstanding as of June 30, 2008.

In July 1997, Airport Revenue Refunding Bonds, Series 1997A in the amount of $123,565,000 were issued. The proceeds of Series 1997A were used to: refund the City's Airport Revenue Bonds, Series 1978, Series 1984, and Series 1985; fund the deposit into the sinking fund reserve; and, pay costs of issuance relating to the bonds.

In March 1998, Airport Revenue Refunding Bonds, Series 1998A in the amount of $123,405,000 were issued. The proceeds of these bonds were used to refund the City's Airport Revenue Bonds, Series 1988; fund the deposit into the sinking fund reserve; and, pay costs of issuance relating to the bonds.

8. BONDS PAYABLE (continued)

In July 1998, Airport Revenue Bonds, Series 1998B in the amount of $443,700,000 were issued. The proceeds of Series 1998B were used to prepay the City's fixed rental obligation under a lease with PAID (the PAID Lease). Under this lease, the City acquired a leasehold interest and will occupy, operate and manage certain new terminals and related improvements (the US Airways Project Facility), constructed with funds provided by the Series 1998A PAID Airport Revenue Bonds.

In July 2001, Airport Revenue Bonds, Series 2001A in the amount of $187,680,000 were issued. The proceeds of Series 2001A were used to prepay an additional fixed rental obligation under the PAID Lease, attributable to completion costs of the US Airways Project Facility.

In July 2001, Airport Revenue Bonds, Series 2001B in the amount of $40,120,000 were issued. The proceeds of Series 2001B were used to finance certain capital improvements to the airport system; fund the deposits into the sinking funds; finance capitalized interest; and, pay costs of issuance relating to the bonds.

In June 2005, Airport Revenue Refunding Bonds, Series 2005C in the amount of $189,500,000 were issued. The proceeds of Series 2005C were used to refund $183.9 million of the 1995A Series Airport Revenue Bonds, maturing from 2006 through 2025, and to pay issuance and insurance costs on the bonds. The cash flow required by the new bonds was the same as the cash flow required by the refunded bonds at the time of the sale. JP Morgan entered into a swaption agreement with the Airport on the 1995A bonds, in 2002, which agreement was exercised June 15, 2005. Subsequent to June 30, 2008, the Airport remarketed the 2005C bonds, to replace both the municipal bond insurance and a JP Morgan liquidity facility with a letter of credit provided by TD Bank.

In June 2005, Airport Revenue Bonds, Series 2005B in the amount of $41,000,000 were issued. The proceeds of Series 2005B were used to finance a portion of the 2005 project, finance capitalized interest during construction of the project, and pay costs of issuance relating to the bonds.

In August 2005, Airport Revenue Bonds, Series 2005A sub-series (1), (2) and (3) in the amounts of $59,860,000, $22,575,000 and $42,550,000, respectively, were issued. The proceeds of Series 2005A were used to finance a portion of the cost of Airport capital projects. Sub-series (1) are serial bonds and sub-series (2) and (3) are term bonds.

In August 2007, Airport Revenue Bonds, Series 2007A in the amount of $172,470,000 were issued. The proceeds of Series 2007A were used to finance a portion of the 2007 Project (infrastructure improvements and design of terminal building enhancements), finance capitalized interest during the construction period and to pay the costs of issuing and insuring the bonds with municipal bond insurance and a surety policy.

8. BONDS PAYABLE (continued)

In August 2007, Airport Revenue Bonds, Refunding Series 2007B in the amount of $82,915,000 were issued. The proceeds of Series 2007B were used to refund Revenue Bonds, Series 1997B and the costs of issuing and insuring the bonds with municipal bond insurance. The refunding structure of the 2007B bonds realized a net present value savings of approximately $2.6 million or 3.22% of the principal amount of the refunded bonds. The early extinguishment of debt resulted in an accounting loss of approximately $3.2 million, representing the difference between the reacquisition price of $871.4 million and the amount of debt extinguished of $81.4 million (less $1.5 million unamortized discount. The resulting loss will be amortized over the life of the refunded bonds through 2027.

On June 9, 2008 the City purchased a letter of credit from Wachovia Bank, N.A. to replace the surety policy originally purchased from FGIC related to the sinking fund reserve account for the 1998B Airport Revenue Bonds. Because FGIC was downgraded below the ‘AA’ category, the surety policy no longer met the rating requirements of the General Airport Revenue Bond Ordinance. The letter of credit meets the ordinance’s rating requirements.

The early extinguishment of debt can result in a loss on refunding, representing the difference between the reacquisition price plus unamortized premium, discount and issuance costs, and the amount of debt extinguished. The resulting loss is amortized annually over the life of the refunded bonds.

The amount of debt service payable for revenue bonds to maturity is as follows:

Years Ending June 30	Principal	Interest	Total Debt Service
2009	$ 36,300,000	$ 69,125,937	$ 105,425,937
2010	38,505,000	66,889,481	105,394,481
2011	47,400,000	64,422,381	111,822,381
2012	50,255,000	61,443,950	111,698,950
2013	53,355,000	58,277,212	111,632,212
2014-2018	297,025,000	240,586,653	537,611,653
2019-2023	294,820,000	157,210,019	452,030,019
2024-2028	303,300,000	83,652,769	386,952,769
2029-2033	124,560,000	27,347,687	151,907,687
2034-2038	57,280,000	6,461,625	63,741,625
Total	$ 1,302,800,000	$ 835,417,714	$ 2,138,217,714

Total interest cost for the fiscal year was $72,417,089 of which $14,748,586 was capitalized and $57,668,503 was recorded as non-operating expense.

Details of the various revenue bonds included in the financial statements are reflected on the following page. Airport Revenue Bonds Series 1998B and 2001A reflect the PAID outstanding balances, which are treated as conduit debt under GASB Interpretation 2. Payments on the conduit debt are guaranteed by General Airport Revenue Bonds Series 1998B and 2001A.

8. **BONDS PAYABLE** (continued)

Type of Debt	Description	Authorized and Issued	Included in Current Liabilities	Portion Due After June 30, 2009	Total Outstanding Bonded Debt	Final Maturity	Interest Percentage Rate
Airport Revenue Bonds - Series 1997A	Loan # 705	$ 123,565,000	$ 4,210,000	$ 30,570,000	$ 34,780,000	2015	5.00 - 6.00%
Airport Revenue Bonds - Series 1998A	Loan # 705	$ 123,405,000	6,110,000	71,965,000	78,075,000	2016	5.25 - 6.00%
Airport Revenue Bonds - Series 1998B	Loan # 706	$ 443,700,000	10,680,000	377,820,000	388,500,000	2028	4.25 - 5.38%
Airport Revenue Bonds - Series 2001A	Loan # 707	$ 187,680,000	4,435,000	164,225,000	168,660,000	2028	4.00 - 5.50%
Airport Revenue Bonds - Series 2001B	Loan # 708	$ 40,120,000	860,000	35,455,000	36,315,000	2031	4.00 - 5.25%
Airport Revenue Bonds - Series 2005B	Loan # 709	$ 41,000,000	-	41,000,000	41,000,000	2020	Variable Rate
Airport Revenue Bonds - Series 2005C	Loan # 710	$ 189,500,000	4,700,000	173,900,000	178,600,000	2025	Variable Rate
Airport Revenue Bonds - Series 2005A	Loan # 711	$ 124,985,000	2,340,000	122,645,000	124,985,000	2035	4.50 - 5.00%
Airport Revenue Bonds - Series 2007A	Loan # 712	$ 172,470,000	-	172,470,000	172,470,000	2037	5.00 - 5.00%
Airport Revenue Bonds - Series 2007B	Loan # 713	$ 82,915,000	2,965,000	76,450,000	79,415,000	2027	4.50 - 5.00%
			$ 36,300,000	$ 1,266,500,000	$ 1,302,800,000		

Airport General Obligation Bonds authorized and unissued at June 30, 2008 $ 62,500,000

CHANGES IN LONG-TERM DEBT:	Beginning Balance	Additions	Retirements/ Repayments	Ending Balance	Due Within One Year
Revenue bonds	$ 1,161,410,000	$ 255,385,000	$ (113,995,000)	$ 1,302,800,000	$ 36,300,000
Less unamortized premium/ discount and loss on refunding	(22,393,410)	105,916	1,871,699	(20,415,795)	-
Total bonds	1,168,816,590	255,490,916	(112,123,301)	1,282,384,205	36,300,000
Workers compensation claims	3,914,024	1,347,602	(1,477,766)	3,783,860	-
Termination compensation payable	5,851,740	881,807	(684,451)	6,049,096	707,535
Legal liability	50,000	-	-	50,000	-
Arbitrage	654,080	-	(386,313)	267,767	-
	$ 1,175,385,134	$ 257,720,325	$ (114,671,831)	$ 1,292,534,928	$ 37,007,535

9. FUND BALANCES

The following is a description of the restrictions for all net assets categories of the Aviation Fund:

- *Invested in Capital Assets, Net of Related Debt* reflects the investment in fixed assets net of accumulated depreciation and offset by debt service related to expended bond proceeds.
- *Restricted for Capital Projects* reflects the unexpended funds from bond proceeds and PFCs, which are reserved for construction of capital projects.
- *Restricted for Debt Service* reflects the unexpended funds from bond proceeds and PFCs, which are reserved for repayment of debt.
- *Unrestricted* reflects net assets available for current and future operations.

10. PRIOR PERIOD ADJUSTMENT

The beginning balance for unrestricted net assets increased by $463,762 due to the recalculation of the prior year 2007 ending Net Pension Obligation by the actuary.

11. PENSION PLAN

The Aviation Fund contributes to the Municipal Pension Plan (City Plan) of the City of Philadelphia. Information for the City Plan as a whole is available in the Comprehensive Annual Financial Report (CAFR) of the City of Philadelphia for the year ended June 30, 2008. Required Supplementary Information is presented in the audited financial statement of the City Plan, which may be obtained from the Director of Finance of the City of Philadelphia.

<u>Plan Description</u>

The Philadelphia Home Rule Charter (the Charter) mandates that the City maintain an actuarially sound pension and retirement system. To satisfy that mandate, the City's Board of Pensions and Retirement maintains the single-employer Municipal Pension Plan (the Plan). The Plan covers all officers and employees of the City and officers and employees of five other governmental and quasi-governmental organizations. By authority of two ordinances and related amendments passed by City Council, the Plan provides retirement benefits as well as death and disability benefits. Benefits vary by the

11. PENSION PLAN (continued)

Plan Description (continued)

class of employee. The Plan has two major classes of members – those covered under the 1967 Plan and those covered under the 1987 Plan. Both plans have multiple divisions.

Retirement Benefits

An employee who meets the age and service requirements of the particular division in which he participates is entitled to an annual benefit, payable monthly for life, equal to the employee's average final compensation multiplied by a percentage that is determined by the employee's years of credited service. The formula for determining the percentage is different for each division. If fund earnings exceed the actuarial assumed rate by a sufficient amount, an enhanced benefit distribution to retirees, their beneficiaries, and their survivors shall be considered. A deferred vested benefit is available to an employee who has 10 years of credited service, has not withdrawn contributions from the system, and has attained the appropriate service retirement age. Members of both plans may opt for early retirement with a reduced benefit. The Deferred Retirement Option Plan (DROP) was initiated on October 1, 1999. Under this plan employees that reach retirement age may accumulate their monthly service retirement benefit in an interest bearing account at the Board of Pensions for up to four (4) years and continue to be employed by the City of Philadelphia.

Death Benefits

If an employee dies from the performance of duties, his/her spouse, children or dependent parents may be eligible for an annual benefit ranging from 15% to 80% of the employee's final average compensation. Depending on age and years of service, the beneficiary of an employee who dies other than from the performance of duties will be eligible for either a lump sum benefit only or a choice between a lump sum or an annual pension.

Disability Benefits

Employees disabled during the performance of duties are eligible for an immediate benefit equal to contributions plus a yearly benefit. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned. Certain employees who are disabled other than during the performance of duties are eligible for an ordinary disability payment if they apply for the benefit within one year of termination. If the employee subsequently becomes employed, the benefit is reduced by a percentage of the amount earned.

11. PENSION PLAN (Continued)

Membership

Membership in the plan as of July 1, 2007 was as follows:

Retirees and beneficiaries currently receiving benefits	$ 35,527
Terminated members entitled to benefits but not yet receiving benefits	1,301
Active members	28,354
Total Members	$ 65,182

Funding Policy

Employee contributions are required by City Ordinance. For 1967 Plan members, employees contribute 3¾% of their total compensation that is subject to FICA and 6% of compensation not subject to FICA. 1987 Plan contribution rates are defined for the membership as a whole by Council Ordinance. Rates for individuals are then determined annually by the actuary so that total individual contributions satisfy the overall rate set by Council.

The City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. Court decisions require that the City's annual employer contributions are sufficient to fund:

- The accrued actuarially determined normal costs.
- Amortization of the unfunded actuarial accrued liability determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries (the Dombrowski suit) is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.

11. PENSION PLAN (Continued)

Funding Policy (continued)

- Amortization in level dollar payments of the changes to the July 1, 1985 liability due to the following causes over the stated period:
  - non-active members' benefit modifications (10 years)
  - experience gains and losses (15 years)
  - changes in actuarial assumptions (20 years)
  - active members' benefit modifications (20 years)

Under the City's current funding policy, the total required employer contribution for the current year amounted to $517.9 million or 35.4% of covered payroll of $1,461.6 million for the City as a whole. The City's actual contribution was $412.4 million, which met the Minimum Municipal Obligation as required by the Commonwealth of Pennsylvania's Acts 205 and 189. The annual pension cost and related percentage contributed for the three most recent fiscal years for the Aviation Fund are as follows:

June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2006	$13,663,570	79.9%	$(21,024,755)
2007	$17,097,141	83.9%	$(16,607,899)
2008	$19,400,959	79.6%	$(11,836,075)

The actuarial valuation used to compute the current year's required contribution was performed as of July 1, 2007. Methods and assumptions used for that valuation include:

- the individual entry age actuarial cost method
- a five-year smoothed market value method for valuing investments
- a level percentage closed method for amortizing the unfunded liability
- an annual investment rate of return of 8.75%
- projected annual salary increases of 5.0% (including inflation)
- annual inflation of 2.75%
- no post-retirement benefit increases

Administrative costs are funded out of the Plan's assets.

11. PENSION PLAN (Continued)

Funding Status

The following schedule shows the funding status based on the latest actuary report for the City as a whole. The schedule of funding progress, which presents multiyear trend information about whether the actuarial value of the plan assets is decreasing over time relative to the actuarial accrued liability for benefits, can be found in the Required Supplementary Information section of the CAFR.

(in millions)						UAAL as a
Actuarial	Actuarial	Actuarial	Unfunded			Percent of
Valuation	Value of	Accrued	AAL	Funded	Covered	Covered
Date	Assets	Liability (AAL)	(UAAL)	Ratio	Payroll	Payroll
7/1/2007	$ 4,421.7	$ 8,197.2	$ 3,775.5	53.94%	$ 1,351.8	279.29%

Net Pension Obligation

The City and other employers' annual pension cost and net pension obligation (NPO) for the Plan for the current year were as follows:

(in thousands)			
Annual Required Contribution (ARC)		$ 536,874	
Interest on Net Pension Obligation (NPO)		(60,685)	
Adjustment to ARC		84,785	
Annual Pension Cost		560,974	
Contributions Made		426,934	
Increase in NPO		134,040	
NPO at Beginning of Year*		(693,545)	
NPO at End of Year		$ (559,505)	
Interest Rate		8.75%	
15 Year Amortization Factor (EOY)		8.18%	

* The NPO at the beginning of the year differs from the NPO at June 30, 2007 by $13.0 million due to a recalculation of the Contributions Made during fiscal 2007.

The required employer contribution for the Aviation Fund was 32.1% of covered payroll of $60.4 million.

11. PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Financial statements of the Plan are prepared using the accrual basis of accounting. Contributions are recognized as revenues when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds paid are recognized when due and payable in accordance with the terms of the plan.

The Municipal Pension Fund issues a separate annual financial report. To obtain a copy, contact the Director of Finance of the City of Philadelphia.

12. ACCUMULATED UNPAID SICK LEAVE

The Aviation Fund follows City policies regarding accumulation of sick leave. Sick leave can be accumulated to predetermined balances, but is payable only upon retirement or in some cases death. The City budgets for, and charges, the cost of sick leave as it is taken.

13. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan description: The City of Philadelphia self-administers a single-employer, defined benefit plan and provides health care for five years subsequent to separation for eligible retirees. Certain union represented employees may defer their coverage until a later date but the amount that the City pays for their health care is limited to the amount that the City would have paid at the date of their retirement. The City also provides lifetime insurance coverage for all eligible retirees. Firefighters are entitled to $7,500 coverage and all other employees receive $6,000 in coverage. The Plan does not issue stand alone financial statements, and the accounting for the plan is reported within the financial statements of the City of Philadelphia.

Funding Policy: The City funds its retiree benefits on a pay-as-you-go basis. To provide health care coverage, the City pays a negotiated monthly premium for retirees covered by union contracts or pays the health care providers directly for non-unionized employees. For fiscal year 2008, the City paid $75.8 million for retiree healthcare.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other post employment benefit (OPEB) expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding, which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty (30) years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

13. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continue)

	(in thousands)
Annual required contribution	$ 83,249
Interest on net OPEB obligation	124
Annual OPEB cost	83,373
Payments made	(79,705)
Increase in net OPEB obligation	3,668
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	$ 3,668

Funded Status and Funding Progress: As of July 1, 2007, the most recent (initial) actuarial valuation date, the City is funding OPEB on a pay as you go basis and accordingly, the unfunded actuarial accrued liability (UAAL) for benefits was $1.1 billion. The covered annual payroll was $1.5 billion and the ratio of the UAAL to the covered payroll was 73.3 percent.

The required schedule of funding progress, presenting the multi-year trend information about the actuarial value of the plan assets relative to the actuarial accrued liability, is contained in the comprehensive annual financial report of the City of Philadelphia.

Actuarial Methods and Assumptions: Projections of costs for financial reporting purposes are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and the plan members.

Costs were determined according to the individual entry age actuarial cost method with the attribution period ending at each decrement age. This is consistent with the cost method used for the City of Philadelphia Municipal Retirement System. Unfunded liabilities are funded over a 30 year period as a level percentage of payroll, which is assumed to increase at a compound annual rate of 4% per year. The actuarial assumption included a 3.5% compound annual interest rate on the City's general investments.

14. OPERATING LEASES

Subsequent to June 30, 2007, the City and the participating airlines executed a new 4 year Airport-Airline Use and Lease Agreement effective July 1, 2007. The new Airline Agreement employs a residual cost center approach, wherein airline rates and charges are calculated to fund the annual net expense of PHL's airfield and terminal facilities, after taking into account non-airline revenues generated by the Airport. The rate-making provisions of the new agreement also provide for the creation and funding of Airport budgetary reserves to enhance PHL's financial capacity and flexibility.

The Aviation Fund's other operating leases consist primarily of leases of airport facilities for retail or other aviation related matters. Most assets constructed by lessees under terms of the lease revert to the City at the end of the lease term. Those assets are recorded at fair value, which is estimated replacement value less applicable depreciation. During fiscal year 2008, no such properties reverted to the City.

The Aviation Fund's most significant non-airline lease is with MarketPlace Redwood, LP for the development and management of the food and retail program throughout Philadelphia International Airport. The award-winning food and retail program consists of 159 shops, restaurants, retail carts and passenger services throughout Terminals A-West through F. The lease agreement provides for MarketPlace Redwood, LP to pay rentals to the City in the form of minimum annual guarantees and profit sharing.

Rental income from operating leases for the year was as follows:

Minimum rentals	$ 26,123,372
Additional rentals	137,503,507
Total rental income	$ 163,626,879

14. OPERATING LEASES (continued)

As of year-end, future minimum rentals to be received under noncancelable operating leases are as follows:

Years Ending June 30	Future Payments
2009	$ 19,333,947
2010	17,668,472
2011	15,293,687
2012	14,288,122
2013	7,023,993
2014-2018	32,381,748
2019-2023	21,471,197
2024-2028	12,955,323
2029-2033	13,465,128
Total	$ 153,881,617

The separate cost and carrying amount of property held for leasing is not available.

15. RISK MANAGEMENT

The Aviation Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Aviation Fund is self-insured for worker's compensation and unemployment compensation and insured through insurance carriers for other coverage.

The City covers all claim settlements and judgements, except those discussed above, out of the resources of the fund associated with the claim. Claims liabilities and expenditures are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported; the effects of specific incremental claims adjustment expenditures, salvage and subrogation; and unallocated claims adjustment expenditures.

15. RISK MANAGEMENT (continued)

At June 30, the amount of these liabilities for the City as a whole was $261.1 million. This liability is the City's best estimate based on available information. Changes in the reported liability since June 30, 2006 resulted from the following:

	(in millions)				
	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability	
Fiscal 2007	$ 270.7	$ 85.3	$ (80.1)	$ 275.9	
Fiscal 2008	$ 275.9	$ 74.2	$ (89.0)	$ 261.1	

The City's unemployment and workers' compensation coverages are provided through its general fund and are funded by a prorata charge to the various funds. The City's payments for the year were $3.2 million for unemployment compensation claims and $52.3 million for workers' compensation claims.

The City's estimated outstanding workers' compensation liabilities are $222.6 million discounted at 4% and $299.5 million on an undiscounted basis. These liabilities include provisions for indemnity, medical and allocated loss adjustment expense (ALAE). Excluding the ALAE, the respective liabilities for indemnity and medical payments relating to workers compensation total $201.9 million discounted and $272.9 million undiscounted The Aviation Fund's accrued liability for worker's compensation was $3,783,860 at June 30, 2008. Further discrete information is not available for the Aviation Fund.

During the last three (3) fiscal years, no claim settlements have exceeded the level of insurance coverage for operations using third party carriers. None of the City's insured losses have been settled with the purchase of annuity contracts.

16. CONCENTRATION OF CREDIT RISK

US Airways is the principal airline serving Philadelphia International Airport. For Fiscal 2008, the airline, together with its US Airways Express affiliates accounted for approximately 63.0% of passengers enplaned at the airport. Operating revenues from US Airways and its affiliates totaled approximately $97.0 million in Fiscal Year 2008, which represented approximately 40.0 % of total Aviation Fund operating revenues.

17. CONTINGENCIES AND COMMITMENTS

As of June 30, 2008, the Aviation Fund had commitments of approximately $24.5 million for operating expenses and $225.1 million for capital assets and improvements. The Aviation Fund expects to fund these commitments through operations and through capital grants, bond proceeds, and passenger facility charges.

18. SUBSEQUENT EVENTS

In December 2008 the outstanding balance of $178.6 million of Airport Revenue Refunding Bonds Series 2005C was reoffered under an irrevocable direct pay letter of credit (LOC) from TD Bank (the Bank). The LOC replaces a bond issuance policy from MBIA Insurance Corporation issued simultaneously with the issuance of the 2005C bonds in June 2005, and a liquidity facility for the 2005C bonds provided by JP Morgan Chase Bank, N.A. The LOC will constitute both a credit facility and liquidity facility under the Ordinance and the Variable Rate Securities Agreement, and the Bank will be a credit provider and liquidity provider under the Ordinance and the Variable Rate Securities Agreement. The bonds will have a weekly interest rate and maturity date of 2025.

The Airport Revenue Bonds Series 2005A and 2005B currently have MBIA Insurance Corporation surety policies for their sinking fund reserve requirements. Because MBIA was downgraded below the ‘AA’ category, the surety policies no longer meet the requirements of the General Airport Revenue Bond Ordinance. The City is working together with the airport on refunding the Series 2005B Bonds as well as the reserve fund surety for the 2005B bonds and is pursuing remedies to meet the ordinance requirements as it relates to the reserve fund surety for the 2005A bonds.

CITY OF PHILADELPHIA
AVIATION FUND
Reconciliation of Fund Balance (Legally Enacted Basis) to
Net Assets (GAAP Basis)
For the Year Ended June 30, 2008
(Unaudited)

Fund balance, legal basis June 30, 2008	$ 61,412,637
Add assets not included in legal basis:	
Current assets	14,154,590
Fixed assets, net of depreciation	1,474,347,828
Restricted assets	524,482,249
Net pension asset	11,836,075
	2,024,820,742
Deduct liabilities not included in legal basis:	
Construction accounts payable	(33,618,458)
Current liabilities	(20,774,640)
Bonds payable	(1,282,202,563)
Other long-term liabilities	(9,443,188)
	(1,346,038,849)
Add (deduct) fund balance accounts included in legal basis:	
Reserve for encumbrance, current	22,896,591
Reserve for encumbrance, prior	(4,587,529)
Reserve for collectible accounts	834,651
	19,143,713
Net assets - GAAP basis, June 30, 2008	$ 759,338,243

CITY OF PHILADELPHIA
AVIATION FUND
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2008
(Unaudited)
(Amounts in thousands)

	Budgeted Amounts			Final Budget to Actual Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes	$ -	$ -	$ -	$ -
Locally Generated Non-Tax Revenue	343,775	323,342	275,310	(48,032)
Revenue from Other Governments	2,500	2,000	1,755	(245)
Revenue from Other Funds	1,040	10,930	10,786	(144)
Total Revenues	347,315	336,272	287,851	(48,421)
Expenditures and Encumbrances				
Personal Services	64,734	64,734	60,310	4,424
Pension Contributions	18,750	18,951	18,951	-
Other Employee Benefits	17,624	20,240	20,240	-
Sub-Total Employee Compensation	101,108	103,925	99,501	4,424
Purchase of Services	103,389	101,567	81,398	20,169
Materials and Supplies	10,296	10,488	7,886	2,602
Equipment	7,539	7,348	3,273	4,075
Contributions, Indemnities and Taxes	5,078	4,260	1,565	2,695
Debt Service	101,150	101,150	84,529	16,621
Payments to Other Funds	24,467	24,289	4,970	19,319
Advances, Subsidies, Miscellaneous	-	-	-	-
Total Expenditures and Encumbrances	353,027	353,027	283,122	69,905
Operating Surplus (Deficit) for the Year	(5,712)	(16,755)	4,729	21,484
Fund Balance Available for Appropriation, July 1, 2007	51,904	42,583	42,583	-
Operations in Respect to Prior Fiscal Years				
Commitments Cancelled - Net (Budget Book)	12,000	15,000	14,015	(985)
Revenue Adjustments - Net	-	-	-	-
Prior Period Adjustments	-	-	83	83
Other Adjustments	-	-	-	-
Adjusted Fund Balance, July 1, 2007	63,904	57,583	56,681	(902)
Fund Balance Available for Appropriation, June 30, 2008	$ 58,192	$ 40,828	$ 61,410	$ 20,582

APPENDIX II

REPORT OF THE AIRPORT CONSULTANT DATED MARCH 24, 2009

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Appendix II

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHILADELPHIA, PENNSYLVANIA,
AIRPORT REVENUE REFUNDING BONDS
SERIES 2009A

Prepared for

City of Philadelphia
Philadelphia, Pennsylvania

Prepared by

Jacobs Consultancy
Burlingame, California

March 24, 2009

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JACOBS
CONSULTANCY

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1.650.579.7722 Fax: 1.650.343.5220

March 24, 2009

Mr. Rob Dubow
Director of Finance
1401 John F. Kennedy Boulevard
Suite 1330, Municipal Services Building
Philadelphia, Pennsylvania 19102

and

Mr. Mark Gale
Acting Director of Aviation
Philadelphia International Airport
8800 Essington Avenue, Terminals D/E
Philadelphia, Pennsylvania 19153

Re: **Report of the Airport Consultant,**
City of Philadelphia, Pennsylvania, Airport Revenue Refunding Bonds,
Series 2009A

Dear Mr. Dubow and Mr. Gale:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Airport Revenue Refunding Bonds, Series 2009A (the 2009 Refunding Bonds) by the City of Philadelphia, Pennsylvania (the City). This letter and the accompanying attachment and exhibits constitute our report.

The City owns Philadelphia International Airport (the Airport), the principal airline airport serving the Philadelphia metropolitan area, and Northeast Philadelphia Airport, a general aviation reliever airport. The two airports (collectively, the Airport System) are operated by the City's Division of Aviation.

The City expects to issue the 2009 Refunding Bonds to effect a current refunding of the outstanding Airport Revenue Bonds, Series 2005B (the 2005B Bonds).

General Ordinance

The 2009 Refunding Bonds are being issued under the terms of the City's 1995 Amended and Restated General Airport Revenue Bond Ordinance providing for the issuance of Airport Revenue Bonds (Bonds), as subsequently amended and supplemented by supplemental ordinances (collectively, the General Ordinance). Except as otherwise defined herein, capitalized terms in this report are used as defined in the General Ordinance and the Airport-Airline Use and Lease Agreement (discussed later).

Security for the Bonds

Under the provisions of Section 4.02 of the General Ordinance, the 2009 Refunding Bonds are to be limited obligations of the City payable from Amounts Available for Debt Service. Amounts Available for Debt Service include (1) Project Revenues, (2) passenger facility charge (PFC) revenues pledged to the payment of Bond debt service, and (3) grants-in-aid for capital projects deposited in the Sinking Fund and committed to the payment of Bond debt service.

Project Revenues comprise all revenues derived from the operation of the Airport System except PFC revenues, grants-in-aid for capital projects, Special Purpose Facility rentals, and certain other amounts. As provided for by Section 4.02 of the General Ordinance, the City has elected to include revenues generated by the Outside Terminal Area (OTA) at the Airport in Project Revenues. Accordingly, effective July 1, 2007, all revenues, expenses, and debt service requirements generated by or allocable to the OTA are included in the calculation of Amounts Available for Debt Service and Bond debt service coverage.

The City has received authority from the Federal Aviation Administration (FAA) to impose a PFC of $4.50 per eligible enplaned passenger at the Airport and to use PFC revenues to pay eligible debt service. The City has pledged certain PFC revenues to pay a portion of the debt service requirements of its Airport Revenue Bond, Series 1998B (the 1998B Bond) and its Airport Revenue Bond, Series 2001A (the 2001A Bond).

As of January 1, 2009, the City had outstanding $745.6 million of Bonds payable solely from Project Revenues and $542.0 million of Bonds payable from Project Revenues and pledged PFC revenues.

Rate Covenant

In Section 5.01 of the General Ordinance, the City covenants that it will, at a minimum, impose, charge, and recognize as revenues in each Fiscal Year such rentals, charges, and fees as shall, together with that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service and carried forward at the beginning of such Fiscal Year, and together with all other Amounts Available for Debt Service to be received in such Fiscal Year, equal to not less than the greater of all the following amounts payable during such Fiscal Year:

Either (1) the sum of:

(i) Net Operating Expenses (Operating Expenses exclusive of Interdepartmental Charges);

(ii) 150% of the amount required to pay the Debt Service Requirements of outstanding Bonds;

(iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account; and

(iv) the amount, if any, required to be paid into the Renewal Fund.

or (2) the sum of:

(i) Operating Expenses;

(ii) the Debt Service Requirements of outstanding Bonds;

(iii) the debt service requirements of any outstanding General Obligation Bonds (including General Obligation Bonds that have not been adjudged to be self-sustaining) issued for improvements to the Airport System;

(iv) the debt service requirements of any outstanding Subordinate Obligations and any other subordinate indebtedness secured by Amounts Available for Debt Service;

(v) amounts required to repay any loans among the Aviation Capital Fund, the Renewal Fund, and the Aviation Operating Fund made pursuant to Section 4.05(c) of the General Ordinance;

(vi) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund; and

(vii) any amounts required to be paid under Exchange Agreements.

These provisions of the General Ordinance are referred to as the Rate Covenant. The requirements of the preceding items (1)(i) through (1)(iv) are referred to in this report as Rate Covenant Test #1 and the requirements of items (2)(i) through (2)(vii) are referred to as Rate Covenant Test #2. The City's Fiscal Year (FY) ends June 30.

Additional Bonds Test

Section 5.04 of the General Ordinance requires, as a condition for the City's issuance of an additional Series of Bonds, that a report be prepared by nationally recognized independent consultants having broad experience in the operation of major airport systems. The report is required to address, for each Series of Bonds, the ability of the Airport System to yield Amounts Available for Debt Service sufficient to comply with the Rate Covenant. The report is required to demonstrate that the Rate Covenant (1) was met for the Fiscal Year immediately preceding the date of the report (or for any period of 12 full consecutive months during the 18 months preceding the date of the report) and (2) is estimated to be met for each of the five Fiscal Years ended immediately following the issuance of the additional Bonds. The report is also required to document that, as of the date of the report, no deficiency exists in the Sinking Fund Reserve Account. The requirements of Section 5.04 of the General Ordinance are referred to as the Additional Bonds Test. The applicable Fiscal Years for the 2009 Refunding Bonds are FY 2008 and FY 2009 through FY 2013. This report constitutes the consultant's report required by the Additional Bonds Test.

Airline Agreement

Effective July 1, 2007, the City and the principal airlines serving the Airport entered into a new Airport-Airline Use and Lease Agreement (the Airline Agreement). The Airline Agreement establishes procedures for the annual review and adjustment of airline rentals, fees, and charges so that the Airport System yields Amounts Available for Debt Service at least sufficient to comply with the Rate Covenant.

The Airline Agreement extends through FY 2011. For the forecasts in this report, it was assumed that the provisions of the Airline Agreement regarding the setting of airline rentals, fees, and charges will remain in effect through the forecast period ending FY 2013.

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest (MII). For projects affecting Terminal Area rentals, fees, and charges, MII is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, MII is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. MII approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant.

Under the provisions of the Airline Agreement, no MII approvals are required for the issuance of the 2009 Refunding Bonds.

Planned Future Bonds

During the forecast period covered by this report, the City expects to undertake Airport capital improvements and to finance such improvements in part with the proceeds of additional Bonds. Specifically, the City expects to undertake the following projects:

- Expansion and renovation of Terminal F
- Upgraded baggage system for Terminals B and C
- Taxiway improvements
- Runway 9L-27R resurfacing
- Airport maintenance facility
- Central utility plant
- Runway 9L-27R navaids
- Property acquisitions

These projects are referred to collectively as the 2010 Project and are described more fully in the attachment. The implementation of the 2010 Project and the issuance of additional Bonds to finance the 2010 Project (the 2010 Bonds) would be subject to, among other requirements, obtaining MII approval from the Signatory Airlines and meeting the Additional Bonds Test requirements of the General Ordinance. The City has not made any commitment to issue the 2010 Bonds.

Scope of the Report

This report was prepared to address the ability of the Airport System to yield Amounts Available for Debt Service sufficient to comply with the Rate Covenant of Section 5.01 of the General Ordinance and to demonstrate compliance with the requirements of the Additional Bonds Test of Section 5.04 of the General Ordinance. The report presents historical financial results for FY 2005 through FY 2008, budgeted results for FY 2009, and forecast results for FY 2010 through FY 2013.

In preparing the report, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the region served, historical trends in airline traffic, airline service provided by US Airways and other airlines, and key factors that may affect future airline traffic.

- Estimated sources and uses of funds for the 2009 Refunding Bonds and associated estimated annual Bond debt service requirements.
- Estimated sources and uses of funds for the planned 2010 Project and associated estimated annual debt service requirements for the planned 2010 Bonds.
- Historical relationships among revenues, expenses, and airline traffic at the Airport and other factors that may affect future revenues and expenses.
- Historical and future PFC revenues.
- The City's historical results for the Airport System, budgeted results for FY 2009, projected staffing requirements, and other operational considerations.
- The City's policies and contractual arrangements relating to the use and occupancy of Airport System facilities, including the calculation of airline rentals, fees, and charges under the Airline Agreement; the operation of concession privileges; and the leasing of buildings and grounds.

We also identified key factors upon which the future financial results of the Airport System may depend and formulated assumptions about those factors. On the basis of these assumptions, we assembled the financial forecasts presented in the exhibits at the end of this report.

Estimates of project costs, project financing, and annual debt service requirements were provided by the sources noted in this report.

Debt Service Coverage

As shown in Exhibit G-1, Rate Covenant Tests #1 and #2 were or are forecast to be met or exceeded in each of FY 2005 through FY 2013. Estimates of debt service coverage under Rate Covenant Test #1 are summarized on the following page.

The estimates shown in Exhibit G-1 demonstrate that pledged Amounts Available for Debt Service were and are forecast to be sufficient to meet the Additional Bonds Test requirements of Section 5.04 of the General Ordinance for the applicable Fiscal Years.

Project Revenues and other pledged Amounts Available for Debt Service were and are forecast to be sufficient to cover Operating Expenses, debt service on all outstanding series of Airport Revenue Bonds, debt service on the proposed 2009 Refunding Bonds, debt service on the planned 2010 Bonds, and all other requirements of the General Ordinance in each of the Fiscal Years required by Section 5.04 of the General Ordinance.

Sinking Fund Reserve Account

According to financial records provided by the City, no deficiency exists in the Sinking Fund Reserve Account. Under Section 4.09 of the General Ordinance, if the credit rating of the provider of a reserve fund surety policy or letter of credit is reduced below the second highest rating category of an applicable rating agency, such surety policy or letter of credit must be replaced. The Sinking Fund Reserve Requirements were previously met with a surety policy with regard to the 1998B Bond by Financial Guaranty Insurance Company (FGIC) and with regard to the 2005A Bonds, 2005B Bonds, and 2005C Bonds by MBIA Insurance Corporation (MBIA). Because of downgrades of FGIC and MBIA's credit ratings, and in order to comply with Section 4.09 of the General Ordinance, the City has obtained a letter of credit for the Sinking Fund Reserve Requirement from Wachovia Bank, N.A. for the 1998B Bond, and from TD Bank, N.A. for the 2005C Bonds. The City expects to replace the 2005A Bonds surety policy with cash, to meet the requirements of the General Ordinance. Assuming that proceeds of the 2009 Refunding Bonds are used in accordance with Exhibit B, no deficiency in the Sinking Fund Reserve Account will exist as of the date such Bonds are issued.

Fiscal Year	Net amounts available for debt service *(a)* [A]	Bond Debt Service Requirements [B]	Bond debt service coverage [A/B]	Bond debt service coverage requirement
Historical				
2005	$146,686,783	$88,080,960	1.67	1.50
2006	156,226,633	88,125,733	1.77	1.50
2007	167,347,713	85,564,659	1.96	1.50
2008	226,232,866	84,338,275	2.68	1.50
Budgeted				
2009	258,606,000	94,329,000	2.74	1.50
Forecast				
2010	268,969,000	98,437,000	2.73	1.50
2011	286,036,000	107,922,000	2.65	1.50
2012	298,238,000	112,480,000	2.65	1.50
2013	331,418,000	132,417,000	2.50	1.50

(a) Amounts Available for Debt Service less Net Operating Expenses.

Note: See Exhibit G-1 for sources and calculations.

Assumptions Underlying the Financial Forecasts

The financial forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by Division of Aviation management. Accordingly, the forecasts reflect management's expected course of action during the forecast period and, in management's judgment, present fairly the expected financial results of the Airport System.

Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material. Neither Jacobs Consultancy nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, forecasts, opinions, or conclusions disclosed in this report. We have no responsibility to update the report for events and circumstances occurring after the date of the report.

Stress Test Projections

The Airport is a major connecting hub for US Airways, which, together with its regional airline affiliates operating as US Airways Express, accounted for approximately 63% of the 16.1 million passengers enplaned at the Airport in FY 2008. Of the 10.1 million US Airways' passengers, an estimated 4.3 million (42%) originated their journeys at the Airport and the other 5.8 million (58%) connected between flights.

An alternative passenger forecast was developed to provide the basis for a "stress test" of the Airport's forecast financial results under a scenario that could hypothetically arise either (1) if, following a merger between US Airways and another airline, the Airport's role in the combined airlines' route network were to be drastically reduced, or (2) perhaps following an unsuccessful merger attempt, US Airways were to be forced into bankruptcy and liquidation.

For the purposes of this hypothetical stress test scenario, US Airways was assumed to reduce service at the Airport effective July 2009 (the beginning of FY 2010). Replacement service by other airlines was then assumed to be introduced over the two years FY 2010 and FY 2011. For the stress test, the number of originating enplaned passengers was assumed to be similar to the number under the base case, but the number of connecting passengers was assumed to be drastically reduced.

Under the stress test projections, airline rentals, fees, and charges per enplaned passenger are projected to increase relative to those required under the base forecasts. However, debt service coverage is projected to be similar and to meet or exceed the coverage requirements of the Rate Covenant Tests #1 and #2. (See Exhibit G-2.)

*   *   *   *   *

We appreciate the opportunity to assist the City on the proposed financing.

Respectfully submitted,

Jacobs Consultancy

JACOBS CONSULTANCY

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BACKGROUND, ASSUMPTIONS, AND RATIONALE FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF PHILADELPHIA, PENNSYLVANIA,
AIRPORT REVENUE REFUNDING BONDS
SERIES 2009A

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CONTENTS

CONTENTS *(continued)*

Page

AIRLINE TRAFFIC ANALYSIS *(continued)*

CONTENTS *(continued)*

Page

FINANCIAL ANALYSIS *(continued)*

TABLES

TABLES *(continued)*

FIGURES

EXHIBITS

AIRLINE TRAFFIC ANALYSIS

AIRPORT FACILITIES

Philadelphia International Airport occupies a 2,328-acre site in Philadelphia and Delaware Counties about 8 miles by road southwest of Center City Philadelphia. Access to the Airport is provided by, among other roads, Interstate 95, which bounds the Airport site to the north. The Delaware River bounds the site to the south. Direct rail service is provided by the Southeastern Pennsylvania Transportation Authority (SEPTA) between Center City and stations serving the passenger terminal complex.

Airfield

The Airport has four runways and an associated system of taxiways. The main runways are east-west Runway 9R-27L, 10,500 feet long, and parallel Runway 9L-27R, 9,500 feet long. The main runways are separated by 1,400 feet. Runway 8-26 is 5,000 feet long and is used only for regional airline aircraft arrivals from the east and departures to the east. Crosswind Runway 17-35 was extended from a length of 5,460 feet to 6,500 feet in February 2009.

Passenger Terminals

The passenger terminal complex, located north of the main runways, comprises seven terminal units, each providing a concourse for aircraft loading and unloading; a landside building for passenger ticketing, check-in, and security screening; and (except in the case of Terminal F) a separate baggage claim building. The landside buildings and baggage claim buildings are served by separate curbside roadway systems. The terminal complex provides a total of approximately 2.4 million square feet of space and 120 aircraft parking positions and associated facilities (gates).

Terminals A West and A East provide facilities for international airline operations and passengers. Terminal A West, opened in May 2003, provides 13 gates, 12 of which are capable of accommodating widebody aircraft. Terminal A East, opened in March 1991, provides 11 gates, 5 of which are capable of accommodating widebody aircraft. Terminals B through F provide facilities mainly for domestic airline operations and passengers. Terminals B through E date variously from the 1950s to the 1970s. Terminals B and C, which are leased by US Airways, each provide 15 gates. Terminals B and C were renovated, expanded, and consolidated in 1998, at which time a connector between Terminals B and C, housing extensive food, beverage, and retail concessions, was constructed. Terminal D, expanded in August 2003, provides 16 gates. Terminal E provides 12 gates. Southwest Airlines leases 9 gates at Terminals D and E. Terminal F, opened in June 2001, provides 38 gates designed for use by regional airline aircraft.

Airline Gate Use

Table 1 summarizes the availability of gates at the Airport and the average number of flight departures per gate as scheduled for April 2009.

Table 1

GATE USE BY AIRLINE
Philadelphia International Airport
April 2009

Leasing or using airline	Terminal	Preferential use gates	Common use gates	Total gates	Average daily scheduled departures *(a)*	Average daily scheduled departures per gate
Air Canada (international)	D	1	--	1	5	4.5
AirTran	D	4	--	4	10	2.5
American	A-East	4	--	4	23 *(b)*	5.7
Continental	D	2	--	2	14	6.9
Delta	A-East	3	--	3	23	7.8
Frontier	A-West	--	1 *(c)*	1	1	1.0
Northwest	E	3	--	3	15	5.0
Southwest	D, E	9	--	9	65	7.2
United	D	4	--	4	17	4.3
US Airways (mainline domestic)	B, C	30	--	30	113 *(d)*	3.8
US Airways (regional affiliates)	F	38 *(e)*	--	38	253 *(d)*	6.7
Domestic common use	D	--	1 *(f)*	1	--	--
City (not in use)	E	--	4	4	--	--
Subtotal domestic		98	6	104	539	5.2
International common use	A-West, A-East	--				
US Airways (international)		--	13 *(c)*	13	39	3.0
Other airlines		--	3 *(c)*	3	5	1.6
Subtotal international		--	16	16	44	2.7
Total/average		98	22	120	583	4.9

Note: Columns may not add due to rounding. Gate count is for aircraft loading positions equipped with loading bridges, except for Terminal F as noted.

(a) Source: Official Airline Guides, Inc., retrieved form BACK Aviation databases, December 2008.
(b) Includes 3.6 average daily scheduled departures by Midwest.
(c) International common use gates subject to reassignment.
(d) Includes service to Canada.
(e) 24 gates equipped with loading bridges for use by regional jet aircraft and 14 gates without loading bridges for use by regional turboprop aircraft.
(f) Gate not normally used except for overnight aircraft parking.

The Airport provides 82 gates capable of accommodating large jet airline aircraft at Terminals A-West through E and 38 gates designed for use by regional airline aircraft at Terminal F. Under the Airline Agreement, all gates are being leased on a preferential-use basis or assigned on a common-use basis. A gate leased to an airline on a preferential-use basis may be made available to other airlines at the direction of the City if the gate is not being used by the leasing airline. A common-use gate may be assigned by the City for use by any airline.

Parking and Outside Terminal Area

Public parking facilities, which are operated by the Philadelphia Parking Authority, provide approximately 18,000 spaces and consist of five multi-story garages and surface lots immediately north of the terminals (approximately 11,750 spaces) and a surface lot remote from the terminal complex and served by shuttle buses (approximately 6,250 spaces). A 50-acre site north of the terminal complex, designated the Outside Terminal Area (OTA), accommodates the parking garages as well as a hotel, rental car storage and maintenance sites, commercial ground transportation, and other facilities. The parking garages and hotel are connected directly to the terminals by enclosed walkways.

Cargo and Other Facilities

Air cargo buildings, airline maintenance hangars, and associated aircraft parking aprons are located on a 106-acre site at the northwest side of the Airport. The site also accommodates a 207,000-square-foot U.S. Postal Service air mail facility and Airport support facilities. UPS Air Cargo occupies a 210-acre site at the south side of the Airport where the airline operates its East Coast package handling and sorting hub from a 680,000-square-foot building.

General and business aviation facilities are located on 30 acres on the east side of the Airport. Commercial fixed base operator services are provided by Atlantic Aviation. Approximately 30 general aviation aircraft are based at the Airport and approximately 25,000 general aviation operations (landings and takeoffs) occur annually.

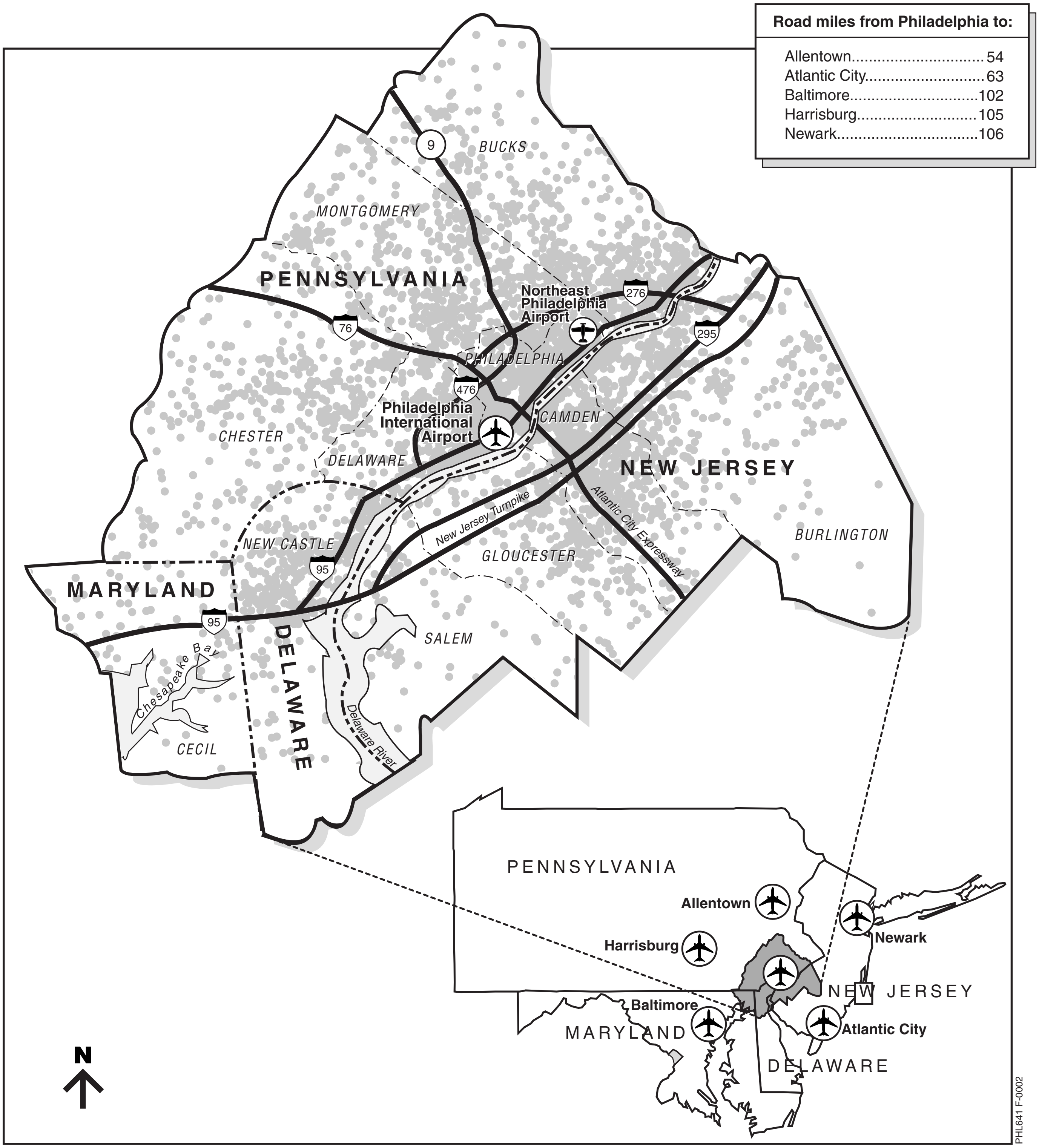
Northeast Philadelphia Airport

The City owns and operates Northeast Philadelphia Airport (PNE), which accommodates most general and business aviation activities. PNE is located on a 1,150-acre site about 13 miles by road northeast of Center City. Approximately 215 aircraft are based at PNE, which has two runways, 7,000 feet and 5,000 feet long. PNE handles approximately 110,000 general aviation operations annually.

AIRPORT SERVICE REGION

Philadelphia International Airport is the principal airline airport serving the City of Philadelphia and surrounding areas of Pennsylvania, New Jersey, Delaware, and Maryland. The Airport serves as an international passenger gateway, a connecting hub for US Airways, and a hub for regional airlines, particularly those operating as US Airways Express. The Airport also serves as an international air cargo hub for UPS Air Cargo.

As shown on Figure 1, the region served by the Airport consists primarily of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area, which comprises Bucks, Chester, Delaware, Montgomery, and Philadelphia counties in Pennsylvania; Burlington, Camden, Gloucester and Salem counties in New Jersey; Cecil County in Maryland; and New Castle County in Delaware. These 11 counties are referred to in this report as the Airport Service Region or the Region.



LEGEND

- Passenger air carrier airport
- General aviation airport
- State boundary
- County boundary
- Population density

Figure 1

AIRPORT SERVICE REGION

Philadelphia International Airport

May 2008

JACOBS CONSULTANCY
Airport Management Consulting

Surrounding the 11-county Airport Service Region is a secondary service area defined by the availability of airline service at other airports. As shown on Figure 1, the airports that have historically defined this secondary area are Lehigh Valley International Airport (near Allentown, 54 miles to the north), Atlantic City International Airport (63 miles to the southeast), Baltimore/Washington International Thurgood Marshall Airport (102 miles to the southwest), Harrisburg International Airport (105 miles to the northwest), and Newark Liberty International Airport (106 miles to the northeast). The extent to which these surrounding airports compete with Philadelphia International Airport for passengers is discussed in the later section "Competing Airports."

Tables 2 through 8 provide historical and forecast data on population, employment, and per capita income in the Region with comparative data for the United States.

Population, Employment, and Income

As shown in Tables 2 and 3, the 11-county Airport Service Region had an estimated population of approximately 5.8 million in 2007. Since 1980, the rate of population increase in the Region has been lower than the rate for the nation as a whole. Between 2000 and 2010, the projected rate of population increase for the Region is 0.5%, compared with 1.0% for the nation. Similarly, as shown in Table 4, the projected rate of increase in employment for the Airport Service Region is lower than the rate projected for the nation.

Table 2

POPULATION DISTRIBUTION IN THE AIRPORT SERVICE REGION
July 2007

State and County	Population	Percent of total
Pennsylvania		
Philadelphia	1,449,634	24.9%
Montgomery	776,172	13.3
Bucks	621,144	10.7
Delaware	554,399	9.5
Chester	486,345	8.3
	3,887,694	66.7%
New Jersey		
Camden	513,769	8.9%
Burlington	446817	7.7
Gloucester	285,753	4.9
Salem	66,016	1.1
	1,312,355	22.5%
Delaware		
New Castle	528,218	9.1
Maryland		
Cecil	99,695	1.7
Total	5,827,962	100.0%

Source: Population Division, U.S. Census Bureau, March 2008.

Table 3

HISTORICAL AND PROJECTED POPULATION
Airport Service Region and United States

Year	Airport Service Region	Average annual increase: Airport Service Region	Average annual increase: United States
Historical			
1980	5,240,612		
1990	5,435,468	0.4%	0.9%
2000	5,687,147	0.5	1.2
Projected			
2010	5,978,473	0.5	1.0
2020	6,249,972	0.4	1.0

Sources:
Historical: U.S. Department of Commerce, Bureau of the Census.
Projected: Delaware Valley Regional Planning Commission, *Regional, County, and Municipal Population and Employment Forecasts, 2005-2035*, August 2007;
New Jersey Department of Labor, Division of Labor Market and Demographic Research, *Population and Labor Force Projections for New Jersey by County, 2004-2025*, May 2006;
Delaware Population Consortium, *Population Projection Series*, October 2007;
Maryland Department of Planning, Planning Data Services, October 2007;
U.S. Census Bureau, *Projections of the Population and Components of Change for the United States, 2010-2050*, August 2008.

Table 4

HISTORICAL AND PROJECTED EMPLOYMENT
Airport Service Region and United States

Year	Airport Service Region	Average annual increase: Airport Service Region	Average annual increase: United States
Historical			
1980	2,538,670		
1990	3,011,880	1.7%	2.0%
2000	3,289,850	0.9	1.8
Projected			
2010	3,483,190	0.6	1.1
2020	3,645,800	0.5	1.3

Source: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2030*, 2007 Edition.

As shown in Table 5, per capita personal income in the Airport Service Region historically has been higher than the average for the United States and is projected to increase at a rate slightly higher than the rate for the nation between 2000 and 2010. As estimated for 2007, per capita personal income in the Airport Service Region was approximately $38,200, 18% higher than the U.S. average.

Table 5

HISTORICAL AND PROJECTED PER CAPITA PERSONAL INCOME
Airport Service Region and United States

	Airport Service Region	United States	Average annual increase: Airport Service Region	Average annual increase: United States
Historical				
1980	$21,169	$19,716		
1990	28,156	24,432	2.9%	2.2%
2000	34,036	29,637	1.9	2.0
Projected 2010	40,511	34,052	1.8	1.4

Source: National Planning Association, Data Services, Inc., *Key Indicators of County Growth, 1970-2030*, 2007 Edition (in 2000 dollars, inflated or deflated by the PCE price index, Bureau of Economic Analysis).

Employment Sectors

Table 6 lists the private sector employers with the largest numbers of employees in the Airport Service Region. The table indicates a diversity of economic activity. Many of the companies listed are involved in national and international operations that rely on airline travel. A profile of the economy of the Region is provided in the following sections according to the categories of employment shown in Table 7.

Construction

The conversion of former military installations and the development of residential complexes, hospitals, office buildings, convention facilities, and hotels have contributed to construction activity in the Airport Service Region. The construction and mining sector (of which mining is an insignificant part) added 32,900 new jobs in the Region between 1995 and 2007.

Table 6

LARGEST NONGOVERNMENTAL EMPLOYERS

Airport Service Region

Employer	Nature of business	Number of employees
University of Pennsylvania and Health System	Education, research, health care	34,900
Thomas Jefferson University and Health System	Health care, medical school	32,800
Catholic Archdiocese	Religious schools, parishes, service agencies	15,400
Comcast	Telecommunications, Internet	12,800
Temple University and Health System	Education, health care	12,600
Merck	Pharmaceutical products	12,500
Catholic Health East	Health care	11,800
Supervalue (Acme, Save-a-Lot)	Grocery stores	11,400
Lockheed Martin	Military radar systems	11,000
Christiana Care Health System	Health care	10,800
Wal-Mart Stores	Retail stores	10,400
United Parcel Services	Package shipping, delivery	9,900
DuPont	Chemical products	9,500
Aramark	Food service	9,400
Vanguard Group	Investment services	9,200
Children's Hospital of Philadelphia	Health care	9,100
Verizon Communications	Telecommunications, Internet	8,800
Kononklijke Ahold (Giant, Stop & Shop)	Grocery stores	8,200
Wawa	Convenience stores	8,200
Wakefern (Shoprite)	Grocery stores	8,200
Independence Blue Cross	Health insurance	8,000
Bank of America	Financial services	8,000
Virtua Health	Health care	7,700
Siemens	Medical equipment and systems	7,600
Drexel University	Education	7,300
Crozer-Keystone Health System	Health care	7,200
CVS Caremark	Retail drugstores	7,200
Sears Holding	Retail	7,000
TD Bank Financial Group (Commerce, Ameritrade)	Financial services	6,900
US Airways	Transportation	6,500
JP Morgan Chase	Financial services	6,500
Wachovia	Financial services	6,400
Target	Retail	6,400
Genesis Healthcare	Nursing homes, health care	6,200
Home Depot	Retail	6,100
GlaxoSmith Kline	Pharmaceutical research and development	5,900
PNC Financial Services Group	Financial services	5,900
Abington Memorial Hospital	Health care	5,800
Sodexho	Food service	5,800
Bayada Nurses	Health care	5,400
Wyeth	Pharmaceutical products	5,300
Cooper Health System	Health care	5,300
Boeing	Military aircraft	5,100
Johnson & Johnson (McNeil, Centocor)	Pharmaceutical research and development	5,100
Safeway (Genardi, Safeway)	Grocery stores	5,100

Table 6 *(page 2 of 2)*
LARGEST NONGOVERNMENTAL EMPLOYERS
Airport Service Region

Employer	Nature of business	Number of employees
Allied Security Holdings	Security services	5,100
Great Atlantic & Pacific Tea (Super Fresh, Pathmark)	Grocery stores	5,000
Sunoco	Oil refining and marketing	5,000
Tenet Healthcare	Health care	4,800
AstraZeneca	Pharmaceutical research and development	4,600
Exelon	Electrical power generations	4,600
Community Health Systems	Health care	4,500
Rite Aid	Retail drugstores	4,500
Macy's	Retail	4,100
University of Delaware	Education	4,000
ABM Industries	Building cleaning	4,000
	Insurance	4,000
Cardonne Industries	Automotive parts	4,000
Aetna	Health insurance	3,800
FedEx	Package shipping, delivery	3,700
Holy Redeemer Health System	Health care	3,700
Kennedy Health System	Health care	3,600
IBM	Computer software, services	3,600
Walgreen's	Retail drugstores	3,400
Northwestern Human Services	Health care	3,400
Nemours Foundation	Health care	3,100
Rohm & Haas	Chemical products	3,100
Quest Diagnostics	Health care testing and services	3,100
TJX Companies	Retail	3,000
Universal Health Services	Health care	3,000
Liberty Media (QVC shopping channel)	E-commerce	2,800
Marriott International	Hotels	2,800
Boscov's	Retail	2,700
Cigna	Health insurance	2,700
SunGard Data Systems	Computer software, data recovery	2,700
Resources for Human Development	Health care, community services	2,600
Philadelphia Media Holdings	Newspapers and news websites	2,500
Fox Chase Cancer Center	Health care	2,500
Pepco Holdings	Electrical power generation	2,500
ACTS Retirement-Life Communities	Senior living centers	2,400
Public Service Enterprise Group	Electrical power generation	2,400
Prudential Financial	Insurance, financial services	2,400
Royal Bank of Scotland (Citizens Bank)	Financial services	2,300
Ace	Insurance	2,300
Day & Zimmerman	Construction, logistics	2,300
Citigroup	Financial services	2,200
PHH Corp. (Cendant)	Home loans	2,200
SAP	Computer software	2,200
General Electric	Manufacturing, finance	2,100
Wilmington Trust	Financial services	2,100
ING Group	Financial services	2,000
Unisys	Computer services	2,000

Source: Philadelphia Inquirer Business News Research, www.philly.com, June 2008.

Table 7

DISTRIBUTION OF NONFARM EMPLOYMENT
Airport Service Region and United States

	Airport Service Region			United States
	1995	2000	2007	2007
Construction and mining	3.9%	4.4%	4.6%	6.1%
Manufacturing	12.2	10.6	7.8	10.1
Wholesale trade	4.7	4.7	4.6	4.4
Retail trade	11.8	11.5	10.9	11.3
Transportation, warehousing, and utilities	3.5	3.4	3.4	3.7
Information	2.5	2.6	2.0	2.2
Financial activities	8.0	8.0	7.8	6.0
Professional and business services	12.8	14.4	15.3	13.1
Educational and health services	16.4	16.7	18.7	13.3
Leisure and hospitality services	6.8	7.1	7.9	9.8
Other services	3.9	4.1	4.4	4.0
Public administration	13.5	12.6	12.5	16.1
	100.0%	100.0%	100.0%	100.0%
Total nonfarm employment	2,472,000	2,744,000	2,814,000	137,623,000

Note: Classification of employment is according to North America Industry Classification System (NAICS)

Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2008.

According to the Center City District and Central Philadelphia Development Corporation, over 10,000 new residential housing units have been constructed in Center City since 1997. In 2007, 1,300 condominium units, 436 single family units, and 88 apartment units were completed.

In common with other parts of the nation, residential construction in the Airport Service Region slowed in 2007. However, Philadelphia has not experienced real estate speculation to the extent that has occurred over the past several years in other parts of the nation, and while housing prices have fallen, the Philadelphia residential market remains relatively stable. The residential foreclosure rate in the Region in 2007 was the lowest among the 10 largest metropolitan areas in the United States. The Federal Reserve Bank reported in October 2008 that homebuilders were reducing inventory, and that real estate agents expected the decline in residential construction in the Region to stabilize.

In its third quarter 2008 report, CB Richard Ellis noted that construction in the Region remained strong overall despite contraction in the residential construction and commercial sectors. Construction of institutions such as universities and hospitals has helped to offset construction job losses in other sectors.

In West Philadelphia, the Children's Hospital of Philadelphia is in the midst of one of the largest health care expansion projects in the nation. The project began in 2000, is scheduled for completion in 2010, and will double the size of the main campus by adding 1.2 million square feet of operating rooms, laboratories, diagnostic, and support space. In addition, a new 450,000 square foot ambulatory care and research building will be constructed on the former Philadelphia Civic Center site. The University of Pennsylvania is in the midst of a $6.7 billion expansion which involves office, laboratory, retail, and housing development. The first phase of development is scheduled for completion and occupancy in 2010. Fox Chase Cancer Center has announced a $1 billion, 20-year expansion plan for the development of health care facilities. The first phase of the plan is under way with the construction of a cancer research pavilion. Potential future phases include a new hospital, an outpatient treatment center, and facilities for advanced research.

Construction of major office buildings in Philadelphia, as in all parts of the country, slowed during 2008. Smaller building projects, however, continue in various parts of the Region, including several office buildings that are moving through the permitting and leasing process in University City. Demolition began in November 2007 in preparation for the construction of the next phase of development, Cira Center South, a 2.8 million square-foot mixed use development of commercial, retail, and residential space. Cira Center South construction has been delayed from its previously planned completion in 2011.

Numerous capital projects at the Airport are ongoing and continue to support the local construction sector. A project to renovate and expand Terminals D and E at the Airport, scheduled for completion in 2010, has created approximately 600 construction jobs. Portions of this project, including a new 14-lane security checkpoint, concessions areas, and post-security connector between Terminals D and E opened in December 2008. Other portions of this project, including ticketing and baggage claim renovations and concourse expansions, and the reconfiguration of Terminal A-East are also under way at the Airport.

The Philadelphia Industrial Development Corporation is developing the former Philadelphia Naval Base as the Philadelphia Naval Business Center (PNBC), a mixed-use, 1,000-acre master-planned campus. The campus includes a corporate center, a historic core, a shipyard, a research park, and 200 waterfront acres for mixed development. The PNBC currently has approximately 90 businesses with over 7,000 employees. Tenants include Aker Philadelphia Shipyard, Barthco International, AppTec Laboratory Services, Penn State Great Valley, PNC Bank, Rotem USA, the U.S. Department of Agriculture, Urban Outfitters, and Vitetta Group. Tasty Baking Company is constructing a 350,000 square feet baking distribution facility. Since 2004, approximately $40 million of public investment has generated $200 million of private investment at the PNBC. At full build-out, the PNBC is expected to support more than 18,000 employees and is seen as a long-term economic development engine for the Region.

The Pennsylvania Convention Center received funding from the Commonwealth of Pennsylvania in January 2006 to begin a 1.0 million square-foot expansion, bringing the area in the Center to approximately 2.4 million square feet. The expansion will increase the number and size of conventions that can be held there, and allow the City to increase its market share of nationwide convention business. The expansion will be complete in 2011. According to the 2009 State of Center City report by the Central Philadelphia Development Corporation, approximately 15 new hotels with 3,500 new rooms are in the planning and financing stages of development near City Hall and the Convention Center. Two casinos have been approved by the Commonwealth of Pennsylvania for development in downtown Philadelphia and are currently in planning phase. The casinos are estimated to generate over 3,000 construction jobs in the first phase of development.

Manufacturing

Consistent with nationwide trends, the number of manufacturing jobs in the Airport Service Region decreased by 81,700 between 1995 and 2007. In 2007, the manufacturing sector accounted for 8.2% of jobs in the Region, compared with 10.1% nationwide. Important manufacturing facilities for several of the Fortune 500 largest U.S. corporations are located in the Region, including Boeing, Campbell Soup, Crown Holdings, DuPont, General Electric, Lockheed Martin, Rohm & Haas, and Sunoco.

Employment remains strong in the chemical and pharmaceutical manufacturing industries. Many of the world's largest biotechnology, chemical, and pharmaceutical companies have a presence in the Region, including AstraZeneca, Centocor, Cephalon, DuPont, GlaxoSmithKline, Johnson & Johnson, Merck, Rohm & Hass, and Wyeth.

New manufacturers to the Region include Osstem, a South Korean firm that manufactures dental implants, and Gamesa Corporation, one of the largest wind energy developers in the world. Gamesa established its U.S. headquarters in Philadelphia in 2005 and has opened wind turbine manufacturing plants in Bucks County. In 2007, Rotem USA, a rail-car maker, established its U.S. headquarters in the Philadelphia Naval Business Center and is developing a 290,000-square-foot manufacturing facility. Also in 2007, Advanced Drainage Systems, Inc., a producer of high-density polyethylene pipe opened its largest US manufacturing plant, a 68,000-square-foot facility in Gloucester County.

Wholesale and Retail Trade

Between 1995 and 2007, the wholesale and retail trade sectors added 30,100 jobs in the Airport Service Region. As part of a Federal Empowerment Zone, the City of Philadelphia is benefiting from federal grants that have been used to develop retail and warehouse facilities. Philadelphia's transportation infrastructure has also encouraged the development of new warehouse and distribution facilities.

Fortune 1000 corporations headquartered in the Region involved in wholesale and retail trade include Airgas, AmerisourceBergen, Charming Shoppes, IKON Office

Solutions, and Jones Apparel. FedEx and UPS both operate major distribution facilities in the Region.

The Region has ten shopping malls of more than 1.0 million square feet each. The King of Prussia Mall is the second largest mall in the United States, with 2.8 million square feet. In 2007, a 400,000 square-foot retail development, Shoppes at Valley Square, was completed in Bucks County as part of a 1.2 million square-foot mixed-use development. The Worthington Uptown Center being developed in Chester County, will be a 1.6 million square-foot mixed-use development with 745,000 square-foot of retail, restaurants and entertainment; 185,000 square feet of office space; and 750 multi-family homes. In Montgomery County, Philadelphia Premium Outlets recently opened 150 stores on an 80-acre site.

Transportation, Warehousing, and Utilities

Between 1995 and 2007, a total of 8,300 jobs were added to the transportation, warehousing, and utilities sector; this sector accounted for 94,900 jobs in 2007. An important contributor to this total is the Airport, where airlines and other businesses directly employed approximately 42,000 people in 2005. According to a study by Econsult Corporation, in 2006, the Airport supported a total of 141,000 jobs directly and indirectly, and generated a regional economic impact of $14 billion.

The Southeastern Pennsylvania Transportation Authority (SEPTA), is one of the largest public transit and commuter rail systems in the nation, and is a leading employer in the Airport Service Region with over 8,900 employees. Amtrak's 30th Street station in Philadelphia is Amtrak's third busiest station and handled 3.7 million rail passengers in 2007. The Delaware River Port Complex, includes the Philadelphia Port, the Port of Camden and the Port of Wilmington, is one of the largest fresh water ports in the world. The Port Complex generated $19 billion in economic activity in 2007.

Information

In 2007, the information sector accounted for about 2.0% of the Region's employment, compared with 2.2% nationwide. Although employment in the information sector has declined since 2000, the Region is a center for information technology and communications. Telecommunications companies Comcast and Verizon maintain a large presence in the Region. Comcast, which is headquartered in Philadelphia, has grown to be one of the world's leading communication companies. Verizon Communications was formed in 2000 by the merger of Bell Atlantic Corporation and GTE Corporation and is one of the largest providers of local and wireless telecommunication services in the United States.

Local economists consider the Region to be well positioned to benefit from the information economy because of the concentration of high-technology companies and the presence of research universities. High-technology employers in the Region include IKON Office Solutions, Lockheed Martin, SAP, Siemens , SunGard Data Systems, and Unisys.

Financial Activities

The financial activities sector accounted for 7.8% of nonagricultural employment in the Airport Service Region in 2007, compared with 6.0% nationwide. From 1995 to 2007, employment in this sector increased by 23,000 employees.

During 2008, several changes in the ownership of banks operating in the Region occurred. Wachovia Bancorp, the largest bank in the Region by deposits, was purchased by Wells Fargo; Commerce Bank, the second largest, was purchased by TD Bank Financial Group; and Sovereign Bancorp, was purchased by Banco Santander. Bank of America purchased Merrill Lynch and Countrywide Financial. PNC Financial Services Group has grown to the fifth largest bank in the country through several acquisitions, including National City Bancorp. These changes in ownership are not expected to result in major changes in overall employment in the Region's financial activities sector.

Other financial institutions in the Region accounting for substantial employment, include the Vanguard Group, Citigroup, and JPMorgan Chase. Wilmington Trust and ING Direct have their national headquarters in Wilmington.

Philadelphia was the site of the country's first insurance company, founded in 1752, and still retains a number of large health and property insurers. These include Aetna U. S. Healthcare, CIGNA, and Independence Blue Cross in the health, life, and disability insurance fields; and Prudential Financial, Ace, and AIG in the property and casualty field.

Services

Professional and business services and educational and health services were the fastest growing industry sectors in the Airport Service Region between 1995 and 2007, creating 232,300 new jobs. The two industry sectors accounted for 34% of the Region's nonagricultural employment in 2007, compared with 26% nationwide. Table 8 shows employment for selected service subsectors.

Table 8

EMPLOYMENT IN SELECTED SERVICES SUBSECTORS
Airport Service Region

	Services employment (in thousands)		
	1995	2000	2007
Professional and business services	317.6	395.0	430.0
Professional, scientific, and technical	150.8	191.8	212.9
Management of companies	33.5	36.7	53.3
Administrative, support, and waste management	133.3	166.5	163.8
Educational and health	406.0	457.2	525.9
Educational services	87.2	101.9	121.3
Health care and social assistance	318.8	355.3	404.6
Leisure and hospitality	167.1	195.7	222.7
Arts, entertainment, and recreation	28.5	33.6	41.2
Accommodation and food services	138.6	162.1	181.5

Source: U.S. Department of Labor, Bureau of Labor Statistics, March 2008.

Professional and Business Services. The professional, scientific, and technical services subsector grew by 62,100 employees between 1995 and 2007. This increase accounts for 55% of the overall increase in the professional and business services sector. The subsector includes legal services, accounting services, architectural services, engineering services, computer systems design, consulting services, and scientific research. The Federal Reserve Bank reported in October 2008 that firms in this subsector in the Region generally expect some difficulty in maintaining their current level of activity over the next several quarters.

Education. In the educational services subsector, 34,100 new jobs were added between 1995 and 2007. In 2007, educational services accounted for 4.3% of all nonagricultural employment in the Region, compared with 2.1% nationwide. According to the "Impact of Higher Education in Greater Philadelphia", a study prepared by Select Greater Philadelphia in 2007, the Region had 88 institutions of higher education as of the Fall of 2006. The Region covered in the study includes all of the counties in the airport service region except for Cecil County, Maryland and adds Mercer County, New Jersey. The study found that the 88 institutions educated a total of 275,811 full-time equivalent students, and had a direct employment of 85,267 jobs during the 2005/06 academic year. The study compared the characteristics of the Region's higher education sector to those of the 24 largest other Metropolitan Statistical Areas and found that the Greater Philadelphia region awarded the third highest number of bachelor's degrees and had the fourth highest total full time equivalent (FTE) enrollment.

The University of Pennsylvania, including its health system, is the top employer in the Region. Other universities in the Region include Drexel University, Temple University, Thomas Jefferson University, La Salle University, Villanova University, Saint Joseph's University, Rowan University, West Chester University, University of Delaware, Widener University, Penn State University, and Rutgers University. Top ranked Liberal Arts Colleges include Swarthmore, Bryn Mawr and Haverford Colleges.

According to a 2002 report by the Research Department of the Federal Reserve Bank of Philadelphia, Pennsylvania ranks fifth among states in total research and development spending at universities and colleges. The University of Pennsylvania accounts for much of Pennsylvania's university-based research. In 2001, the University established a Genomics Institute, and in 2004 it completed a 128,000-square-foot research laboratory to support research programs affiliated with the schools of medicine and engineering.

Health. In the health care and social assistance subsector, 85,800 new jobs were added in the Region between 1995 and 2007. In 2007, the health services sector accounted for 14.4% of nonagricultural employment in the Region compared with 11.0% nationwide. Of the largest private employers listed in Table 6, 21 are health care service providers, three are in the health insurance business, and five are pharmaceutical companies. The Greater Philadelphia Chamber of Commerce reports that the Region has approximately 120 hospitals.

A 2003 study by the Milken Institute, "America's Health Care Economy" stressed the importance of the health-care sector, which is one of the fastest growing sectors in the US economy. The report created a Health Pole Index which describes the local concentration of health care in a region and the importance that a region's health care industry has relative to other regions. The Philadelphia MSA placed third, just behind Boston and New York, due to its high ranking in pharmaceuticals, medical services, medical and health insurance and hospitals.

Children's Hospital of Philadelphia is undergoing one of the largest healthcare expansion projects in the nation, doubling the size of the hospital's main campus with additional operating rooms, laboratories, and diagnostic and support space. The expansion project is expected to be completed in 2010 and create an additional 1,000 health care jobs. In October 2008, the University of Pennsylvania Health System opened its $232 million Perelman Center for Advanced Medicine, housing its Abramson Cancer Center, radiation oncology, cardiovascular medicine, and an outpatient surgical pavilion. Construction is currently underway on Fox Chase Cancer Center's new 125,000 sq. ft. Cancer Research Pavilion addition. In addition to research, it will house the Region's first Center for Women's Cancers and will allow the radiation oncology department to expand, making it one of the largest academic radiation oncology programs on the East Coast. The construction is the first phase of a $1 billion expansion plan that is projected to create approximately 4,000 new jobs over 20 years. Cooper University Hospital and Virtua Hospital are also expanding their facilities.

Leisure and Hospitality. The leisure and hospitality sector had an increase of 55,600 employees between 1995 and 2007. According to the Greater Philadelphia Tourism Marketing Corporation, tourism accounted for nearly $9.3 billion in direct, indirect, and induced spending and generated 88,200 jobs in 2007 in the five-county Philadelphia region.

As the first major city in America, Philadelphia is rich with American history. Independence Hall, the Liberty Bell Center, and other attractions in the Historic District draw visitors from all parts of the nation and the world. Table 9 shows major tourist attractions in the Airport Service Region. The 160,000-square-foot National Constitution Center, an addition to Independence Mall that opened in 2003, attracts nearly one million visitors a year. The newest addition to Independence National Historic Park, the President's House, is expected to be completed in 2010.

Other major attractions in the Airport Service Region include Valley Forge National Historic Park, the Franklin Institute Museum, Longwood Gardens, the Philadelphia Museum of Art, the Academy of Natural Sciences, and the Battleship New Jersey Museum and Memorial. Demolition has begun for construction of the new Barnes Museum, expected to be completed in late 2011. The Philadelphia Zoo is one of the Region's leading family attractions. The New Jersey State Aquarium has been an anchor to the Camden Waterfront since its opening in 1992 and reopened as the Adventure Aquarium in 2005 after extensive renovation and expansion. The Please Touch Museum is one of the best children's museums in the nation. The Kimmel Center, the centerpiece of the City's Avenue of the Arts, opened in 2001 as home to eight resident performing arts companies, including the Philadelphia Orchestra and the Pennsylvania Ballet. Philadelphia's diversity of cultural offerings includes 17 museums, 24 performing arts organizations, and numerous art galleries and studios.

Philadelphia is home to professional teams in most major sports: the Eagles (National Football League), the Flyers (National Hockey League), the 2008 World Champion Philadelphia Phillies (Major League Baseball), and the 76ers (National Basketball Association). The Eagles' 66,000-seat stadium opened in 2003 and the Phillies' ballpark opened in 2004. In 2008, Major League Soccer announced that the league's 16th expansion team would be awarded to Philadelphia. The team will begin to play in 2010 in a new 18,500 seat multi-purpose stadium that is to be the centerpiece of a 60-acre entertainment, retail, residential and commercial development along the Delaware River waterfront in Chester, Pennsylvania.

Table 9

MAJOR TOURIST ATTRACTIONS
Airport Service Region
2007

	Number of visits
Independence National Historic Park *(a)*	8,040,000
Valley Forge National Historic Park	6,670,000
Peddler's Village	2,500,000
Franklin Institute Museum	1,750,000
Philadelphia Zoo	1,200,000
National Constitution Center	1,000,000
Penn's Landing	1,000,000
Adventure Aquarium	850,000
Longwood Gardens	850,000
Philadelphia Museum of Art	780,000
Betsy Ross House	310,000
Christ Church and Burial Ground	250,000
Academy of Natural Sciences	210,000
Battleship New Jersey Museum and Memorial	200,000
Eastern State Penitentiary	190,000
Please Touch Museum	180,000

(a) Source: www.nps.gov. Visitor information is for 24 park units including Liberty Bell Pavilion, Independence Hall and Old City Hall.

Source: Philadelphia Business Journal, August 2008, except as noted.

Convention activity increased dramatically in the years following the 1993 opening of the Pennsylvania Convention Center in Center City. A 376,000-square-foot expansion of the saleable space in the Center will result in a total of one million square feet of saleable convention space and will be completed in 2011.

Hotel development, especially in Center City, has accompanied increased tourism and convention attendance. The Greater Philadelphia Tourism Marketing Corporation reported that as of 2007 there were 31,700 hotel rooms in the five-county Philadelphia region; 10,200 of those rooms were in Center City. According to a report by the Center City District and Central Philadelphia Development Corporation, the number of hotel rooms in Center City increased by 4,200 between 1986 and 2006. The report suggests that the expansion of the Convention Center will result in additional hotel development. Local economists suggest that the availability of hotel rooms in Philadelphia will permit continued development of the tourism and convention industries, with associated increases in airline passengers at the Airport.

Government

The government sector accounted for approximately 352,500 jobs in the Airport Service Region in 2007. Although the sector's share of nonagricultural employment decreased slightly between 1995 and 2007, there was an absolute increase of 18,600 jobs in the sector. Local government increased by 21,300 jobs and state government by 6,200 jobs; these increases were offset by a decrease of 8,900 jobs in the federal government. However, due to the 2008/2009 recession, local governments, including Philadelphia and Camden, have implemented layoffs and hiring freezes. The U.S. Navy provides approximately 2,500 research and manufacturing jobs at the former Philadelphia Naval Base, now the Philadelphia Naval Business Center.

Economic Outlook

Like most areas of the nation, the Philadelphia Airport Service Region has experienced economic recession over the past year. However, over the past 12 years, the Region's unemployment rate has been slightly below the national unemployment rate. As of December 2008, the Bureau of Labor Statistics reported a 6.3% unemployment rate for the Philadelphia Metropolitan area compared with a 7.2% national rate. The Federal Reserve Bank of Philadelphia reported in its January 2009 Beige Book that the outlook for the Region "is generally pessimistic" for the near future with most firms expecting little or no growth. The Regional Economic Report produced by PNC Financial Services in January 2009 noted that job growth in the Region has been slow but steady over the past two years, but is now slowing down as the national economy is in recession. Employment in the manufacturing sector in particular is expected to decrease. While the Region's housing prices have seen significant appreciation over the past several years, they have declined modestly over the past year. PNC predicts that "Philadelphia's economy will see cooler job growth in the months ahead, accompanied by an uptick in the unemployment rate. . . Longer term, Philadelphia's concentration of top quality research institutions and highly skilled labor force will support further growth in its knowledge-based industries." Select Greater Philadelphia notes that a "number of factors contribute to the Region's current performance, including the diversity of the economy, the importance of health and education, and the diversity in financial activity. On the housing side, we did not have nearly the speculation in demand for expansion as other areas of the country."

Factors that are expected to contribute to economic growth in the Region and associated increases in airline travel over the longer term include (1) diversity in the economic base, which lessens its vulnerability to weaknesses in particular industry sectors, (2) strength in higher education, research, information technology, health care, and professional services, (3) strength in the leisure and hospitality industry, (4) labor and living costs that are generally lower than in other major northeastern metropolitan areas, (5) an educated labor force able to support the development of knowledge-based industries, and (6) continued reinvestment in Center City to support the development of tourism, conventions, and other businesses.

AIRPORT ROLE

The seven largest U.S. passenger airlines all serve Philadelphia International Airport, providing service to destinations throughout the United States. Scheduled international service is provided by U.S. and foreign flag airlines to Canada, Europe, the Caribbean, and Latin America. All of the large U.S. all-cargo airlines provide regular service to and from the Airport.

Table 10 presents data on the numbers of passengers at the busiest U.S. airports ranked by total (enplaned plus deplaned) passengers. Table 11 presents data on the number of international passengers at the busiest U.S. international gateway airports. Table 12 presents data for the busiest U.S. airports on the numbers of originating passengers, i.e., passengers who began their air journeys at each airport rather than connected between flights. In calendar year 2007, the Airport ranked 17th in the nation in passengers, 10th in aircraft movements, and 14th in cargo tonnage.

In common with nearly all major U.S. airports, passenger numbers at the Airport decreased as a result of the 2000-2001 economic recession and the decrease in travel that followed the September 2001 terrorist attacks. However, the decrease at the Airport was much smaller than at most other airports as US Airways increased service at the Airport. Passenger numbers are now approximately 30% higher than in the year before the attacks.

Table 10

PASSENGERS AT THE BUSIEST U.S. AIRPORTS
Calendar Years

Rank	City (airport)	Total passengers (millions) 2000	2002	2004	2006	2007	Average annual change 2000 - 2007
1	Atlanta	80.2	76.9	83.6	84.8	89.4	1.6%
2	Chicago (O'Hare)	72.1	66.6	75.5	77.0	76.2	0.8
3	Los Angeles	66.4	56.2	60.7	61.0	61.9	(1.0)
4	Dallas/Fort Worth	60.7	52 .8	59.4	60.2	59.8	(0.2)
5	Denver	38.8	35.7	42.4	47.3	49.9	3.7
6	New York (Kennedy)	32.9	29.9	37.5	43.7	47.7	5.4
7	Las Vegas	36.9	35.0	41.4	46.2	47.0	3.5
8	Houston (Bush)	35.3	33.9	36.5	42.5	43.0	2.9
9	Phoenix	36.0	35.5	39.5	41.4	42.1	2.3
10	Orlando (International)	30.8	26.7	31.1	34.6	36.5	2.5
11	Newark	34.2	29.2	32.0	36.7	36.4	0.9
12	Detroit	35.5	32.5	35.2	35.9	36.0	0.2
13	San Francisco	41.0	31.5	32.2	33.6	35.8	(1.9)
14	Minneapolis/St. Paul	36.8	32.6	36.7	35.6	35.2	(0.6)
15	Miami	33.6	30.1	30.1	32.5	33.7	0.0
16	Charlotte	23.1	23.6	25.5	29.7	33.2	5.3
17	**Philadelphia**	**24.9**	**24.8**	**28.5**	**31.8**	**32.2**	**3.7**
18	Seattle-Tacoma	28.4	26.7	28.8	30.0	31.3	1.4
19	Boston	27.4	22.7	26.1	27.7	28.1	0.4
20	New York (LaGuardia)	25.4	22.0	24.4	26.6	25.0	(0.2)
21	Washington (Dulles)	20.0	17.1	22.6	22.8	24.5	2.9
22	Fort Lauderdale	15.9	17.0	20.8	21.4	22.7	5.2
23	Salt Lake City	19.9	18.6	18.4	21.5	22.0	1.4
24	Baltimore	19.6	19.0	20.8	21.2	21.5	1.3
25	Honolulu	23.0	19.7	22.0	20.1	21.5	(1.0)
26	Chicago (Midway)	15.7	17.4	19.4	18.7	19.4	3.1
27	Tampa	16.0	15.5	17.4	18.9	19.2	2.6
28	Washington (Reagan)	20.0	17.1	15.9	18.5	18.7	(1.0)
29	San Diego	15.8	14.9	16.4	17.5	18.3	2.1
30	Cincinnati	22.5	20.8	22.1	16.2	15.7	(5.0)
	Average for airports listed						1.3%

Note: Enplaned and deplaned passengers (passengers in transit counted once).

Source: Airports Council International, Worldwide Airport Traffic Report, for years noted, except State of Hawaii, Department of Transportation, Airports Division data for Honolulu for 2007.

Table 11

INTERNATIONAL PASSENGERS AT THE BUSIEST U.S. GATEWAY AIRPORTS
Calendar Years

Rank	City (airport)	Enplaned international passengers (thousands) 2000	2002	2004	2006	2007	Average annual change 2000 - 2007
1	New York (Kennedy)	9,167	7,605	8,715	9,886	10,772	2.3%
2	Los Angeles	8,780	7,435	8,234	8,386	8,582	(0.3)
3	Miami	8,096	7,170	6,990	7,273	7,771	(0.6)
4	Chicago (O'Hare)	5,049	4,359	5,383	5,634	5,954	2.4
5	Newark	4,196	3,547	4,429	4,802	5,377	3.6
6	San Francisco	4,013	3,651	3,781	4,177	4,481	1.6
7	Atlanta	2,916	2,864	3,101	4,061	4,438	6.2
8	Houston (Bush)	2,831	2,855	3,197	2,997	3,861	4.5
9	Washington (Dulles)	2,083	2,018	2,324	2,415	2,971	5.2
10	Dallas/Fort Worth	2,590	2,241	2,539	2,801	2,775	1.0
11	Boston	2,154	1,812	2,101	1,822	2,077	(0.5)
12	**Philadelphia**	**1,419**	**1,595**	**2,033**	**1,993**	**2,018**	**5.2**
13	Honolulu	2,567	2,126	2,053	2,081	1,968	(3.7)
14	Detroit	1,942	1,341	1,434	1,428	1,594	(2.8)
15	Fort Lauderdale	734	603	834	1,174	1,429	10.0
16	Seattle-Tacoma	1,211	704	1,218	1,227	1,355	1.6
17	Orlando (International)	1,181	772	1,004	1,000	1,149	(0.4)
18	Las Vegas	621	502	711	1,069	1,122	8.8
19	Denver	430	382	607	936	1,095	14.3
20	Charlotte	490	517	858	991	1,018	11.0
21	Minneapolis/St. Paul	690	741	818	812	1,006	5.5
22	Phoenix	493	602	767	865	875	8.5
23	New York (LaGuardia)	617	513	607	530	613	(0.1)
24	Orlando/Sanford	493	413	524	501	469	(0.7)
25	Cincinnati	306	271	483	344	334	1.3
26	Baltimore	412	384	448	330	313	(3.8)
27	Portland	240	88	195	237	288	2.6
28	Salt Lake City	85	117	110	179	208	13.6
29	Tampa	229	218	235	252	186	(2.9)
30	Memphis	147	152	156	171	184	3.3
	Average for airports listed						2.0%

Note: International enplaned passengers, excluding transit passengers.

Source: Airports Council International, Worldwide Airport Traffic Report, for years noted, except State of Hawaii, Department of Transportation, Airports Division data for Honolulu for 2007.

Table 12

ORIGINATING PASSENGERS AT BUSIEST U.S. AIRPORTS
Fiscal Years ended June 30

2008 Rank	City (airport)	Originating passengers (thousands) 2005	2006	2007	2008	Average annual percent change 2005-2008
1	Los Angeles	22,040	22,750	22,810	22,030	0.0%
2	Las Vegas	17,070	18,190	18,530	18,120	2.0
3	Chicago (O'Hare)	16,990	17,790	18,190	18,050	2.0
4	New York (Kennedy)	15,980	16,270	17,590	17,760	3.6
5	Orlando	14,910	15,470	15,760	16,880	4.2
6	Atlanta	14,690	14,980	14,790	14,700	0.0
7	Newark	12,130	13,290	13,910	13,660	4.0
8	Boston	12,110	12,490	12,750	13,160	2.8
9	San Francisco	11,290	11,870	12,170	13,030	4.9
10	Denver	10,600	11,600	12,740	13,010	7.1
11	Phoenix	12,140	12,890	13,100	12,730	1.6
12	Dallas/Fort Worth	11,520	12 ,080	12,310	12,500	2.8
13	Seattle-Tacoma	10,780	11,290	11,400	11,820	3.1
14	New York (LaGuardia)	12,230	12,300	11,500	11,550	(1.9)
15	Fort Lauderdale	9,990	9,910	10,070	10,400	1.3
16	**Philadelphia**	**9,770**	**9,890**	**10,000**	**10,250**	**1.6**
17	Detroit	8,080	8,180	8,690	9,020	3.7
18	Miami	8,820	9,110	8,890	8,890	0.3
19	San Diego	8,150	8,620	8,720	8,800	2.6
20	Minneapolis-St. Paul	8,100	8,420	8,490	8,690	2.4
21	Tampa	8,450	8,680	8,750	8,690	(0.9)
22	Baltimore	8,030	8,460	8,540	8,640	2.5
23	Houston (Bush)	7,450	8,260	8,230	8,230	3.4
24	Honolulu	7,380	7,320	7,730	7,610	1.0
25	Washington (Reagan)	7,150	7,550	7,410	7,390	1.1
26	Washington (Dulles)	7,330	7,020	6,900	6,500	(3.9)
27	Chicago (Midway)	6,160	6,570	6,600	6,350	1.0
28	Oakland	6,590	6,850	6,860	6,210	(2.0)
29	Portland	5,630	5,990	6,100	6,000	2.1
30	Salt Lake City	4,660	5,350	5,540	5,620	6.4

Source: Jacobs Consultancy estimates based on U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic and International*, and T-100 database, retrieved from BACK Aviation.

Airport's Role as a Connecting Hub

Table 13 presents data on airline service (measured by numbers of seats on scheduled airline aircraft departures) as scheduled for April 2009 at the Airport and selected other U.S. airports. Figure 2 presents the airline service data graphically for selected major connecting hub airports.

Since the mid-1990s, US Airways and its regional airline affiliates operating as US Airways Express have concentrated service at Philadelphia International Airport, which, together with Charlotte Douglas International Airport, is one of the two primary connecting hubs in the US Airways system in the eastern United States.

As discussed further in the later section "Originating and Connecting Passengers," approximately 36% of passengers enplaned at the Airport in FY 2008 connected from other flights. Of these connecting passengers, approximately 95% were enplaned on the flights of US Airways or US Airways Express.

Competing connecting hub airports located near Philadelphia include Newark Liberty (Continental Airlines) and Washington Dulles (United Airlines). Air service at these and other airports is discussed further in the later section "Competing Airports."

Airport's Role in US Airways System

Table 14 presents data on airline service (daily scheduled aircraft departures and seats) provided by US Airways and its US Airways Express affiliates at the Airport and other important airports in the US Airways system. Figure 3 presents the data on scheduled seats graphically for selected airports. As shown in the table, between 2001 and 2009, US Airways decreased mainline service at Philadelphia and its other principal airports while increasing US Airways Express service at most of these airports. Historically, Pittsburgh International Airport was also a major connecting point in the US Airways system, but since 2001 the airline has drastically reduced service at Pittsburgh.

In September 2005, as part of its reorganization under Chapter 11 bankruptcy protection, US Airways merged with America West Airlines, and the two airlines have since consolidated their operations under the US Airways name. America West largely served the western United States and the post-merger US Airways now operates connecting hubs at Phoenix and Las Vegas. America West also had a small hub at Columbus, but reduced service there beginning in 2003. Philadelphia serves as US Airways' primary northeast connecting hub and the airline's international gateway.

Figure 4 presents data on scheduled airline seats at the US Airways hub airports and highlights the relatively high proportion of seats provided by airlines other than US Airways at Philadelphia (37% in April 2009) compared with Charlotte (11%). At Phoenix, airlines other than US Airways (largely Southwest Airlines) provided 55% of seats. At Las Vegas, US Airways ranks second to Southwest in numbers of scheduled seats; airlines other than US Airways provided 86% of seats.

Table 13
AIRLINE SERVICE AT SELECTED AIRPORTS
April 2009

City (airport)	Average daily scheduled seats: International	Domestic	Total	Largest airline: Airline	Daily seats *(a)*	Share
Atlanta	17,155	132,837	149,992	Delta	111,388	74.3%
Chicago (O'Hare)	20,230	91,712	111,942	United	50,551	45.2
Los Angeles	26,850	68,719	95,569	United	16,292	17.0
Dallas/Fort Worth	8,951	85,484	94,435	American	81,391	86.2
New York (Kennedy)	40,070	44,087	84,157	JetBlue	21,360	25.4
Denver	3,985	80,090	84,075	United	36,566	43.5
Phoenix	4,188	66,516	70,704	US Airways	31,778	44.9
Las Vegas	4,308	65,195	69,503	Southwest	31,155	44.8
Houston (Bush)	14,783	53,052	67,836	Continental	58,350	86.0
Newark	19,692	43,322	63,015	Continental	44,270	70.3
Charlotte	5,013	57,018	62,031	US Airways	55,218	89.0
Detroit	6,667	55,112	61,779	Northwest	47,481	76.9
San Francisco	14,311	46,431	60,742	United	24,785	40.8
Minneapolis/St. Paul	4,779	55,054	59,834	Northwest	45,743	76.5
Orlando	5,400	54,073	59,473	Southwest	15,998	26.9
Miami	29,677	28,695	58,372	American	39,464	67.6
Philadelphia	**7,213**	**49,514**	**56,727**	**US Airways**	**35,725**	**63.0**
Seattle-Tacoma	5,194	46,523	51,718	Alaska	26,499	51.2
Boston	7,179	41,729	48,908	Delta	8,145	16.7
New York (LaGuardia)	2,373	44,119	46,493	Delta	11,488	24.7
Washington (Dulles)	11,661	28,942	40,602	United	25,036	61.7
Fort Lauderdale	6,489	32,586	39,075	Spirit	7,141	18.3
Baltimore	712	37,701	38,412	Southwest	21,375	55.6
Washington (Reagan)	624	34,488	35,112	US Airways	15,299	43.6
Salt Lake City	951	32,696	33,647	Delta	22,269	66.2
Chicago (Midway) *(b)*	0	33,483	33,483	Southwest	28,093	83.9
Tampa	817	31,268	32,086	Southwest	11,250	35.1
Honolulu	5,863	24,037	29,899	Hawaiian	13,183	44.1
San Diego	356	29,448	29,804	Southwest	13,108	44.0
St. Louis	221	24,993	25,214	American	8,771	34.8
Portland	1,040	21,891	22,931	Alaska	8,767	38.2
Memphis	816	19,698	20,514	Continental	16,324	79.6
Cincinnati	1,075	19,241	20,316	Delta	17,835	87.8
Kansas City	111	19,530	19,641	Southwest	8,210	41.8
Oakland	192	18,795	18,987	Southwest	15,311	80.6
San Jose	270	17,022	17,292	Southwest	9,824	56.8
Pittsburgh	164	14,291	14,456	US Airways	4,330	30.0

Note: Rows may not add to totals shown because of rounding.

(*a*) Includes regional airline affiliates.
(b) No international schedule for Chicago Midway shown for April 2009 as of December 2008.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.

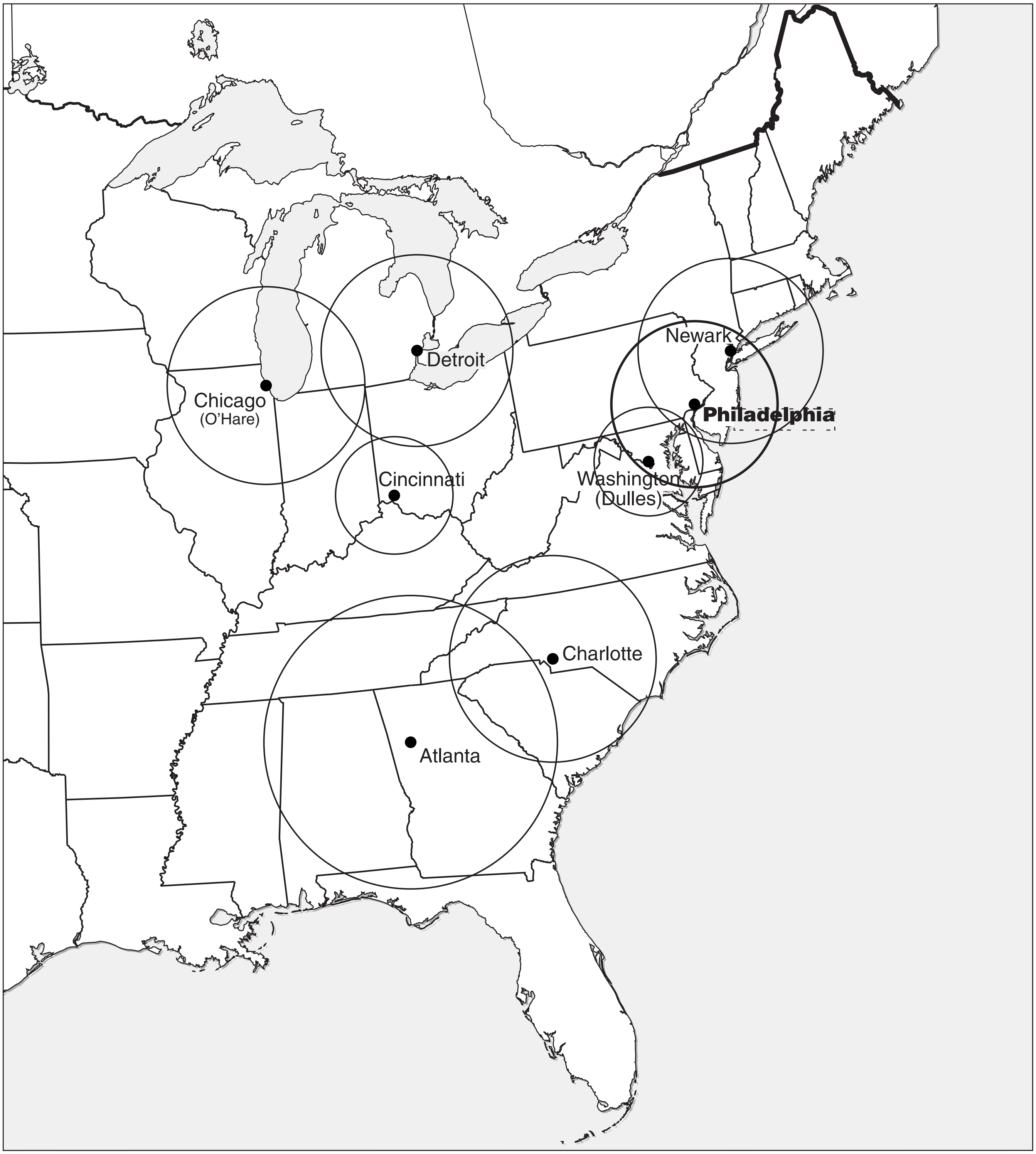
Table 14

US AIRWAYS SCHEDULED SERVICE AT ITS PRINCIPAL AIRPORTS

City (airport)	April 2001	April 2004	April 2009	Average annual change 2001-2009
Daily scheduled departures: US Airways (mainline and Express)				
Charlotte	505	469	566	1.4%
Philadelphia	410	381	405	(0.1)
Phoenix	329	309	267	(2.6)
Washington (Reagan)	179	171	175	(0.3)
New York (LaGuardia)	197	183	170	(1.8)
Boston	166	101	88	(7.7)
Las Vegas	91	119	72	(2.9)
Pittsburgh	500	359	50	(25.0)
Columbus	37	28	24	(5.5)
Fort Lauderdale	69	24	20	(14.3)
Daily scheduled departing seats: US Airways (mainline and Express)				
Charlotte	50,885	46,756	55,218	1.0%
Philadelphia	42,919	38,524	35,725	(2.3)
Phoenix	36,557	34,924	31,778	(1.7)
Washington (Reagan)	17,210	14,432	15,299	(1.5)
New York (LaGuardia)	16,960	11,816	10,946	(5.3)
Boston	15,080	10,416	8,895	(6.4)
Las Vegas	12,704	16,279	9,753	(3.3)
Pittsburgh	43,263	25,612	4,330	(25.0)
Columbus	4,658	2,159	1,737	(11.6)
Fort Lauderdale	5,442	3,810	3,274	(6.2)
Daily scheduled departing seats: US Airways mainline				
Charlotte	44,823	37,152	34,684	(3.2)%
Philadelphia	37,793	30,460	21,251	(6.9)
Phoenix	33,422	28,778	25,470	(3.3)
Washington (Reagan)	9,962	6,385	5,679	(6.8)
New York (LaGuardia)	6,128	2,897	1,408	(16.8)
Boston	6,575	5,495	3,858	(6.4)
Las Vegas	12,731	15,034	9,561	(3.5)
Pittsburgh	36,226	16,242	2,164	(29.7)
Columbus	3,283	1,291	248	(27.6)
Fort Lauderdale	3,475	3,810	3,274	(0.7)
Daily scheduled departing seats: US Airways Express				
Charlotte	6,062	9,604	20,534	16.5%
Philadelphia	5,126	8,064	14,474	13.9
Phoenix	3,403	6,146	6,308	8.0
Washington (Reagan)	7,247	8,046	9,620	3.6
New York (LaGuardia)	10,831	8,920	9,538	(1.6)
Boston	8,505	4,921	5,037	(6.3)
Las Vegas	123	1,246	191	5.7
Pittsburgh	7,038	9,369	2,166	(13.7)
Columbus	1,375	869	1,489	1.0
Fort Lauderdale	1,966	--	--	(100.0)

Note: In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.



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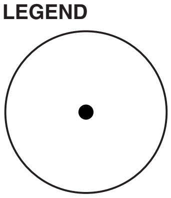


= Approximately 20,000 average daily departing seats scheduled for April 2008

Note: The area of each circle is proportional to the number of scheduled seats on departing flights of the principal hubbing airline and its regional airline affiliates at that airport.

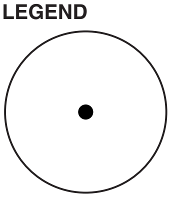
Source: Official Airline Guides, Inc., online database, retrieved December 2008.

Figure 2

SCHEDULED HUBBING AIRLINE SEAT CAPACITY AT SELECTED AIRPORTS

JACOBS CONSULTANCY
Airport Management Consulting

LEGEND



= Approximately 20,000 average daily departing seats scheduled for April 2009

Note: The area of each circle is proportional to the number of scheduled seats on departing flights of the principal hubbing airline and its regional airline affiliates at that airport.

Source: Official Airline Guides, Inc., online database, retrieved December 2008.

Figure 3

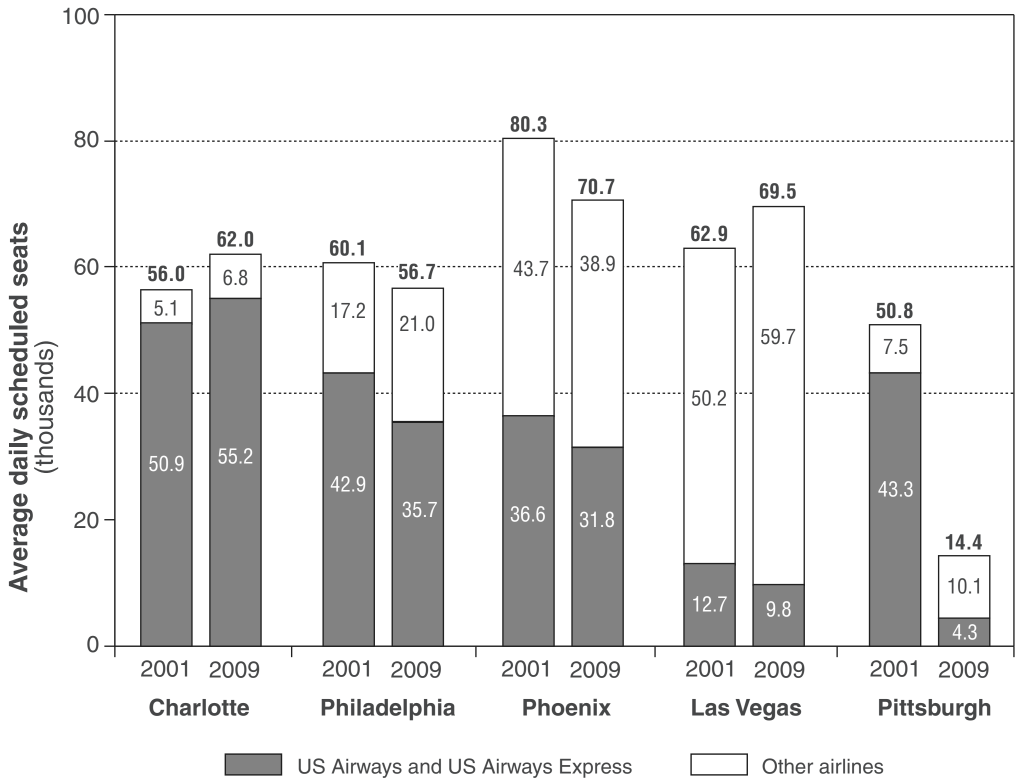
SCHEDULED US AIRWAYS SEAT CAPACITY AT PRINCIPAL US AIRWAYS SYSTEM AIRPORTS

JACOBS CONSULTANCY
Airport Management Consulting

Figure 4

CHANGES IN AIRLINE SEATS AT US AIRWAYS HUBS

April 2001 and April 2009



Note: In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined. Numbers may not add to totals due to rounding.

Source: Official Airlines Guides, Inc., online database, retrieved December 2008.

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In FY 2008, approximately 64% of enplaned passengers at Philadelphia originated their air journeys at the Airport, compared with 30% at Charlotte and 60% at Phoenix.

Star Alliance

In May 2004, US Airways joined United Airlines in the Star Alliance network. Foreign flag airline members of the alliance include Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian Airlines, BMI, Egypt Air, LOT Polish Airlines, Lufthansa, SAS, Scandinavian Airlines, Shanghai Airways, Singapore Airlines, South African Airways, Spanair, Swiss, TAP Portugal, Thai Airlines International, and Turkish Airlines. Continental Airlines is expected to join the Star Alliance in 2009. The alliance provides for code-sharing, coordinated schedules, reciprocal frequent flyer programs, and other benefits.

Table 15 presents data on scheduled international departures for US Airways and its Star Alliance partners at their U.S. gateway airports. As shown, an average of 45 daily scheduled international departures was scheduled at the Airport in April 2009, compared with 69 departures at Chicago O'Hare and 47 departures at Washington Dulles, both of which are hubs for United, and 113 departures at Newark and 116 departures at Houston Bush Intercontinental, both of which are hubs for Continental.

COMPETING AIRPORTS

The effective boundary of the region served by the Airport is defined by the availability of airline service at surrounding airports. The extent to which the Airport is successful in competing with these other airports for passengers depends, among other factors, on airline fares and air service frequency at the airports and surface travel times to and from the airports.

Baltimore/Washington International Thurgood Marshall (BWI) and Newark Liberty International airports offer levels of domestic airline service comparable to those at the Airport and are its primary competing airports. Figure 5 illustrates the natural "catchment" areas of the three airports as defined by approximate one-hour driving times from each.

Table 16 presents data on airline service at the Airport, BWI, Newark, and selected other airports in the northeast (as well as Charlotte and Pittsburgh). In April 2009, in terms of total scheduled seats, the Airport was the fourth busiest of the airports listed, after New York Kennedy, Newark, and Charlotte. Kennedy, Newark, and Washington Dulles compete with the Airport as connecting hubs and international gateways.

The airports serving Allentown, Atlantic City, and Harrisburg are not significant competitors for most airline travel because relatively few scheduled airline seats are offered.

Table 17 shows trends in average one-way domestic airfares for the same selected northeast airports. Year-to-year changes in airfares primarily reflect competition between specific airlines at the airports. For example, between FY 2004 and FY 2005, average airfares at Philadelphia decreased an average of 19.0% largely as a result of competition provided by Southwest Airlines; average airfares at Washington Dulles reflected competition provided by now-defunct Independence Air. Overall, between FY 2004 and FY 2008, airfares increased at most the airports shown but fell at the Airport.

Table 15

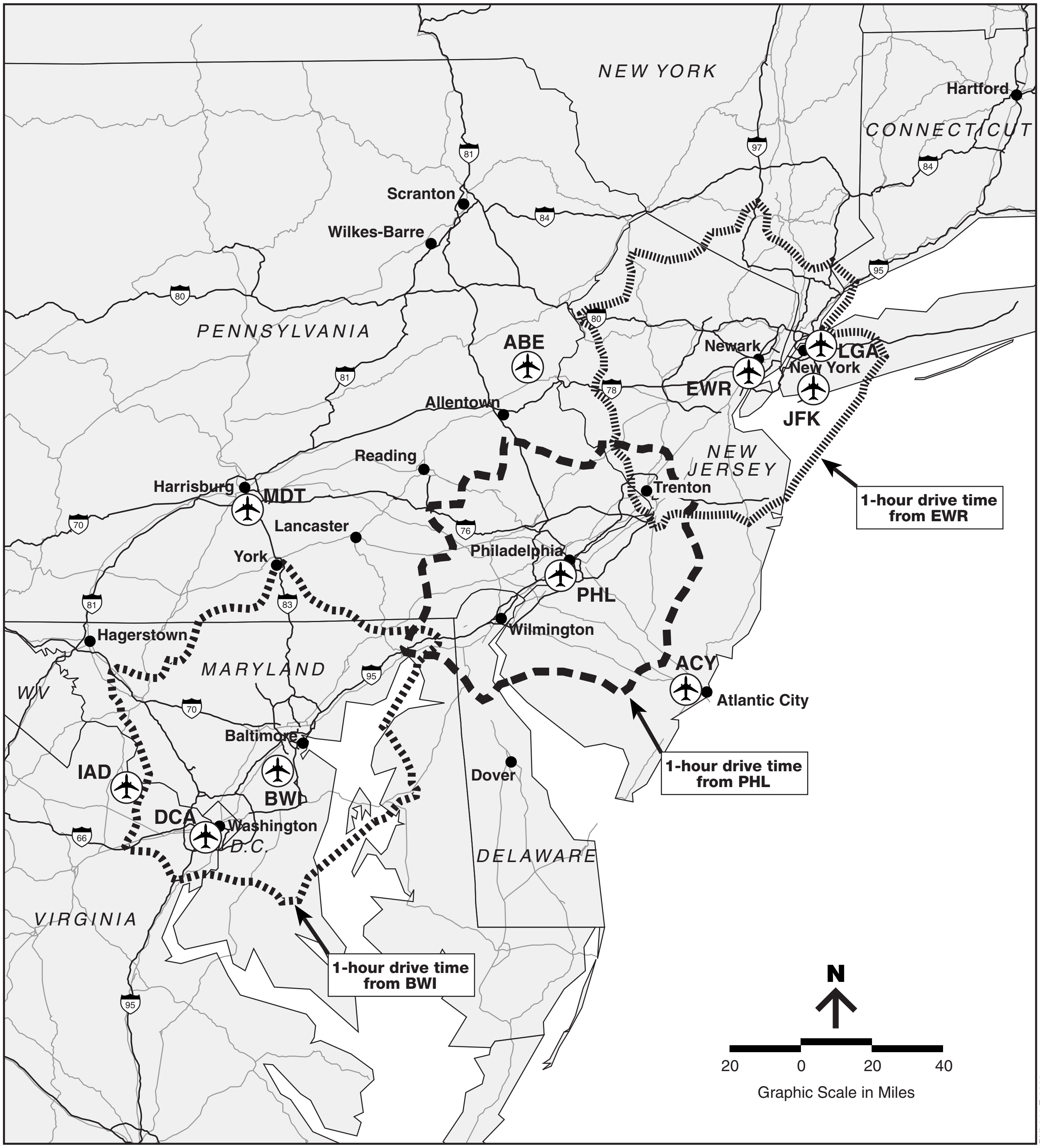
SCHEDULED INTERNATIONAL SERVICE AT STAR ALLIANCE GATEWAYS

City (airport)	Average daily scheduled international departures April 2001	April 2004	April 2009	Number of Star Alliance partners with scheduled international service
	All Star Alliance partners			
Houston (Bush)	68	85	116	4
Newark	75	77	113	8
Chicago (O'Hare)	56	52	69	8
Washington (Dulles)	27	35	47	7
Philadelphia	**34**	**46**	**45**	**3**
San Francisco	33	29	40	7
Los Angeles	38	27	31	9
Charlotte	15	26	33	3
Denver	14	14	26	3
	US Airways			
Houston (Bush)	--	--	--	
Newark	--	--	--	
Chicago (O'Hare)	--	--	--	
Washington (Dulles)	--	--	--	
Philadelphia	**27**	**39**	**39**	
San Francisco	--	--	--	
Los Angeles	--	--	--	
Charlotte	12	23	30	
Denver	--	--	--	
	Other Star Alliance partners			
Houston (Bush)	68	85	116	
Newark	75	77	113	
Chicago (O'Hare)	56	52	69	
Washington (Dulles)	27	35	47	
Philadelphia	**7**	**7**	**5**	
San Francisco	33	29	40	
Los Angeles	38	27	31	
Charlotte	3	3	3	
Denver	14	14	26	

Note: Data for Los Angeles include departures for America West.

Continental Airlines is expected to join the Star Alliance in 2009. All Star Alliance data includes Continental Airlines.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.



LEGEND

Airline airports

Interstate highway

Other major highway

Figure 5

AREAS WITHIN ONE-HOUR DRIVE TIMES OF PHILADELPHIA, NEWARK, AND BALTIMORE/WASHINGTON INTERNATIONAL AIRPORTS

May 2008

JACOBS CONSULTANCY

Airport Management Consulting

Table 16

AIRLINE SERVICE AT SELECTED NORTHEAST AIRPORTS
April 2001 and April 2009

City (airport)	Departures	Seats	Airline	Daily seats *(a)*	Share
			April 2009		
New York (Kennedy)	578	84,157	JetBlue	21,360	25.4%
Newark	572	63,015	Continental	44,270	70.3
Charlotte	648	62,031	US Airways	55,218	89.0
Philadelphia	**583**	**56,727**	**US Airways**	**35,725**	**63.0**
New York (LaGuardia)	508	46,493	Delta	11,488	24.7
Washington (Dulles)	406	40,602	United	25,036	61.7
Baltimore	312	38,412	Southwest	21,375	55.6
Washington (Reagan)	374	35,112	US Airways	15,299	43.6
Pittsburgh	160	14,456	US Airways	4,330	30.0
Harrisburg	45	2,489	US Airways	761	30.6
Atlantic City	12	1,740	Spirit	1,740	100.0
Allentown	26	1,274	US Airways	483	37.9
			April 2001		
New York (Kennedy)	407	69,617	American	14,031	20.2%
Newark	610	78,189	Continental	43,323	55.4
Charlotte	563	56,041	US Airways	50,529	90.2
Philadelphia	**573**	**60,092**	**US Airways**	**42,541**	**70.8**
New York (LaGuardia)	578	63,244	US Airways	17,036	26.9
Washington (Dulles)	481	42,443	United	26,741	63.0
Baltimore	381	43,168	Southwest	16,768	38.8
Washington (Reagan)	382	42,008	US Airways	17,025	40.5
Pittsburgh	591	50,772	US Airways	43,013	84.7
Harrisburg	54	3,465	US Airways	1,402	40.5
Atlantic City	15	1,385	Spirit	1,238	89.4
Allentown	46	3,580	US Airways	1,086	30.3

(*a*) Including regional airline affiliates.

Note: In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.

Table 17

AVERAGE ONE-WAY DOMESTIC AIRFARES AT SELECTED NORTHEAST AIRPORTS
Fiscal Years ended June 30

City (airport)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Average annual percent change FY 2004-FY 2008
New York (Kennedy)	$151.25	$145.69	$164.10	$176.58	$188.45	5.7%
Newark	183.92	175.82	180.94	177.92	192.16	1.1
New York (LaGuardia)	152.54	141.81	155.30	155.78	165.87	2.1
Philadelphia	**168.85**	**136.76**	**151.85**	**152.22**	**163.23**	**(0.8)**
Baltimore	126.62	122.75	129.59	131.28	139.04	2.4
Washington (Reagan)	171.61	152.20	166.12	173.89	193.00	3.0
Washington (Dulles)	200.16	154.03	172.27	182.79	200.24	0.0
Charlotte	198.81	177.06	179.28	170.07	183.65	(2.0)
Pittsburgh	164.82	154.97	156.20	143.93	152.37	(1.9)
Harrisburg	182.24	183.46	219.34	215.76	215.88	4.3
Atlantic City	103.39	110.25	124.91	114.19	99.34	(1.0)
Allentown	192.91	178.80	203.39	182.16	185.53	(1.0)

Note: Airfares are listed by their numbers of FY 2008 originating passengers. See Table 18.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for years noted, retrieved from BACK Aviation.

In 1994, Southwest began service at BWI and introduced service in many markets. Southwest has since increased service to become the busiest airline at BWI in terms of numbers of enplaned passengers (displacing US Airways).

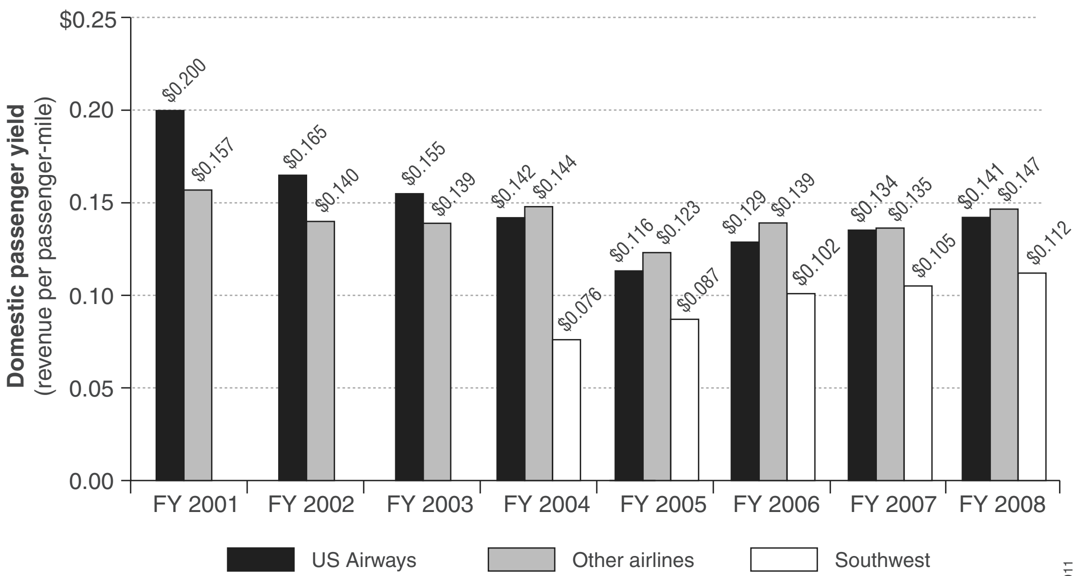
In 2004, Southwest began service at Philadelphia with 14 daily departures and has since increased scheduled service to 65 daily departures as of April 2009. Fare competition at the Airport among Southwest, US Airways, and other airlines has resulted in reduced average airfares and increased air travel, both by passengers who otherwise would have used competing airports and by those who would not have traveled by air. In FY 2001, average airfares at the Airport were 51% higher than those at BWI; in FY 2008, they were 17% higher.

Figure 6 shows trends in airline passenger yields (revenues per passenger-mile) at the Airport for US Airways and other airlines. The figure illustrates how the "yield premium" historically enjoyed by US Airways at the Airport has been reduced. In FY 2001, the average US Airways yield at the Airport was 27% higher than the average for the other airlines. In FY 2008, the average US Airways yield was approximately equal to the average for airlines (other than Southwest). In FY 2004, the first year of Southwest service, the average US Airways yield was 87% higher than Southwest's; in FY 2008, it was 26% higher.

Figure 6

TRENDS IN DOMESTIC PASSENGER YIELD AT THE AIRPORT

Fiscal Years ended June 30



Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic.*

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Table 18 shows trends in numbers of originating passengers at the Airport and other airports and illustrates the effects of reductions in airfares on passenger numbers, e.g., at Kennedy and Philadelphia, JetBlue and Southwest, respectively, provided increased service and fare competition. At the Airport in FY 2005, the first full year of Southwest service, originating passenger numbers increased 24% as average domestic airfares decreased 19%.

Table 18

ORIGINATING PASSENGERS AT SELECTED NORTHEAST AIRPORTS
Fiscal Years ended June 30

City (airport)	FY 2001	FY 2003	FY 2005	FY 2007	FY 2008	Average annual percent change FY 2001-FY 2008
New York (Kennedy)	12,090,000	11,670,000	15,980,000	17,590,000	17,760,000	5.6%
Newark	13,270,000	11,200,000	12,130,000	13,910,000	13,660,000	0.4
New York (LaGuardia)	11,870,000	10,230,000	12,230,000	11,500,000	11,550,000	(0.4)
Philadelphia	**8,270,000**	**7,280,000**	**9,770,000**	**10,000,000**	**10,250,000**	**3.1**
Baltimore	8,690,000	7,980,000	8,030,000	8,540,000	8,640,000	(0.1)
Washington (Reagan)	6,760,000	5,790,000	7,150,000	7,410,000	7,390,000	1.3
Washington (Dulles)	5,260,000	4,760,000	7,330,000	6,900,000	6,500,000	3.1
Charlotte	3,000,000	2,740,000	3,500,000	4,860,000	4,980,000	7.5
Pittsburgh	3,260,000	3,160,000	3,610,000	3,960,000	4,000,000	3.0
Harrisburg	570,000	570,000	580,000	570,000	610,000	1.0
Atlantic City	470,000	470,000	480,000	430,000	490,000	0.6
Allentown	290,000	360,000	420,000	380,000	380,000	3.9

Source: Jacobs Consultancy estimates based on U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic and International*, and T-100 database, retrieved from BACK Aviation.

AIRLINE SERVICE

As of April 2009, the airlines serving the Airport provided nonstop scheduled flights from the Airport to 88 domestic cities and 31 international cities. Table 19 shows scheduled daily airline service at the Airport in terms of average daily aircraft departures and seats. As of April 2009, 534 departures and 49,514 seats were scheduled daily from the Airport to domestic destinations, with 60% of the seats provided on the flights of US Airways and US Airways Express. To international destinations, an average of 49 departures and 7,213 seats were scheduled daily from the Airport, with 81% of the seats provided on the flights of US Airways and US Airways Express.

Between April 2001 and April 2009, the number of daily scheduled seats to domestic destinations decreased an annual average of 1.2%; aircraft departures remained the same as some flying was transferred from mainline to regional affiliate flights. The share of seats at the Airport flown domestically by regional affiliates increased from 12% in April 2001 to 32% in April 2009.

Table 19

SCHEDULED DOMESTIC AND INTERNATIONAL AIRLINE SERVICE

Philadelphia International Airport

	April 1996		April 2001		April 2004		April 2009		Average annual percent change	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	1996-2001	2001-2009
	Average daily departures									
Domestic service										
Major airlines										
US Airways	156	36.2%	244	42.6%	171	32.1%	113	19.4%	9.4%	(9.2)%
Other	113	26.2	112	19.5	105	19.7	129	22.1	(0.2)	1.7
	269	62.4%	356	62.1%	276	51.8%	242	41.5%	5.8%	(4.7)%
Regional affiliates										
US Airways Express	118	27.4%	138	24.1%	172	32.3%	253	43.4%	3.2%	7.9%
Other	26	6.0	41	7.2	35	6.6	39	6.8	9.5	(0.5)
	144	33.4%	179	31.2%	207	38.8%	292	50.1%	4.4%	6.3%
Subtotal domestic	413	95.8%	535	93.4%	483	90.6%	534	91.6%	5.3%	0.0%
International service										
US Airways	10	2.3%	27	4.7%	38	7.1%	39	6.7%	22.0%	4.7%
Others	8	1.9	11	1.9	12	2.3	10	1.7	6.6	(1.4)
Subtotal international	18	4.2%	38	6.6%	50	9.4%	49	8.4%	16.1%	3.2%
Total	431	100.0%	573	100.0%	533	100.0%	583	100.0%	5.9%	0.2%
	Average daily seats									
Domestic service										
Major airlines										
US Airways	19,431	48.3%	33,526	55.8%	25,065	46.0%	16,242	28.6%	11.5%	(8.7)%
Other	14,214	35.4	14,475	24.1	13,472	24.7	17,591	31.0	0.4	2.5
	33,645	83.7%	48,001	79.9%	38,537	70.7%	33,833	59.6%	7.4%	(4.3)%
Regional affiliates										
US Airways Express	3,278	8.2%	4,976	8.3%	7,436	13.6%	13,617	24.0%	8.7%	13.4%
Other	816	2.0	1,392	2.3	1,500	2.8	2,064	3.6	11.3	5.0
	4,094	10.2%	6,368	10.6%	8,936	16.4%	15,681	27.6%	9.2%	11.9%
Subtotal domestic	37,739	93.9%	54,369	90.5%	47,473	87.0%	49,514	87.3%	7.6%	(1.2)%
International service										
US Airways	1,466	3.6%	4,039	6.7%	5,363	9.8%	5,866	10.3%	22.5%	4.8%
Others	1,003	2.5	1,684	2.8	1,700	3.1	1,347	2.4	10.9	(2.8)
Subtotal international	2,469	6.1%	5,723	9.5%	7,063	13.0%	7,213	12.7%	18.3%	2.9%
Total	40,208	100.0%	60,092	100.0%	54,536	100.0%	56,727	100.0%	8.4%	(0.7)%

Note: Columns may not add to totals shown because of rounding.

In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined, except for 1996 data which are for US Airways only.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.

Domestic Airline Service

Table 20 shows scheduled daily domestic airline service at the Airport by airline, in terms of aircraft departures and seats. Between April 2001 and April 2009, mainline service by US Airways (including America West) was reduced by 17,284 daily seats, offset by an increase of 8,642 daily seats by US Airways Express and an increase of 8,848 daily seats by Southwest. The other airlines together reduced service by 5,061 daily seats.

Table 21 presents the top domestic passenger origin and destination markets (i.e., all markets accounting for 1% or more of Philadelphia originating passengers). The origin and destination pattern is illustrated on Figure 7.

Table 21 also shows the number of average daily scheduled nonstop departures from the Airport by domestic destination. As scheduled for April 2009, all of the top origin-destination markets were provided with nonstop airline service. Of the 29 cities listed, all have nonstop service by US Airways or US Airways Express and 17 have nonstop service by Southwest. All but 3 of the 29 cities listed have nonstop service by 2 or more airlines.

International Airline Service

Table 22 lists scheduled international passenger service at the Airport. As of April 2009, 354 weekly departures and 52,228 weekly seats were scheduled in international service. International seating capacity was on flights to Europe (51%, 14 destinations), followed by the Caribbean and Latin America (32%, 15 destinations), and Canada (17%, 3 destinations).

International passenger service at the Airport, particularly transatlantic, increases during the summer months. In June 2008, the number of seats scheduled in international service was approximately 21% greater than the number in April 2008.

Table 20

SCHEDULED DOMESTIC AIRLINE SERVICE BY AIRLINE

Philadelphia International Airport

	April 2001			April 2004			April 2009		
	Average daily departures	Average daily seats	Cities served nonstop	Average daily departures	Average daily seats	Cities served nonstop	Average daily departures	Average daily seats	Cities served nonstop
Major airlines									
US Airways	238	32,828	53	165	24,269	45	113	16,242	35
America West (*a*)	5	698	2	6	796	2	--	--	--
Southwest	--	--	--	--	--	--	65	8,848	20
Delta	21	3,044	3	17	2,445	3	11	1,886	2
American	28	3,726	5	22	2,877	5	14	2,050	4
United	24	2,982	5	23	2,640	4	13	1,528	4
AirTran	8	848	4	18	2,129	4	10	1,251	2
Northwest	16	1,921	3	14	1,587	3	9	1,131	2
Continental	8	952	2	5	538	2	5	671	1
USA 3000	--	--	--	1	146	2	1	90	1
Midwest	3	203	1	2	153	1	--	--	--
Frontier	--	--	--	--	--	--	1	136	1
ATA	3	467	1	4	718	1	--	--	--
National	2	333	1	--	--	--	--	--	--
ACA/Independence Air	--	--	--	8	240	3	--	--	--
Subtotal major airlines	356	48,001	56	284	38,537	50	242	33,833	44
Regional affiliates									
US Airways Express	138	4,837	42	--	--	--	--	--	--
Air Wisconsin	--	--	--	--	--	--	96	4,808	48
Mesa	--	--	--	48	2,388	31	--	--	--
Piedmont	--	--	--	26	964	15	80	3,184	28
PSA	--	--	--	30	1,291	22	16	803	17
Chautauqua	--	--	--	17	837	21	5	233	12
Mid Atlantic	--	--	--	2	126	2	--	--	--
Republic	--	--	--	--	--	--	56	4,588	36
Shuttle America	--	--	--	0	4	1	--	--	--
Allegheny	--	--	--	49	1,825	21	--	--	--
America West (Mesa) (*a*)	3	138	1	--	--	--	--	--	--
Subtotal	141	4,975		172	7,436		253	13,617	

Table 20 *(page 2 of 2)*

SCHEDULED DOMESTIC AIRLINE SERVICE BY AIRLINE

Philadelphia International Airport

	April 2001			April 2004			April 2009		
	Average daily departures	Average daily seats	Cities served nonstop	Average daily departures	Average daily seats	Cities served nonstop	Average daily departures	Average daily seats	Cities served nonstop
American affiliates									
American Eagle	7	279	1	9	321	2	2	140	1
Trans States	--	--	--	6	288	1	--	--	--
Chautauqua	--	--	--	--	--	--	3	120	1
Subtotal	7	279		14	609		5	260	
United affiliates									
United Express	6	225	1	3	127	1	2	100	1
Mesa	--	--	--	1	64	1	2	100	1
Subtotal	6	225		4	191		4	200	
Delta affiliates									
Atlantic Southeast	--	--	--	--	--	--	--	--	--
Comair	1	50	1	1	37	1	9	554	4
Freedom Air	--	--	--	--	--	--	2	93	1
Pinnacle	--	--	--	--	--	--	1	56	1
Atlantic Coast	6	180	1	8	247	3	--	--	--
Subtotal	7	230		8	284		12	703	
Continental affiliates									
Continental Express (Expressjet)	4	200	2	6	274	2	1	52	1
Commutair	9	163	2	--	--	--	4	138	1
Chautauqua	--	--	--	--	--	--	4	192	1
Subtotal	13	363		6	274		9	382	
Northwest affiliates									
Northwest Airlink (Mesaba)	--	--	--	2	138	1	--	--	--
Compass	--	--	--	--	--	--	1	104	1
Pinnacle	--	--	--	--	--	--	5	235	2
Subtotal	--	--		2	138		6	339	
Midwest affiliates									
Midway	6	296	1	--	--	--	--	--	--
Midwest Connection (Sky West)	--	--	--	--	4	1	4	180	1
Subtotal	6	296		--	4		4	180	
Subtotal regional affiliates	179	6,368	47	207	8,936	63	292	15,681	67
Total	535	54,369	86	491	47,473	85	534	49,514	88

Note: Columns may not add due to rounding.
Number of cities served nonstop are not additive because some cities are served by more than one airline.

(a) In September 2005, America West and US Airways merged. Historical data are for America West and US Airways combined.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.

Table 21

DOMESTIC ORIGIN-DESTINATION PATTERNS
Philadelphia International Airport
Fiscal Year ended June 30, 2008

Origin-destination market	Air miles from Philadelphia	Percent of originating passengers	Average daily scheduled nonstop departures (April 2009) *(a)* US Airways	Southwest	Other airlines	All airlines
Orlando	749	7.6%	8	8	4	20
Chicago *(b)*	587	5.9	7	7	14	27
Miami	882	5.7	9	4	3	16
Los Angeles *(d)*	2,081	4.5	4	0	1	5
Atlanta	579	4.2	5	0	16	22
Tampa	801	3.5	6	4	0	10
San Francisco *(e)*	2,185	3.4	4	0	2	6
Las Vegas	1,887	3.2	5	2	0	7
Dallas *(f)*	1,122	2.8	4	0	6	11
Raleigh	295	2.6	7	5	0	12
Pittsburgh	220	2.6	7	5	0	12
Boston	242	2.4	14	0	4	18
Phoenix	1,800	2.3	6	2	0	8
Denver	1,349	2.3	2	2	3	7
Houston *(g)*	1,150	2.2	3	2	5	10
Manchester	288	1.9	6	5	0	11
West Palm Beach	828	1.8	4	2	0	6
Providence	236	1.8	7	5	0	11
Minneapolis	850	1.6	3	0	5	8
San Diego	2,053	1.6	2	0	0	2
Fort Myers	864	1.6	3	1	1	5
Columbus	405	1.5	5	2	0	7
San Juan	1,372	1.5	4	0	1	5
Detroit *(h)*	393	1.5	6	0	7	14
Jacksonville	648	1.5	3	2	0	5
Nashville	674	1.3	3	3	0	6
Seattle	2,059	1.3	1	0	0	1
St. Louis	698	1.2	3	2	3	8
Charlotte	389	1.0	10	0	0	10
Cities listed		76.5%	151	63	75	288
Other cities		23.5	215	2	29	246
All cities		100.0%	366	65	104	534

(a) Totals may not add to the totals shown because of rounding.
(b) O'Hare and Midway airports.
(c) Miami and Fort Lauderdale airports.
(d) Los Angeles International, Burbank, Orange County, Long Beach, and Ontario airports.
(e) San Francisco, Oakland and San Jose airports.
(f) Dallas-Fort Worth and Love Field airports.
(g) Bush Intercontinental and Hobby airports.
(h) Detroit Metropolitan Wayne County and Detroit City airports.

Sources: Originating percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* for FY 2008.

Departures: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.

Table 22

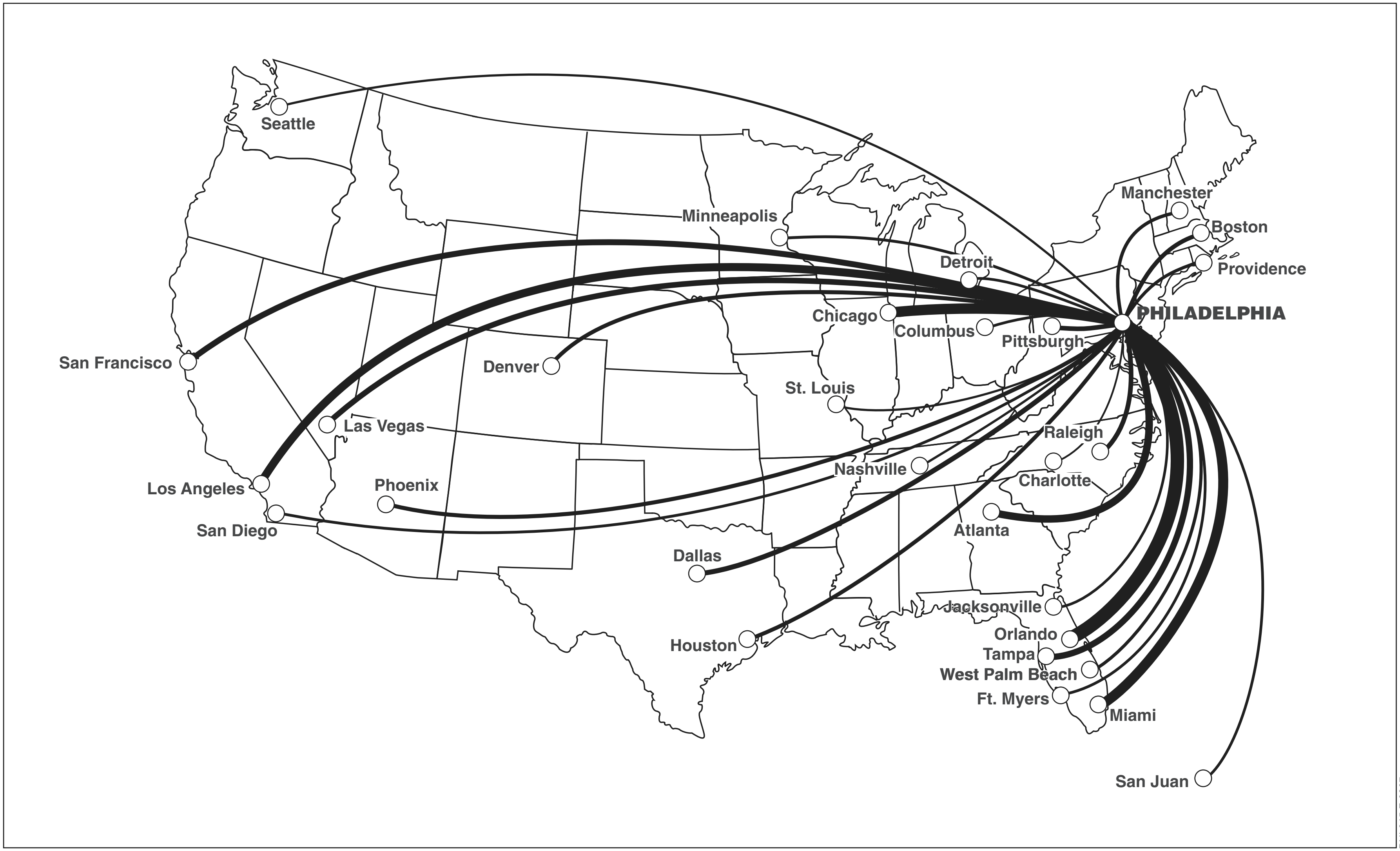
SCHEDULED INTERNATIONAL AIRLINE SERVICE BY DESTINATION

Philadelphia International Airport

		April 1996		April 2001		April 2009	
International destination	Airline	Weekly nonstop departures	Total available weekly seats	Weekly nonstop departures	Total available weekly seats	Weekly nonstop departures	Total available weekly seats
Europe							
Amsterdam	US Airways	--	--	7	1,421	6	1,278
Barcelona	US Airways	--	--	--	--	4	739
Brussels	US Airways	--	--	7	1,421	5	932
Dublin	US Airways	--	--	--	--	7	1,304
Frankfurt	US Airways	8	1,705	7	1,876	7	2,122
	Lufthansa	--	--	7	1,820	7	1,776
London (Gatwick)	US Airways	--	--	14	3,297	7	1,398
London (Heathrow)	US Airways	--	--	--	--	7	1,477
	British Airways	14	5,236	14	4,659	14	2,991
Manchester	US Airways	--	--	7	1,876	7	2,122
Madrid	US Airways	--	--	7	1,421	7	2,122
Milan	US Airways	--	--	--	--	5	1,034
Munich	US Airways	--	--	7	1,421	7	1,477
Paris	US Airways	--	--	7	1,386	7	2,122
	Air France	7	1,421	7	1,876	5	1,246
Rome	US Airways	--	--	7	1,876	7	2,122
Venice	US Airways	--	--	--	--	--	--
Zurich	US Airways	--	--	--	--	3	689
		29	8,362	98	24,350	115	26,949
Caribbean							
Antigua	US Airways	--	--	--	--	--	--
Aruba	US Airways	--	--	7	994	8	1,517
Barbados	US Airways	--	--	--	--	1	109
Bermuda	US Airways	7	1,221	7	994	7	1,061
Cancun	US Airways	--	--	7	882	24	4,104
	USA 3000	--	--	--	--	3	446
San Jose	US Airways	--	--	--	--	1	102
Freeport	US Airways	--	--	--	--	1	96
Grand Cayman	US Airways	--	--	7	882	4	449
Montego Bay	US Airways	--	--	7	882	10	1,568
	Air Jamaica	--	--	7	1,050	7	1,086
Nassau	US Airways	1	101	7	882	14	2,161
Providenciales	US Airways	--	--	--	--	2	239
Punta Cana	US Airways	--	--	--	--	10	1,496
	USA 3000	--	--	--	--	2	324
Santo Domingo	US Airways	--	--	7	994	2	239
St. Lucia	US Airways	--	--	--	--	0	30
St. Maarten	US Airways	--	--	7	1,078	8	1,537
		8	1,322	63	8,638	103	16,566
Canada							
Montreal	US Airways	20	2,345	21	2,324	42	2,915
	Air Canada	13	483	12	595	--	--
Ottawa	US Airways	--	--	21	1,050	22	1,086
Toronto	US Airways	27	3,472	28	3,332	41	2,828
	Air Canada	26	1,295	30	2,632	32	1,884
		86	7,595	112	9,933	136	8,714
Total		123	17,279	273	42,921	354	52,228

Note: Numbers may not add to totals shown because of rounding.

Source: Official Airline Guides, Inc., database retrieved from BACK Aviation, December 2008.



Note: Data are for cities with 1% or more of total inbound and outbound passengers on the scheduled flights of the major and national airlines at Philadelphia International Airport. The width of the line corresponds to the relative share of origin-destination passengers for each community.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic,* 12 months ended June 30, 2008 (see Table 19).

Figure 7

DOMESTIC ORIGIN-DESTINATION PATTERNS

Philadelphia International Airport

November 2008

JACOBS CONSULTANCY

Airport Management Consulting

HISTORICAL AIRLINE TRAFFIC

Enplaned Passengers

Table 23 presents data on historical enplaned passengers at the Airport. From FY 1990 through FY 2001, the number of enplaned passengers increased at an average rate of 4.5% per year. In FY 2002, air service reductions following the September 2001 attacks and passenger anxieties about the possibility of further attacks reduced air travel demand. Travel demand was also depressed by the national economic recession in 2000-2001. Between FY 2002 and FY 2004, passenger traffic at the Airport recovered, largely as a result of increased numbers of passengers connecting between US Airways flights. The increase in passenger numbers in FY 2005 was the result of intense airfare competition and the buildup of service by Southwest and US Airways. The lower growth rates of increase since FY 2005 reflect cutbacks in capacity, particularly by US Airways, and increased airfares.

Between FY 1996, when US Airways first began its buildup of the Airport as a major connecting hub, and FY 2008, domestic passenger numbers at the Airport increased an average of 4.2% per year and international passenger numbers increased an average of 10.0% per year.

As shown on Figure 8, between FY 1996 and FY 2008, the Airport's rate of increase in enplaned passengers outpaced the national average. Over the 12 years, enplaned passengers at the Airport increased an average of 4.7% per year, compared with 2.1% for the nation as a whole.

Table 24 shows the increase in international passengers at the Airport by US Airways and other airlines. In FY 2008, US Airways accounted for 82% of international passengers.

Table 23

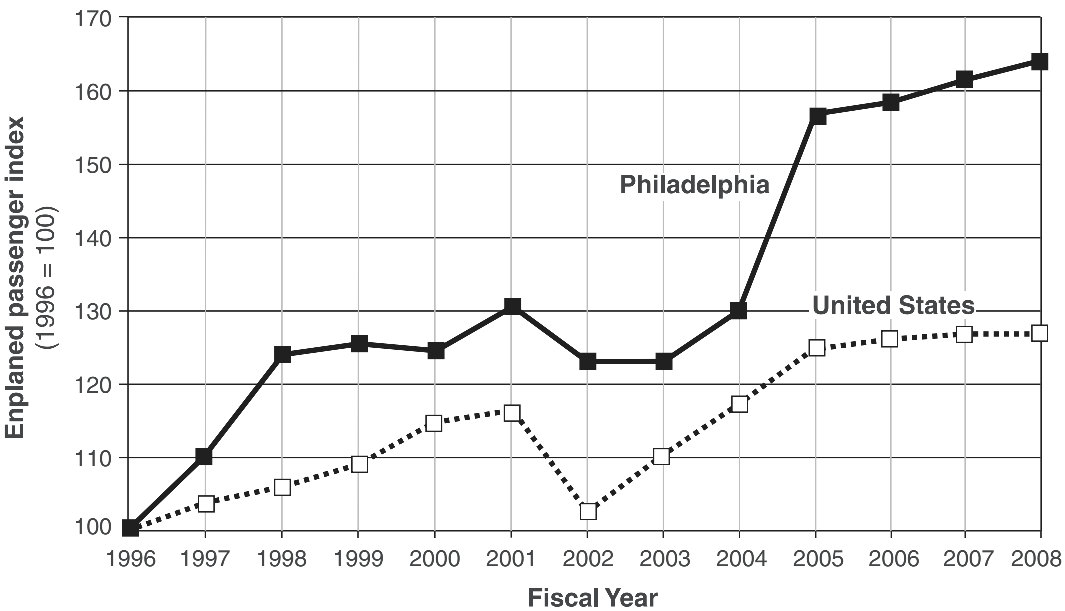
HISTORICAL ENPLANED PASSENGERS
Philadelphia International Airport
Fiscal Years ended June 30

Fiscal Year	Domestic	International	Total	Total increase (decrease)
1990	7,400,854	379,667	7,780,521	
1991	7,322,959	388,954	7,711,913	(0.9)%
1992	7,041,274	534,334	7,575,608	(1.8)
1993	7,645,396	582,621	8,228,017	8.6
1994	7,777,184	607,718	8,384,902	1.9
1995	8,419,133	634,955	9,054,088	8.0
1996	8,538,732	665,334	9,204,066	1.7
1997	9,502,168	890,094	10,392,262	12.9
1998	10,601,187	1,104,443	11,705,630	12.6
1999	10,737,979	1,329,813	12,067,792	3.1
2000	10,652,391	1,326,524	11,978,915	(0.7)
2001	11,149,732	1,521,721	12,671,453	5.8
2002	10,501,846	1,499,659	12,001,505	(5.3)
2003	10,519,234	1,617,391	12,136,625	1.1
2004	11,149,952	1,938,821	13,088,773	7.8
2005	13,427,191	2,063,378	15,490,569	18.4
2006	13,563,540	2,011,457	15,574,997	0.5
2007	13,864,721	1,986,970	15,851,691	1.8
2008	13,971,056	2,081,917	16,052,973	1.3
First 6 months				
2008	7,124,855	1,030,927	8,155,782	
2009	6,964,748	976,577	7,941,325	(2.6)
	Average annual percent increase			
1990-2001	3.8%	13.5%	4.5%	
1996-2001	5.5	18.0	6.6	
2001-2008	3.3	4.6	3.4	

Source: City of Philadelphia, Division of Aviation.

Figure 8

DOMESTIC ENPLANED PASSENGER TRENDS
Philadelphia International Airport and United States
Fiscal Years ended June 30



Sources: Philadelphia: City of Philadelphia, Division of Aviation.
United States: U.S. Department of Transportation, Bureau of Transportation Statistics, *Intermodal Transportation Database.*

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Table 24

INTERNATIONAL ENPLANED PASSENGERS
Philadelphia International Airport
Fiscal Years ended June 30

	FY 2001	FY 2003	FY 2005	FY 2007	FY 2008	Average annual percent change FY 2001-FY 2008
Scheduled service						
US Airways (*a*)	1,058,980	1,214,237	1,643,060	1,425,597	1,705,301	7.0%
Other	394,621	376,556	414,568	558,653	374,960	(0.7)
Subtotal	1,453,601	1,590,793	2,057,628	1,984,250	2,080,261	5.3%
Nonscheduled service	68,120	26,598	5,750	2,720	1,656	(41.2)
Total	1,521,721	1,617,391	2,063,378	1,986,970	2,081,917	4.6%

(*a*) Includes US Airways Express. America West merged with US Airways in September 2005. Historical data are for America West and US Airways combined.

Source: City of Philadelphia, Division of Aviation.

Originating and Connecting Passengers

Table 25 shows the estimated distribution of enplaned passengers between those originating their air journeys at the Airport and those connecting between flights. Between FY 2001 and FY 2005, the number of connecting passengers increased at a higher rate than the number of originating passengers as a result of the development of the Airport as a US Airways hub. Between FY 2005 and FY 2008, this trend was reversed and the number of originating passengers increased at a higher rate than the number of connecting passengers as a result of airline fare competition. In FY 2008, approximately 64% of all enplaned passengers were originating; for US Airways and US Airways Express, approximately 42% were originating.

Table 25

ORIGINATING AND CONNECTING PASSENGERS
Philadelphia International Airport
Fiscal Years ended June 30

	FY 2001	FY 2003	FY 2005	FY 2007	FY 2008	Average annual percent change FY 2001-FY 2008
Originating passengers	8,270,000	7,280,000	9,770,000	10,000,000	10,250,000	3.1%
Percent of total	65.3%	60.0%	63.1%	63.1%	63.9%	
Connecting passengers	4,401,453	4,856,625	5,720,569	5,851,691	5,802,973	4.0%
Percent of total	34.7%	40.0%	36.9%	36.9%	36.1%	
Enplaned passengers	12,671,453	12,136,625	15,490,569	15,851,691	16,052,973	3.4%

Sources: Enplaned passengers: City of Philadelphia, Division of Aviation.
Originating and connecting passenger distribution: Jacobs Consultancy, estimated from U.S. Department of Transportation data.

Airline Shares of Passengers

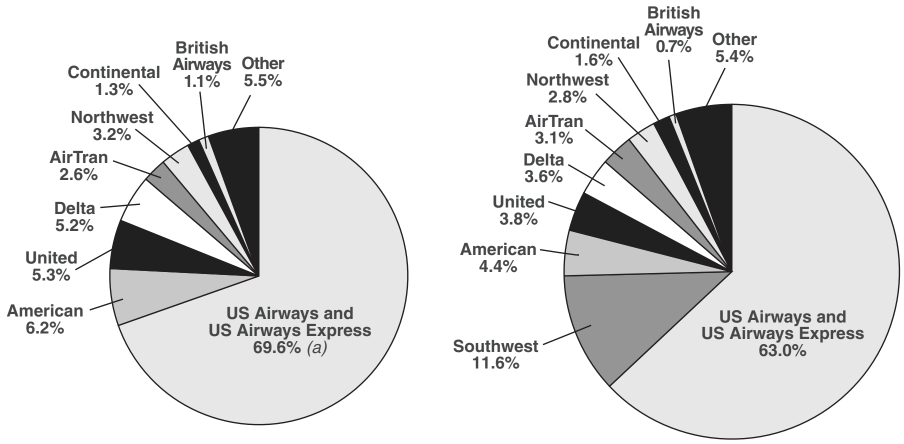
Table 26 presents historical airline shares of enplaned passengers at the Airport. US Airways and US Airways Express together enplaned approximately 10.1 million passengers (63%) in FY 2008, compared with 8.7 million (68%) in FY 2001. In FY 2008, Southwest accounted for approximately 12% of enplaned passengers. Among the other airlines, American, United, Delta, AirTran, and Northwest each accounted for between approximately 3% and 5%.

Figures 9 and 10 show airline shares of enplaned and originating passengers, respectively. As shown, while US Airways and US Airways Express in FY 2008 accounted for 63% of enplaned passengers, they accounted for only 42% of originating passengers. In FY 2008, Southwest accounted for 18% of originating passengers.

Figure 9

ENPLANED PASSENGER MARKET SHARES

Fiscal Years ended June 30



FY 2003

Enplaned passengers: 12.1 million

FY 2008

Enplaned passengers: 16.1 million

(a) America West merged with US Airways in September 2005. FY 2003 data are for America West and US Airways combined.

Note: Areas of circles are proportional to numbers of enplaned passengers.

Source: City of Philadelphia Division of Aviation.

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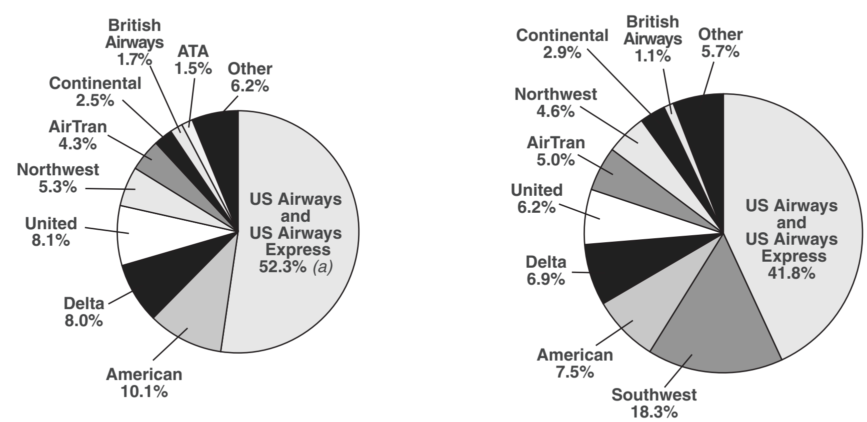
Figure 10

ORIGINATING PASSENGER MARKET SHARES

Fiscal Years ended June 30



FY 2003

Originating passengers: 7.3 million

FY 2008

Originating passengers: 10.3 million

(a) America West merged with US Airways in September 2005. Fiscal Year 2003 data are for America West and US Airways combined.

Source: Jacobs Consultancy estimates based on U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic and International,* for years noted, as reported by Back Aviation Products, Inc.

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Note: The area of each circle on Figures 9 and 10 is proportional to the number of enplaned passengers.

Table 26

AIRLINE SHARES OF ENPLANED PASSENGERS
Philadelphia International Airport
Fiscal Years ended June 30

	FY 2001		FY 2003		FY 2007		FY 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Domestic enplaned passengers								
Scheduled major								
US Airways (*a*)	6,634,718	52.4%	5,955,196	49.1%	5,068,667	32.0%	4,823,618	30.0%
Southwest	--	--	--	--	1,653,904	10.4	1,859,184	11.6
American	666,557	5.3	747,764	6.2	750,476	4.7	700,757	4.4
United	632,226	5.0	637,684	5.3	675,407	4.3	614,669	3.8
Delta	716,817	5.7	635,139	5.2	562,536	3.5	571,173	3.6
AirTran	227,098	1.8	314,135	2.6	529,692	3.3	504,389	3.1
Northwest	414,303	3.3	388,297	3.2	442,522	2.8	452,213	2.8
Continental	202,778	1.6	158,787	1.3	254,052	1.6	253,738	1.6
Frontier	--	--	--	--	76,153	0.5	83,216	0.5
USA 3000	--	--	--	--	58,655	0.4	72,270	0.5
Midwest Express	40,851	0.3	28,746	0.2	75,747	0.5	68,903	0.4
Other	473,982	3.7	149,068	1.2	--	--	--	--
Subtotal	10,009,330	79.0%	9,014,816	74.3%	10,147,811	64.0%	10,004,130	62.3%
Scheduled affiliates								
US Airways Express	967,135	7.6%	1,306,026	10.8%	3,371,752	21.3%	3,589,475	22.4%
Other	157,845	1.2	176,871	1.5	342,437	2.2	375,815	2.3
Subtotal	1,124,980	8.9%	1,482,897	12.2%	3,714,189	23.4%	3,965,290	24.7%
Nonscheduled	15,422	0.1	21,521	0.2	2,721	0.0	1,636	0.0
Total domestic service	11,149,732	88.0%	10,519,234	86.7%	13,864,721	87.5%	13,971,056	87.0%
International enplaned passengers								
Scheduled								
US Airways	1,055,371	8.3%	1,197,980	9.9%	1,425,597	9.0%	1,564,857	9.7%
US Airways Express	3,609	0.0	16,970	0.1	172,542	1.1	140,444	0.9
British Airways	150,820	1.2	135,306	1.1	115,772	0.7	114,278	0.7
Lufthansa	63,354	0.5	58,868	0.5	76,832	0.5	74,508	0.5
Air France	48,451	0.4	47,573	0.4	61,498	0.4	56,920	0.3
Air Jamaica	46,540	0.4	47,158	0.4	39,660	0.3	42,445	0.3
Air Canada Jazz	--	--	41,327	0.3	50,459	0.3	41,435	0.3
USA 3000	--	--	19,570	0.2	40,656	0.3	35,079	0.2
Air Canada	81,380	0.6	27,455	0.2	1,234	0.0	10,122	0.1
Piedmont	--	--	--	--	--	--	173	0.0
Other	4,076	0.0	--	--	--	--	--	--
Subtotal	1,453,601	11.5%	1,592,207	13.1%	1,984,250	12.5%	2,080,261	13.0%
Nonscheduled	68,120	0.5	25,184	0.2	2,720	0.0	1,656	0.0
Total international	1,521,721	12.0%	1,617,391	13.3%	1,986,970	12.5%	2,081,917	13.0%
Total enplaned passengers	12,671,453	100.0%	12,136,625	100.0%	15,851,691	100.0%	16,052,973	100.0%

Note: Percentages may not add to totals shown because of rounding.

(*a*) America West merged with US Airways in September 2005. Data are shown for America West and US Airways combined.

Source: City of Philadelphia, Division of Aviation.

Airline Aircraft Departures

As shown in Table 27, in FY 2008, the passenger airlines accounted for 96% of airline aircraft departures at the Airport and the all-cargo airlines accounted for the other 4%. Between FY 1996 and FY 2000, the average number of seats per departure on scheduled airline aircraft at the Airport increased from 96.0 to 105.0. Since FY 2000, the average number of seats per departure has decreased to 100.1 as smaller regional jet aircraft have been introduced into service at the Airport. In FY 2008, the annual average on-board load factor (the percentage of seats occupied) at the Airport was approximately 69%, slightly below the industrywide average of approximately 74%.

Landed Weight

Table 28 presents historical data on aircraft landed weight at the Airport. Between FY 1996 and FY 2008, landed weight increased an average of 3.0% per year. Table 29 presents data on airline shares of landed weight.

Air Cargo

As shown in Table 29, the all-cargo airlines serving the Airport accounted for 11.4% of Airport landed weight in FY 2008. Most cargo activity is accounted for by UPS Air Cargo, which operates its primary East Coast international gateway and a regional hub at the Airport. In FY 2007, a total of 589,582 tons of cargo (freight and mail) was enplaned and deplaned at the Airport. In 2007, the Airport was ranked the 14th busiest cargo airport in the nation, by tons of cargo enplaned and deplaned. Restrictions on the carriage of air mail on passenger aircraft since 2001 and other security restrictions have reduced the amount of air cargo carried on passenger aircraft.

Table 27

HISTORICAL AIRCRAFT DEPARTURES
Philadelphia International Airport
Fiscal Years ended June 30

Fiscal Year	Passenger service *(a)* Annual	Passenger service *(a)* Average daily	Average seats per departure *(b)*	All-cargo service *(a)* Annual	All-cargo service *(a)* Average daily	Total annual departures *(a)*
1990	n.a.	n.a.	n.a.	n.a.	n.a.	182,000 *(c)*
1991	n.a.	n.a.	n.a.	n.a.	n.a.	191,000 *(c)*
1992	n.a.	n.a.	n.a.	n.a.	n.a.	176,000 *(c)*
1993	156,178	428	n.a.	6,216	17	162,394
1994	152,981	419	n.a.	8,649	24	161,630
1995	n.a.	n.a.	93.5	n.a.	n.a.	172,255
1996	153,402	420	96.0	11,384	31	164,786
1997	169,907	465	95.3	10,445	29	180,352
1998	188,377	516	97.7	11,020	30	199,397
1999	193,827	531	103.5	11,555	32	205,382
2000	191,215	524	105.0	12,110	33	203,325
2001	195,783	536	104.0	12,166	33	207,949
2002	185,733	509	104.7	11,582	32	197,315
2003	183,933	504	102.2	10,599	29	194,532
2004	189,298	519	104.8	9,757	27	199,055
2005	221,670	607	103.5	10,248	28	231,918
2006	256,863	704	99.1	9,962	27	266,825
2007	241,869	663	100.1	9,646	26	251,515
2008	216,276	593	99.0	9,330	26	225,606
First 6 months						
2008	108,252	588	99.9	4,732	26	112,984
2009	106,947	581	98.6	4,259	23	111,206

n.a. = not available.

(a) Source: City of Philadelphia, Division of Aviation.
(b) Official Airline Guides, Inc., database retrieved from BACK Aviation, November 2008.
(c) Estimated based on City of Philadelphia, Division of Aviation data.

Table 28

HISTORICAL LANDED WEIGHT
Philadelphia International Airport
Fiscal Years ended June 30

Fiscal Year	Landed weight (1,000-pound units)	Annual increase (decrease)
1990	15,653,000	
1991	15,796,000	0.9%
1992	15,727,000	(0.4)
1993	16,434,779	4.5
1994	16,243,757	(1.2)
1995	17,312,456	6.6
1996	16,731,664	(3.4)
1997	18,921,408	13.1
1998	20,378,678	7.7
1999	21,282,188	4.4
2000	21,830,907	2.6
2001	23,404,963	7.2
2002	22,652,408	(3.2)
2003	22,024,492	(2.8)
2004	22,288,280	1.2
2005	25,878,313	16.1
2006	24,832,815	(4.0)
2007	24,644,464	(0.8)
2008	23,823,664	(3.3)
First 6 months		
2008	12,130,817	
2009	11,656,282	(3.9)

Source: City of Philadelphia, Division of Aviation.

Table 29

AIRLINE SHARES OF LANDED WEIGHT
Philadelphia International Airport
Fiscal Years ended June 30
1,000-pound units

	FY 2001		FY 2003		FY 2007		FY 2008	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Domestic service								
Scheduled major								
US Airways (*a*)	10,833,463	46.3%	9,573,895	43.7%	6,994,525	28.4%	5,872,724	24.7%
Southwest	--	--	--	--	2,789,734	11.3	2,746,246	11.5
United	1,051,853	4.5	949,625	4.3	868,006	3.5	790,431	3.3
American	1,047,052	4.5	1,203,630	5.5	849,936	3.4	778,053	3.3
Delta	1,016,000	4.3	849,239	3.9	675,917	2.7	703,140	3.0
AirTran	306,173	1.3	385,512	1.8	724,080	2.9	614,560	2.6
Northwest	679,004	2.9	654,410	3.0	570,382	2.3	537,296	2.2
Continental	320,900	1.4	219,234	1.0	292,754	1.2	284,767	1.2
Midwest Express	88,670	0.4	63,772	0.3	119,032	0.5	106,316	0.4
Frontier	--	--	--	--	97,417	0.4	97,894	0.4
USA 3000	--	--	23,197	0.1	74,796	0.3	81,622	0.3
ATA	174,975	0.7	152,471	0.7	--	--	--	--
Other	541,461	2.3	39,996	0.2	--	--	--	--
Subtotal	16,059,551	68.6%	14,114,983	64.5%	14,056,579	57.0%	12,613,049	52.9%
Scheduled affiliates								
US Airways Express	1,517,723	6.5%	1,644,785	7.5%	4,408,290	17.9%	4,685,941	19.7%
Other	281,827	1.2	683,024	3.1	424,829	1.7	471,357	2.0
Subtotal	1,799,550	7.7%	2,327,808	10.6%	4,833,119	19.6%	5,157,298	21.7%
Nonscheduled domestic	93,233	0.4	17,283	0.1	7,349	0.0	4,554	0.0
Total domestic service	17,952,334	76.7%	16,460,074	75.2%	18,897,047	76.7%	17,774,901	74.7%
International service								
Scheduled								
US Airways	1,616,053	6.9%	1,831,763	8.4%	2,286,744	9.3%	2,609,614	11.0%
Other	856,076	3.7	819,400	3.7	721,204	2.9	726,628	3.0
Subtotal	2,472,129	10.6%	2,651,163	12.1%	3,007,948	12.2%	3,336,242	14.0%
Nonscheduled international	60,699	0.3	37,718	0.2	11,137	0.0	7,272	0.0
Total international service	2,532,828	10.8%	2,688,881	12.3%	3,019,085	12.3%	3,343,514	14.0%
Air cargo	2,919,801	12.5%	2,746,782	12.5%	2,728,332	11.1%	2,705,249	11.4%
Total	23,404,963	100.0%	21,895,738	100.0%	24,644,464	100.0%	23,823,664	100.0%

Note: Percentages may not add to totals shown because of rounding.

(*a*) America West merged with US Airways in September 2005. Data shown are for America West and US Airways combined.

Source: City of Philadelphia, Division of Aviation.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

Besides the economy of the Philadelphia Airport Service Region, discussed in the earlier section "Airport Service Region," key factors that will affect airline traffic at Philadelphia International Airport include:

- Economic and political conditions
- Aviation security concerns
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Capacity of the national air traffic control system
- Capacity of the Airport

Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger numbers during those years. Economic recession in 2008 and 2009, combined with reduced discretionary income and increased airfares, has again contributed to reduced air travel demand.

With the globalization of business and the increased importance of international trade and tourism, growth in the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, public health concerns, and hostilities are now important influences on passenger traffic at major U.S. airports. Sustained future increases both in domestic and international passenger traffic will depend on stable and peaceful international conditions and global economic growth.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the terrorist attacks in September 2001 were largely responsible for the steep decline in airline travel nationwide in 2002. In early 2003, safety concerns were again heightened by the beginning of hostilities in Iraq and the perceived threat of retaliatory terrorist attacks.

Since September 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), and more intensive screening of passengers and baggage. In the summer of 2006, the discovery of a plot to attack transatlantic flights with liquid explosives led to further changes in screening procedures.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks, hijackings, aircraft crashes, and international hostilities. Provided that intensified security precautions serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not security, factors.

Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly US Airways, to make the necessary investments to continue providing service.

The 1990-1991 economic recession, coupled with increased operating costs and security concerns during the Gulf War, generated then-record financial losses in the airline industry. Those losses put particular pressures on financially weak or highly indebted airlines, forcing many to seek bankruptcy protection, sell productive assets, lay off workers, reduce service, or discontinue operations in the early 1990s.

Between 1995 and 2000, the airline industry as a whole was profitable, but as a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry again experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately $40 billion.

To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. As discussed later in this section, US Airways twice filed for bankruptcy protection, in 2002 and 2004. In December 2002, United filed for bankruptcy protection (emerged in February 2006). In 2003, American avoided filing for bankruptcy protection after obtaining labor cost concessions from its employees and drastically reducing service at its St. Louis hub. In 2005, Delta eliminated its Dallas/Fort Worth hub, reduced service at its Cincinnati hub, and restructured its other airport operations. In September 2005, Delta filed for bankruptcy protection (emerged in April 2007). Also in September 2005, Northwest filed for bankruptcy protection (emerged in May 2007). Among smaller airlines, between 2003 and 2005, Hawaiian Airlines, ATA Airlines, Aloha Airlines, and Independence Air filed for Chapter 11 protection. (Of these airlines, only Hawaiian was still operating as of January 2009.)

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, but in mid-2008, as oil and aviation fuel prices increased to unprecedented levels, the industry confronted a profitability crisis. The industry responded by grounding older, less fuel-efficient aircraft, adopting fuel-saving operating practices, hedging their fuel requirements, reducing scheduled seat capacity, eliminating unprofitable routes, laying off employees, reducing employee compensation, reducing other non-fuel expenses, increasing airfares, and imposing other fees and charges. In the fourth quarter of 2008, U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10% compared with the fourth quarter of 2007.

Various industry analysts have suggested that further industrywide capacity reductions may be required to achieve equilibrium between seat supply and passenger demand at airfares adequate to achieve airline profitability. Several airlines, including US Airways, have announced additional capacity reductions for 2009. The combination of reduced seat capacity, increased airfares, and weak economic conditions is expected to lead to reduced passenger numbers at most airports in the near term.

Continuing losses could cause airlines to seek bankruptcy protection or liquidate. During 2008, Aloha, ATA, and Skybus Airlines, along with other small airlines, declared bankruptcy and ceased operations. Frontier Airlines filed for Chapter 11 protection in April 2008, but continues to operate. (Frontier continues to serve the Airport and has assumed its Airline Agreement in bankruptcy.) The liquidation of one or more of the large network airlines could drastically affect airline service at many connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns throughout the U.S. aviation system.

US Airways filed for Chapter 11 bankruptcy protection in August 2002 and emerged in March 2003. In early 2004, US Airways announced plans to lower and simplify fares, cut labor and other costs, and restructure its route network and flight operations to increase productivity but, after failure to achieve the sought cost savings, again filed for Chapter 11 protection in September 2004.

In November 2004, US Airways drastically reduced service at its Pittsburgh hub, rationalized its aircraft fleet, reduced leasing costs, and ratified agreements with its pilots, flight attendants, mechanics, and other employee groups to reduce labor costs. In February 2005, the U.S. Pension Benefit Guaranty Corporation assumed responsibility for the pensions of many US Airways employees. In September 2005, US Airways successfully emerged from bankruptcy protection with a much improved cost structure and simultaneously merged with America West.

Airline Service and Routes

The Airport serves both as a gateway to the Airport Service Region and as a connecting hub. The number of origin and destination passengers depends on the intrinsic attractiveness of the Region as a business and leisure destination and the propensity of its residents to travel. The number of connecting passengers, on the other hand, depends on the airline service provided at the Airport and at other airports.

Most major airlines have developed nationwide systems of hubs that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines at that airport and at competing hub airports.

As discussed in the earlier section, "Airport's Role in US Airways System," Philadelphia International Airport is an important connecting hub for US Airways. As a result, much of the passenger traffic at the Airport results from the route network and flight schedules of US Airways rather than the economy of the Airport Service Region. If US Airways were to reduce connecting service at the Airport, such flights would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others. The potential effects on passenger traffic of a drastic reduction in connecting airline service at the Airport, as might hypothetically result from the liquidation of the major hub airline, are discussed in the later section "Stress Test Forecast."

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. Price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by capacity and yield management; market presence, passenger demand, and other competitive factors; labor, fuel, and other airline operating costs; airline debt burden; and taxes, fees, and other charges assessed by governmental and airport agencies. Future passenger levels, both nationwide and at the Airport, will depend in part on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines was reduced from 14.9 to 12.7 cents per passenger-mile. In 2006 and 2007, airlines reduced capacity and were able to sustain fare increases, industrywide yields increased, to an average of 13.8 cents per passenger-mile. By mid-2008 yields had increased further, to 16.2 cents per passenger-mile. The ability of airlines to continue to increase and rationalize fares while controlling seat capacity is seen as key to the industry regaining and sustaining profitability.

In many airline travel markets nationwide, price competition is provided by new entrant and other airlines with lower cost structures. In Philadelphia, AirTran, Frontier, Southwest, and USA 3000 provide such competition in many travel markets. As US Airways and other network airlines have restructured their operations and reduced costs, they have enhanced their ability to compete on price with the low-cost airlines.

Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United and US Airways were proposed but rejected by the U.S. DOT as a result of concerns about reduced airline competition. As already discussed, in September 2005, US Airways and America West merged. In November 2006, the new US Airways proposed a merger with Delta while the latter was in bankruptcy, but Delta's management and creditors rejected the hostile merger proposal. In October 2008, Delta and Northwest merged. Various other merger combinations involving American, Continental, United, and US Airways were rumored in early 2008, but in an environment of uncertain fuel prices and weak demand, none are expected to be pursued in the near term. In the longer term, further airline consolidation is possible and could change airline service patterns, particularly at the connecting hub airports of the merging airlines.

Alliances provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. As discussed in the earlier section "Star Alliance," in May 2004, US Airways joined the United-led Star Alliance. In June 2008, Continental announced its intention to leave the Delta-led SkyTeam Alliance and join the Star Alliance during 2009.

Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainties. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in Nigeria and other oil-producing countries; the rapidly growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest item of expense for most airlines. In the second half of 2008, oil prices fell precipitously as demand was reduced worldwide.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term. However, there is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

While aviation fuel prices have not affected the ability of airlines to provide service, fluctuating prices will affect airline service, airfares, and passenger numbers. Airline operating economics are also likely be affected as regulatory costs are imposed on the airline industry to account for aircraft emissions contributing to global climate change.

Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The Federal Aviation Administration (FAA) is implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance, and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. After 2001, air traffic delays decreased as a result of reduced numbers of aircraft operations but, as nationwide demand has since increased, flight delays and restrictions have again been experienced.

Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at Philadelphia International Airport will depend on the provision of increased capacity at the Airport itself.

Recent and planned terminal projects, including the completion of Terminal F (38 regional airline aircraft gates in 2001), the completion of Terminal A-West (13 aircraft gates in 2003), the expansion of Terminal D (3 aircraft gates in 2003), and the expansion of Terminals D and E (3 aircraft gates to be completed in 2009) will provide the terminal capacity to allow near-term increases in airline service and passengers.

In a report on the capacity needs of the national airspace system released by the FAA in May 2007, the Airport was identified as one of six U.S. airports that will need additional airfield capacity. Improvements being implemented to enhance airfield capacity in the near term include the construction of high-speed exit taxiways, the installation and use of upgraded navigational aids to allow the simultaneous use of Runways 8-26 and 9R-27L for aircraft arrivals in poor visibility, and the recently completed extension of Runway 17-35. To meet longer-term airfield capacity needs, the City is considering various plans for runway reconfiguration and reconstruction as part of an update to the Airport Master Plan and associated FAA process to prepare an Environmental Impact Statement (EIS).

FORECAST AIRLINE TRAFFIC

Forecasts of airline traffic at the Airport through FY 2013 were developed taking into account analyses of the economic basis for airline traffic, trends in historical traffic, and key factors likely to affect future traffic, all as discussed in earlier sections. Forecasts recently prepared for the Airport Master Plan update and forecasts prepared by the FAA for the Airport were also taken into account.

In developing the forecasts, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of growth in the economy of the Airport Service Region and continued airline competition. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, limitations in airline fleet capacity, limitations in the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

Two passenger forecasts were developed, a "base" forecast and a "stress test" forecast, as presented in Table 30 and Figure 11.

The numbers of enplaned passengers in FY 2009 (15.5 million, a 3.4% decrease from FY 2008) and FY 2010 (15.2 million, a 1.9% decrease from FY 2009), were estimated on the basis of actual data for the 6 months July through December 2008, published future flight schedules for the Airport, and airline industry guidance regarding reductions in seat capacity.

As noted in the earlier section "Financial Health of the Airline Industry," beginning in mid-2008, most U.S. airlines, among them US Airways, announced reductions in capacity to apply in late 2008 and 2009. The capacity reductions in the fourth quarter of 2008 coincided with a drop in passenger demand as the severity of the national economic recession became clear. In guidance to investors provided in January 2009, US Airways stated that, for calendar year 2009, it expects system-wide mainline seat capacity to be down 4% to 6% and US Airways Express capacity to be down 5% to 7%. For January through March 2009, the seat capacity of US Airways (mainline and Express together) at the Airport was down 6.0%, consistent with the system-wide guidance.

For the purposes of the passenger forecast, it was assumed that the national economic recession will negatively affect air travel demand and airline seat capacity at the Airport through the end of calendar year 2009.

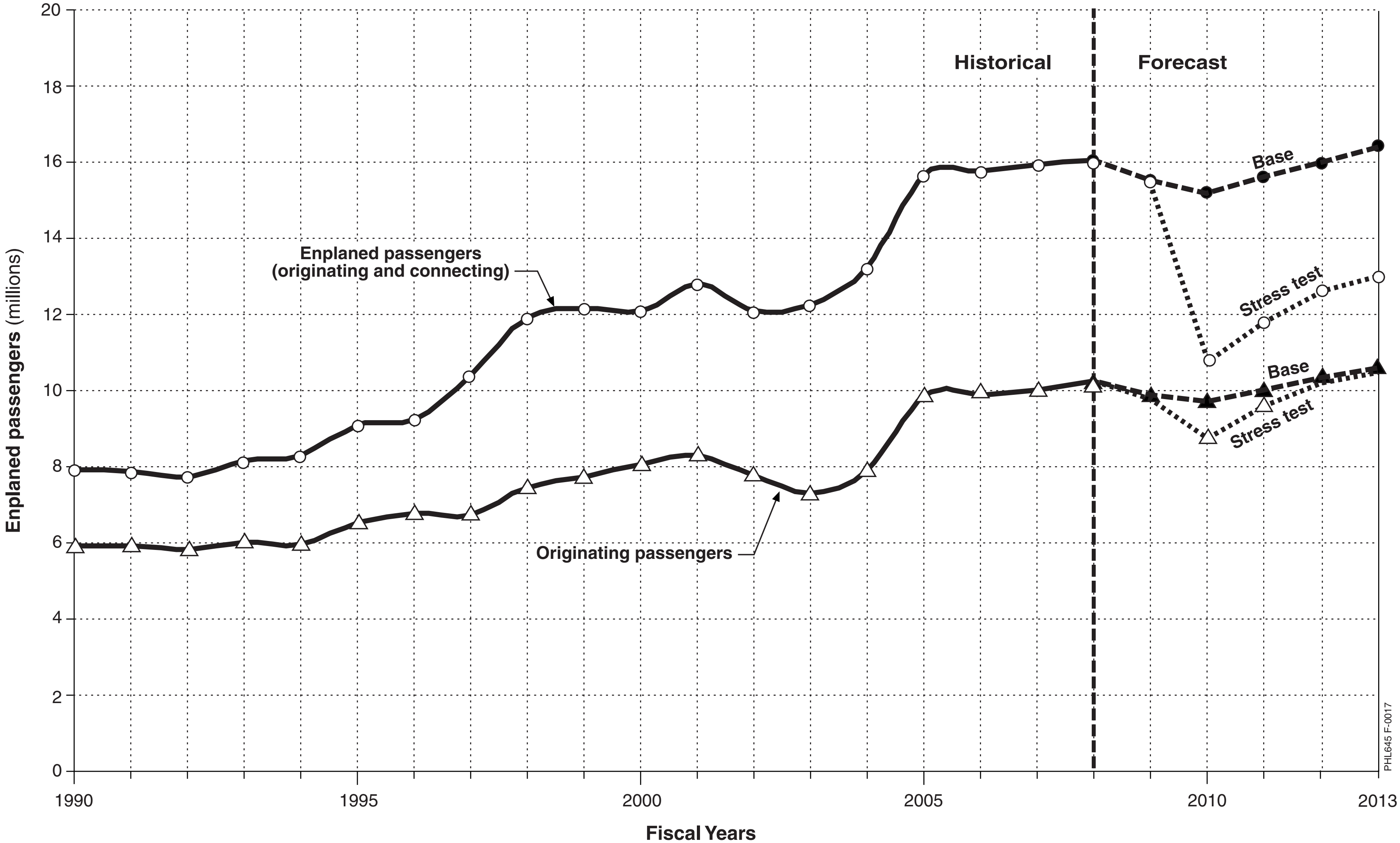
Table 30

AIRLINE TRAFFIC FORECASTS
Philadelphia International Airport
For Fiscal Years ending June 30

The forecasts presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

	Historical						Forecast					Average annual increase
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2008-2013
Base Forecast												
Enplaned passengers												
Domestic	10,519,234	11,149,952	13,427,191	13,563,540	13,864,842	13,971,056	13,500,000	13,200,000	13,500,000	13,800,000	14,100,000	0.2%
International	1,617,391	1,938,821	2,063,378	2,011,457	1,986,849	2,081,917	2,000,000	2,000,000	2,100,000	2,200,000	2,300,000	2.0
Total	12,136,625	13,088,773	15,490,569	15,574,997	15,851,691	16,052,973	15,500,000	15,200,000	15,600,000	16,000,000	16,400,000	0.4%
Annual increase (decrease)	1.1%	7.8%	18.4%	0.5%	1.8%	1.3%	(3.4%)	(1.9%)	2.6%	2.6%	2.5%	
Originating	7,280,000	7,900,000	9,770,000	9,890,000	10,000,000	10,250,000	9,900,000	9,700,000	10,000,000	10,300,000	10,600,000	0.7%
Connecting	4,856,625	5,188,773	5,720,569	5,684,997	5,851,691	5,802,973	5,600,000	5,500,000	5,600,000	5,700,000	5,800,000	0.0
Total	12,136,625	13,088,773	15,490,569	15,574,997	15,851,691	16,052,973	15,500,000	15,200,000	15,600,000	16,000,000	16,400,000	0.4%
Percent originating	60.0%	60.4%	63.1%	63.5%	63.1%	63.9%	63.9%	63.8%	64.1%	64.4%	64.6%	
Landed weight (1,000-pound units)	22,024,492	22,288,280	25,878,313	24,832,815	24,644,464	23,823,664	22,900,000	22,600,000	23,400,000	24,200,000	24,900,000	0.9%
Stress Test Forecast												
Enplaned passengers												
Domestic							13,500,000	10,000,000	10,960,000	11,720,000	12,080,000	
International							2,000,000	800,000	840,000	880,000	920,000	
Total							15,500,000	10,800,000	11,800,000	12,600,000	13,000,000	
Domestic							9,900,000	8,700,000	9,600,000	10,300,000	10,600,000	
International							5,600,000	2,100,000	2,200,000	2,300,000	2,400,000	
Total							15,500,000	10,800,000	11,800,000	12,600,000	13,000,000	
Percent originating							63.9%	80.6%	81.4%	81.7%	81.5%	
Stress test forecast as percent of base forecast							100.0%	71.1%	75.6%	78.8%	79.3%	
Landed weight (1,000-pound units)							22,900,000	16,100,000	17,700,000	19,000,000	19,800,000	

Sources: Historical: City of Philadelphia, Division of Aviation.
Forecast: Jacobs Consultancy, January 2009.



The forecasts presented in this figure were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecast and actual results, and those differences may be material.

Sources: Historical—City of Philadelphia, Division of Aviation.
Forecast—Jacobs Consultancy, January 2009.

Figure 11

HISTORICAL AND FORECAST ENPLANED PASSENGERS

Philadelphia International Airport

January 2009

JACOBS CONSULTANCY

Thereafter (beginning in mid-FY 2010), airline traffic was forecast to increase on the basis of the following assumptions:

1. The U.S. economy will recover from the recession and experience sustained growth in gross domestic product averaging between 2.0% and 2.5% per year.

2. The economy of the Airport Service Region will increase at a rate somewhat lower than that of the United States as a whole.

3. The airlines serving the Airport will be financially viable and able to add the seat capacity required to accommodate additional demand.

4. Competition among airlines serving the Airport will ensure the continued availability of competitive airfares.

5. A generally stable international political environment and enhanced passenger and baggage screening procedures will maintain airline traveler confidence in aviation security without imposing unreasonable inconveniences.

6. There will be no major disruption of airline service or travel behavior as a result of international hostilities or terrorist acts or threats.

7. No significant competitive airline service will be provided at airports serving the Airport Service Region, such as those in Allentown, Atlantic City, and Harrisburg.

8. The Airport will continue to be a major gateway and distribution center for UPS Air Cargo and landed weight by the all-cargo aircraft will increase in line with growth in the economy of the Airport Service Region.

9. Improvements being implemented to enhance airspace and airfield capacity will be effective in allowing delays to be kept to acceptable levels.

Base Forecast

For the base forecast, it was assumed that US Airways will continue to develop the Airport as a primary Northeast connecting hub and international gateway and gradually increase the number of destinations served and the frequency of flights from the Airport. Other mainline airlines were assumed to continue to provide competitive nonstop service in large travel markets.

Overall, the number of enplaned passengers is forecast to increase slightly from 16.1 million in FY 2008 to 16.4 million in FY 2013. The percentage of enplaned passengers originating their journeys at the Airport is forecast to be approximately 65% in FY 2013.

The number of passengers forecast for FY 2013 is similar to the number forecast by the FAA in its most recent *Terminal Area Forecast* (approximately 17 million) and near the low end of the range forecast for the Airport Master Plan (approximately 15 million).

Stress Test Forecast

The stress test passenger forecast was developed to provide the basis to test the Airport's projected financial results under a scenario that could hypothetically arise either (1) if, following a merger between US Airways and another airline, the Airport's role in the combined airlines' route network were to be drastically reduced, or (2) perhaps following an unsuccessful merger attempt, US Airways were to be forced into bankruptcy and liquidation. For the purposes of this hypothetical stress test scenario, US Airways was assumed to dramatically reduce service at the Airport effective July 2009 (the beginning of FY 2010). Replacement service by other airlines was then assumed to be introduced over the two years FY 2010 and FY 2011.

Specifically, it was assumed that:

- Other network airlines would gradually increase service to meet originating passenger demand, largely through their connecting hub airports, but no mainline airline would operate a Philadelphia connecting hub comparable to the US Airways operation.

- The Airport would continue to be a connecting point for regional flights, much as it was before the US Airways buildup in the mid-1990s, but the Airport's importance as a national connecting point would be much reduced. Long-haul service at the Airport would be reduced to a level commensurate with originating passenger demand.

- Low-fare airlines such as AirTran and Southwest would provide additional service in selected travel markets at competitive airfares, stimulating air travel demand.

- Some international routes to Europe and the Caribbean would be served by other U.S. flag airlines, but most international passenger traffic would be carried by foreign-flag airlines.

In FY 2013, the number of enplaned passengers is forecast to be 79% of the number in the base forecast, the number of originating passengers is forecast to be the same, the number of connecting passenger is forecast to be 41% of the base forecast number, and the number of international passengers is forecast to be 40% of the base forecast number. The percentage of enplaned passengers originating their air journeys at the Airport is forecast to be approximately 82% in FY 2013.

Landed Weight

For the base forecast, aircraft landed weight is forecast to increase from 23.8 million 1,000-pound units in FY 2008 to 24.9 million 1,000-pound units in FY 2013. The forecast growth in landed weight is slightly higher than that for enplaned passengers, reflecting an assumed increase in the average size of aircraft in use at the Airport. Corresponding assumptions were made for the stress test forecast, producing a forecast of 19.8 million 1,000-pound units in FY 2013.

FINANCIAL ANALYSIS

FRAMEWORK FOR FINANCIAL OPERATIONS

Philadelphia International Airport is owned by the City of Philadelphia and operated by the Division of Aviation as a self-supporting enterprise fund of the City under the direction of the Director of Aviation. The Airport, together with Northeast Philadelphia Airport, comprise the Airport System. The Airport is operated with a staff of approximately 1,100 City employees (including police and fire protection employees). Certain accounting, budgeting, bond financing, treasury, and other financial functions are accomplished through the City's Office of the Director of Finance. Airport funds are held in separate Division of Aviation accounts.

General Ordinance

The financial operations of the Airport System are governed by the provisions of the 1995 Amended and Restated General Airport Revenue Bond Ordinance, as amended and supplemented (the General Ordinance). In Section 5.01 (the Rate Covenant) of the General Ordinance, the City covenants that it will impose rentals, charges, and fees as required to ensure that all operating and maintenance expenses and debt service requirements of the Airport System are met. The letter at the beginning of this report describes the provisions of the Rate Covenant.

Through FY 2007, parking revenues and other revenues generated by or allocable to the Outside Terminal Area (OTA) cost center were excluded from Project Revenues. Effective July 1, 2007, all such OTA revenues are pledged as Project Revenues. Accordingly, beginning in FY 2008, all revenues generated by the OTA cost center are included in Project Revenues and all operating expenses and debt service requirements allocable to the OTA cost center are deducted in the calculation of net Amounts Available for Debt Service.

Airline Agreement

A long-term agreement between the City and the airlines serving the Airport expired at the end of FY 2006. During FY 2007, all airlines serving the Airport operated under the terms of a successor use and lease agreement (the Airline Agreement) with regard to the setting of rentals, fees, and charges. The new Airline Agreement became fully effective as of the beginning of FY 2008. Airlines accounting for substantially all the landed weight at the Airport (the Signatory Airlines) have executed the Airline Agreement.

The Airline Agreement establishes a cost center approach for calculating and adjusting Signatory Airline rentals, fees, and charges for the occupancy and use of Airport facilities, as described in the later section "Airline Revenues." The procedures for the annual adjustment of rentals, fees, and charges established by the Airline Agreement are such as to ensure continued compliance with the Rate Covenant.

The Airline Agreement extends through FY 2011. For the forecasts in this report, it was assumed that the provisions of the Airline Agreement regarding the setting of airline rentals, fees, and charges will remain in effect through the forecast period ending FY 2013.

PLANNED 2010 PROJECT

The City plans to undertake projects during the forecast period to be financed with the proceeds of additional Bonds, as well as pay-as-you-go PFC Revenues, federal grants, and other City funds. For the purposes of this report, it was assumed that the City will issue additional Bonds in April 2010 to finance a portion of the costs of Airport capital improvements, as shown on Exhibit A.

The City has not made any commitment to issue the 2010 Bonds. Issuance of the 2010 Bonds would be subject to, among other requirements, obtaining MII approval from the Signatory Airlines and meeting the Additional Bonds Test requirements of the General Ordinance. The elements of the 2010 Project are described in the following sections.

Terminal F Expansion and Renovation

Terminal F, which accommodates the operations of US Airways Express, will be expanded and renovated to provide additional facilities for the processing of passengers and baggage and airline operations. The project will entail the reconfiguration of the terminal and the addition of approximately 80,000 square feet of space to the existing 205,000 square feet. The elements of the project which continue to be evaluated are:

- A new baggage claim building at the arrivals roadway providing three claim devices to replace the two existing devices in the terminal at the departures roadway. The new building will be connected to the terminal by baggage conveyors in a bridge over the departures roadway.
- An enlarged and reconfigured outbound baggage system incorporating explosives detection system (EDS) equipment "in line" with the baggage system. (Baggage is currently screened manually in the check-in lobby.)
- Reconfiguration of the landside area of the terminal to accommodate relocated check-in counters, kiosks, and passenger service facilities.
- Enlarged passenger holdrooms and concession areas in the airside area of the terminal.
- Enlarged club room, crew lounge, and other airline operations facilities for US Airways.

- Corridor linking the airside areas of Terminals F and E to allow passengers to move between all Airport terminals without having to leave the secure areas and be rescreened.

- Infrastructure to meet associated increased needs for heating, air conditioning, electrical power, and other utilities.

The design of these improvements was financed with the proceeds of the City's Airport Revenue Bonds, Series 2007 (the 2007 Bonds).

Planned completion: 2012

Terminals B-C Baggage System

The outbound baggage systems serving Terminals B and C, used by US Airways, will be enlarged and reconfigured to expedite the screening and movement of baggage. The project will allow the installation of EDS machines in-line with the baggage handling systems. (Baggage is currently screened manually.)

The design of these improvements was financed with the proceeds of the 2007 Bonds.

Planned completion: 2012

Eastside and Westside Taxiways

New taxiways and taxiway connectors will be constructed and existing taxiways will be extended. The taxiways will expedite aircraft movement between the terminal complex and the runways in east and west flow operations, as well as improving access to the cargo aprons and deicing facility.

Planned completion: 2012

Runway 9L-27R Resurfacing and Navaids

Runway 9L-27R and adjacent taxiways will be resurfaced and associated lighting systems will be upgraded. Approach and touchdown lighting systems and other air navigation aids (navaids) serving Runway 9L-27R will be upgraded to allow Category II/III operations. These upgrades will make Runway 9L-27R the second runway at the Airport with Category II/III capability and provide increased landing capacity during adverse conditions.

Planned completion: 2011

Airport Maintenance Facility

A consolidated Airport maintenance facility will be constructed to replace equipment maintenance buildings, fueling stations, and vehicle storage facilities now located at several sites.

Planned completion: 2012

Property Acquisition

Three parcels of land immediately west of and adjacent to the Airport, totaling approximately 138 acres, will be acquired to provide land for the development or relocation of aviation support facilities to accommodate future Airport traffic.

Planned completion: 2010

FUTURE PROJECTS

The longer-term capital program for the Airport is being refined and updated as part of the Master Plan process and is expected to include a comprehensive airfield capacity enhancement program involving the extension of existing runways, the construction of new runways, and the relocation of Airport facilities. The funding of this longer-term capital program will require the issuance of additional Bonds. The City expects that most of the debt service requirements of such future Bonds will not be payable from Airport revenues until after the forecast period covered by this report. Accordingly, no debt service requirements are included in the forecasts beyond those estimated for the proposed 2009 Refunding Bonds and planned 2010 Bonds.

NON-BOND SOURCES OF FUNDS

Passenger Facility Charge Revenues

The City has, since September 1992, been authorized by the Federal Aviation Administration (FAA) to impose a PFC on eligible passengers enplaned at the Airport and to use PFC revenues to pay the costs of various FAA-approved projects. The PFC was initially $3.00 per passenger and, effective April 2001, was increased to $4.50 per passenger. The City has authority from the FAA to impose the PFC through September 2017, and to collect PFC revenues, inclusive of investment earnings, of approximately $1.4 billion.

As described in the letter at the beginning of this report, the City is authorized to use PFC revenues to pay a portion of the debt service requirements of certain Bonds and has pledged or may pledge PFC revenues equal to 100% of the annual amount of PFC-eligible debt service on such Bonds, subject to the limitation that in no year may the amount pledged exceed the lesser of (1) 70% of PFC revenues received by the City in such year, or (2) 75% of total debt service on the Bonds in such year.

As shown in Exhibit A, the City expects to pay $25.0 million of the costs of the 2010 Project from PFC revenues.

Through December 31, 2008, PFC revenues received by the City, including investment earnings, totaled $707.2 million, of which $616.6 million had been expended on project and financing costs for approved projects.

Grants-in-Aid

The City receives federal grants-in-aid for Airport capital projects under the FAA's Airport Improvement Program (AIP). The amounts of AIP entitlement grants are calculated as a function of the number of passengers and amount of cargo enplaned at the Airport. AIP discretionary grants are awarded for specific projects at the discretion of the FAA.

In FY 2008, the City received $5.1 million in AIP entitlement grants, and $16.2 million in AIP discretionary grants, for a total of $21.3 million.

For the estimated AIP grants shown in Exhibit A for the planned 2010 Project, it was assumed that AIP entitlement amounts will continue to be determined using the current calculation methodology and that additional AIP discretionary funding will be received. As shown, the City estimates that it will receive a total of $45.0 million in AIP grant funding for certain elements of the 2010 Project, specifically taxiway and Runway 9L-27R resurfacing projects.

In addition, the City estimates that it will receive $25.0 million in grants from the Transportation Security Administration (TSA) for payment of certain of the costs of the Terminals B-C baggage system.

If such AIP and TSA grants are not received in the amounts assumed, the City would use Airport discretionary funds, defer projects, or issue additional 2010 Bonds.

In recent years, the City has also received airport improvement grants from the Pennsylvania Department of Transportation (PennDOT). No PennDOT grants are expected to be available for payment of 2010 Project costs.

REVENUE BOND FINANCING

Exhibit B presents a summary of the estimated sources and uses of funds for the proposed 2009 Refunding Bonds and planned 2010 Bonds as provided by Citi, the City's underwriter.

2009 Refunding Bonds

The 2009 Refunding Bonds are being issued to effect a current refunding of all outstanding 2005B Bonds.

The estimated source of funds for the 2009 refunding program are the proceeds from the sale of the 2009 Refunding Bonds inclusive of any reoffering premiums. The estimated uses of funds are (1) Sinking Fund deposits in order to refund the 2005B Bonds, (2) Sinking Fund Reserve deposits, and (3) payment of underwriters' discount, financing, legal, bond insurance, and other issuance expenses.

Planned 2010 Bonds

The estimated sources of funds for the 2010 Bonds are the proceeds from the sale of the 2010 Bonds inclusive of any reoffering premiums. For the purposes of this report, no investment earnings during construction on amounts in the Construction Fund or the Sinking Fund were assumed.

The estimated uses of funds are (1) payment of 2010 Project costs, (2) Sinking Fund Reserve deposits, (3) a deposit to the Sinking Fund to pay interest on the 2010 Bonds during construction (capitalized interest), and (4) payment of underwriters' discount, financing, legal, bond insurance, and other issuance expenses. Interest was assumed to be capitalized for the elements of the 2010 Project through the construction dates noted in the earlier section "2010 Project."

DEBT SERVICE REQUIREMENTS

Exhibit C presents historical and forecast debt service requirements of Airport Revenue Bonds and General Obligation Bonds issued for Airport System improvements. (All General Obligation Bonds were retired in FY 2005.) Financing assumptions for the proposed 2009 Refunding Bonds and planned 2010 Bonds, as provided by Citi, the City's underwriter, are summarized as follows:

	2009 Refunding Bonds	Planned 2010 Bonds
Interest rate:	6.09%	6.41%
Principal amortization period:	20 years	30 years

The 2009 Refunding Bonds and 2010 Bonds were assumed to be issued at fixed interest rates.

HISTORICAL FINANCIAL STATEMENTS

Table 31 presents a summary of historical revenues and expenses for the Airport System. The Division of Aviation's accounts are maintained, in accordance with the requirements of the General Ordinance and the Airline Agreement, on an accrual basis and recognize as expenses (1) principal and sinking fund payments on Airport Revenue Bonds and (2) equipment purchases and other capital outlays funded from operating funds. The statements reconcile to the basic financial statements contained in the City's Comprehensive Annual Financial Report, which are prepared on the basis of generally accepted accounting principles and are audited by the Office of the City Controller.

OPERATING EXPENSES

Exhibit D presents historical and forecast operating expenses (Division of Aviation operating expenses and interdepartmental charges). Division of Aviation operating expenses allocable to Project cost centers are defined in the General Ordinance as Net Operating Expenses. Division of Aviation operating expenses and interdepartmental charges allocable to Project cost centers are together defined in the General Ordinance as Operating Expenses. Exhibit D presents the allocation of operating expenses to Project cost centers and City cost centers for FY 2005 through FY 2007. Beginning in FY 2008, with the redefinition of the OTA cost center as a Project cost center, Operating Expenses comprise all operating expenses of the Airport.

Individual components of Airport Operating Expenses were forecast taking into account actual FY 2008 and budgeted FY 2009 expenses; assumed increases in unit costs as a result of inflation; forecast aircraft and passenger activity; planned facility development; and other assumptions about Airport operations. The unit costs of most salaries, wages, fringe benefits, materials, supplies, and services were assumed to increase an average of 3.0% per year.

PROJECT REVENUES

Exhibit E presents historical and forecast Project Revenues and other Airport System revenues. Under the provisions of the General Ordinance, all Project Revenues remaining after the payment of Net Operating Expenses are to be available to pay debt service on outstanding Airport Revenue Bonds.

Project Revenues comprise (1) rentals, fees, and charges paid by the Signatory Airlines and international and charter airlines (referred to as airline revenues) and (2) terminal building concession fees, space rentals, and other payments from Airport tenants and users other than the Signatory Airlines (referred to as nonairline revenues). In FY 2008, airline revenues (excluding amounts credited to account for an excess of actual over required payments) totaled $138.5 million, 52% of Project Revenues. Nonairline revenues totaled $127.2 million, 48% of Project Revenues.

Table 31

STATEMENT OF HISTORICAL REVENUES AND EXPENSES

Philadelphia International Airport

For Fiscal Years ended June 30

	2006	2007	2008
Revenues from Project cost centers			
Prior year's credit to Signatory Airlines	$ 19,162,104	$ 9,621,309	$(12,484,691)
Airline Revenue Allocation	--	--	6,667,238
Airline rentals, fees, and charges			
Landing Fees	$ 29,621,995	$ 25,845,374	$ 44,596,722
Terminal space rentals	47,946,944	55,929,401	75,420,248
Terminal Payments-in-Aid	9,718,638	--	--
Units D and E Baggage Tunnel rentals	--	--	--
Ramp Area rentals	1,128,203	284,582	799,971
OTA Payments-in-Aid	--	--	--
International and charter airline charges	16,500,586	15,369,736	17,722,494
	$104,916,366	$ 97,429,093	$138,539,435
Nonairline revenues			
Terminal Building	$ 51,339,487	$ 56,199,785	$57,746,341
Outside Terminal Area	--	--	42,649,053
Airfield Area	22,713,973	22,928,903	8,934,078
Cargo City	6,601,812	6,619,282	--
Other Areas	2,396,317	3,011,539	--
Other Buildings and Areas	--	--	8,970,853
Northeast Philadelphia Airport	2,659,633	2,931,513	2,453,744
Ramp Area	180,405	6,085	63,800
Administration	19,904	26,777	308,983
	$ 85,911,531	$ 91,723,884	$121,126,852
Distribution of International Terminal Net Revenue	418,349	--	--
Less: Airline Revenue Allocation	$ --	$ --	$ (2,125,868)
Less: Signatory Airlines revenues deferred to subsequent year	(9,621,309)	12,484,691	(1,178,510)
Total Project Revenues	$200,787,041	$211,258,977	$250,544,456
Revenues from City cost centers			
Revenues deferred from prior years	$ (148,596)	$ (226,924)	$ --
Outside Terminal Area	38,217,840	41,711,003	--
OTA Payments-in-Aid	--	--	--
Overseas Terminal	194,084	398,055	--
International and charter airline charges	--	--	--
Less: Revenues deferred to subsequent year	226,924	--	--
Total revenues from City cost centers	$ 38,490,252	$ 41,882,134	$ --
Total Airport System revenues	$239,277,293	$253,141,111	$250,544,456
Airport System expenses			
Division of Aviation operating expenses	$ 92,295,186	$ 97,097,250	$99,820,432
Interdepartmental charges	67,898,564	82,065,616	89,135,556
	$160,193,750	$179,162,866	$188,955,988
Debt service			
Airport Revenue Bonds	$ 88,221,319	$ 85,694,410	$ 84,528,544
Less: PFC revenues	(32,591,618)	(32,920,891)	(32,925,675)
Less: interest income credit	(95,586)	(129,751)	(140,269)
General Obligation Bonds	--	--	--
Total Airport System expenses	$215,727,865	$231,806,634	$240,418,588
Excess of revenues over expenses	$ 23,549,428	$ 21,334,477	$ 10,125,868
Disposition of excess revenues (deficit)			
Deposit to O&M Account	$ 10,000,000	$ 1,000,000	1,000,000
Airline Revenue Allocation (OTA net revenues)	6,654,286	6,667,238	--
Transfer to Discretionary Amount (OTA net revenues)	6,654,286	13,667,239	9,125,868
Retained in Aviation Fund	240,856	--	--
	$ 23,549,428	$ 21,334,477	$ 10,125,868

Source: City of Philadelphia, Division of Aviation.

Individual components of Project Revenues shown in Exhibit E were forecast taking into account historical and budgeted FY 2009 revenues; the provisions of the Airline Agreement; and the provisions of various leases and agreements between the City and other Airport tenants and users. Revenues from sources related to passengers, such as concession revenues, were forecast to increase as a function of forecast increases in enplaned passengers and allowances for price inflation, assumed at 2.5% per year. Interest income was forecast assuming an average interest rate of 2.0%.

AIRLINE REVENUES

The Airline Agreement establishes a cost center approach for calculating and adjusting airline rentals, fees, and charges for the occupancy and use of Airport facilities. Cost centers directly supported by airline rentals, fees, and charges are as follows:

Project cost center	Airline rentals, fees, and charges
Terminal Building	Terminal Building Rentals and International Common Use Area Fees
Ramp Area	Ramp Area rentals
Airfield Area	Landing fees
Other Buildings and Areas	Landing fees
Northeast Philadelphia Airport	Landing fees

Terminal Building Space Rentals and International Common Use Area Fees

Exhibit E-1 presents the calculation of required Signatory Airline revenue in the Terminal Building cost center. Terminal Building Rentals and International Common Use Area Fees are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Terminal Building are recovered according to a cost-center residual rate calculation methodology. Fund requirements, as specified in the Airline Agreement, include those amounts required to maintain balances in the Bond Redemption and Improvement Account and O&M (operating and maintenance) Account.

For use of the international terminal facilities, the City collects from the airlines Federal Inspection Services (FIS) Area charges, departure and arrival gate use fees, and space rentals for leased areas (collectively, International Common Use Area Fees). The FIS Area includes space for customs, border protection, and immigration inspection offices; inbound baggage and international baggage claim facilities; and a pro rata share of public space. FIS Area charges are calculated by dividing the total cost (debt service and operating expenses) of FIS space by the number of deplaning passengers using the FIS facilities.

Ramp Area Rentals

Exhibit E-2 presents the calculation of rentals for the Ramp Area, the aircraft parking apron area adjacent to the Terminal Building. Two percent of the operating costs of the Airfield Area are allocated to the Ramp Area and included in the calculation of Ramp Area Rentals. Ramp Area Rentals are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Ramp Area are recovered according to a modified cost-center residual rate calculation methodology.

Landing Fees

Exhibit E-3 presents the calculation of Signatory Airline Landing Fees required to recover the net costs of the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers. Landing Fees are calculated according to a multiple cost-center residual methodology whereby the requirement is calculated by summing all estimated debt service requirements, operating expenses, and fund requirements allocable to the three cost centers and deducting (1) all estimated revenues for the three cost centers from sources other than Landing Fees, (2) any Airline Revenue Allocation, equal to 50% of any net revenues of the OTA cost center in excess of $7.0 million from the prior Fiscal Year, and (3) 2% of the operating costs of the Airfield Area included in Ramp Area Rentals. The residual amount is divided by the landed weight of the Signatory Airlines to derive the required airline Landing Fee rate per 1,000 pounds of landed weight.

Airline Payments per Enplaned Passenger

Exhibit E shows historical and forecast passenger airline payments expressed per enplaned passenger. The forecasts were prepared on the assumption that the terms of the new Airline Agreement relating to the calculation of airline rentals, fees, and charges will extend through the forecast period and that the Signatory Airlines collectively will make all payments required by such terms.

NONAIRLINE REVENUES

The principal sources of nonairline revenues are Terminal Building concession revenues, rental car revenues, ground transportation revenues, Terminal Building space rentals, and landing fees paid by nonsignatory airlines; Other Buildings and Areas rentals and fees; and revenues from Northeast Philadelphia Airport.

Master Concession Agreement

In December 1994, the City executed a management agreement with MarketPlace Redwood that was amended and restated in January 2001 and extends through FY 2013. The agreement covers the development and management of approximately 115,000 square feet of public food, beverage, and retail concession space in the passenger terminals.

Revenues received by the City from MarketPlace Redwood consist of a minimum annual guarantee plus a graduated profit sharing amount. The minimum annual guarantee is calculated on the basis of the number of enplaned passengers in Terminals A East through E, ranging up to $0.71 per enplaned passenger over

11 million. The profit sharing amount is calculated for food, beverage, duty free, and retail gross sales as a percentage according to a graduated scale. In FY 2008, the City received $6,493,355 as the minimum annual guarantee and $8,728,337 in profit sharing, for a total of $15,221,691.

Food and Beverage. Food and beverage outlets in the terminals, accounting for approximately 55,000 square feet, are managed by MarketPlace Redwood and operated by a variety of concessionaires. In FY 2008, food and beverage gross sales were $79,096,063, or $4.93 per enplaned passenger.

Retail Merchandise. News, gift, and specialty retail merchandise outlets, accounting for approximately 51,000 square feet, are managed by MarketPlace Redwood and operated by a variety of concessionaires. In FY 2008, retail gross sales were $60,777,236, or $3.79 per enplaned passenger.

Duty Free. The duty free concession is managed by MarketPlace Redwood and operated by ISATA under a separate agreement that extends through FY 2010. Four duty free locations in Terminal A West, Terminal A East, and Terminal C occupy approximately 5,000 square feet and, in FY 2008, generated gross sales of $9,861,826, or $4.74 per enplaned international passenger.

Other Concessions and Services

Under agreements that expire in May 2010, Clear Channel Airports manages the advertising program in all terminals. For Terminal A West and Terminal F, the City receives the greater of 75% of gross advertising revenues or an annual guarantee of $250,000. For the other terminals, the City receives 60% of gross advertising revenues or an annual guarantee of $2,150,000. In FY 2008, advertising revenues received by the City totaled $2,958,399.

The City receives revenues from public telephones under an agreement with Global TelLink that expired in September 2007. Under the agreement, the City received 42% of gross revenues or a minimum annual guarantee of 50% of the previous year's payment. Such revenues totaled $293,757 in FY 2008. The City is renegotiating the public telephone concessions contract, and expects public telephone revenues to remain at approximately current levels.

AAT Communications has an agreement with the City that expires in August 2011 to license wireless internet access in all terminals. AT&T provides the wireless internet service through a sublicense agreement. Under the license agreement the City receives 50% of gross wireless internet revenues.

Other concessions and passenger services from which the City derives revenues include check cashing, ATMs, phone cards, shoe shines, currency exchange, post offices, baggage carts, and vending machines. In FY 2008, the City received $427,639 in revenues from wireless internet and other concessions and services. Several initiatives, intended to increase concessions revenues in FY 2009 and beyond, include new ATM agreements, the opening of new concessions in the combined Terminal D/E, and website advertising. These initiatives are forecast to partially offset reductions in concession revenues from near-term decreases in the number of enplaned passengers at the Airport.

Rental Cars

The on-Airport rental car companies and their shares of rental car gross revenues reported for the 12-months ending October 2008 are as follows.

Rental car company	Share of gross revenues
Hertz	30.0%
Avis	24.7%
National	13.2%
Budget	10.3 %
Enterprise	10.2%
Alamo	6.7%
Dollar	5.0%

These seven rental car companies operate under the terms of a City commercial ground transportation regulation that provides that the companies pay a concession fee of 10% of gross revenues plus ground rent for their facilities. Concession fees from the five rental car companies (Avis, Budget, Dollar, Hertz, and National) that formerly operated from rental car counters in the terminals are allocated to the Terminal Building cost center. Concession fees from Alamo and Enterprise are allocated to the OTA cost center. The ground rent from all seven rental car companies, as provided for in leases that expire in 2009, is allocated to the OTA cost center.

In August 2007, Enterprise purchased Vanguard, which owns both Alamo and National. Alamo, Enterprise, and National continue to report gross revenues and make payments to the City as separate entities.

In FY 2008, rental car revenues allocated to the Terminal Building cost center totaled $16,845,171, or $1.64 per originating passenger and rental car revenues allocated to the OTA cost center totaled $3,428,503, or $0.33 per originating passenger. Such revenues are forecast to increase in proportion to forecast increases in originating passengers and with inflation, assuming that the terms of the commercial ground transportation regulation remain in effect through the forecast period. It was assumed that consolidation in the rental car industry will have no material effect on the revenues forecast to be paid collectively by the rental car companies to the City or on the allocation of those revenues between the Terminal Building and OTA cost centers.

Ground Transportation and Other

Ground transportation revenues include monitor and egress fees assessed on shuttle van and limousine operators. In FY 2008, such ground transportation revenues, together with ground handling fees and other miscellaneous Terminal Building revenues, totaled $141,090. Certain other limousine and taxicab fees (accounting for $1,381,000 in FY 2008) are allocated to the OTA cost center.

Outside Terminal Area

Through FY 2007, parking revenues and other revenues generated by or allocable to the Outside Terminal Area (OTA) cost center were excluded from Project Revenues. Beginning in FY 2008, all such revenues are included in Project Revenues. OTA revenues comprise net parking revenues, certain rental car revenues, certain ground transportation revenues, and revenues from a 420-room Marriott hotel.

Parking Revenues. Public automobile parking garages and lots at the Airport are operated by the Philadelphia Parking Authority, which has responsibility for Airport parking under the provisions of a contract and lease agreement that extend to 2030. Each year on June 30, the Authority pays the City rent in the amount of the net revenues derived from Airport parking in the preceding year ended March 31. Net revenues are gross parking revenues (after a 15% City tax) less direct operating expenses, allocated Authority administrative expenses, and debt service on bonds issued by the Authority for Airport parking facilities. The City received $33,184,918 in net parking revenues for FY 2007 and $33,570,037 for FY 2008. The increase in net parking revenues from $30,186,642 in FY 2006 resulted from a combination of increased numbers of parking transactions related to originating passengers and control of operating expenses; parking rates were not increased.

With the completion of new parking garages for Terminal A West and Terminals E and F in 2003, approximately 18,000 on-Airport parking spaces are provided in garages and surface lots. In addition, approximately 17,000 parking spaces are provided off Airport property by private operators. The Division of Aviation and the Philadelphia Parking Authority intend to convert Airport property for parking to provide approximately 800 additional public spaces by the end of FY 2009.

Net parking revenues were forecast assuming that parking demand will change from FY 2008 levels in proportion to forecast increases in originating passengers. Parking rates were most recently adjusted effective August 1, 2008. Short-term rates are $3 for the first half-hour and $2 per half-hour thereafter to a maximum of $38 per day; garage rates are $3 for the first half-hour and $2 per half-hour thereafter to a maximum of $20 per day; economy rates are $11 per day. Net parking revenues budgeted for FY 2009 reflect this rate increase, and no further rate increases were assumed during the forecast period.

Rental Car Revenues. As noted earlier, concession fees from Alamo and Enterprise are allocated to the OTA cost center and totaled $3,428,503 in FY 2008.

Other OTA Revenues. Outside Terminal Area revenues from operations other than public parking and rental cars (ground rent, ground transportation, and hotel revenues) totaled $5,650,613 in FY 2008.

Nonsignatory Airline

Common use fees by nonsignatory airlines, surcharges paid by airline tenants for proprietary equipment financed by the City, and reimbursements of security costs together totaled $10,118,779 in FY 2008.

In FY 2007, the amount shown for nonsignatory airline landing fees included those for certain regional affiliate airlines. Such landing fees totaled $19,834,491 in FY 2007. Beginning in FY 2008, under the new Airline Agreement, only landing fees paid by non-scheduled (charter) airlines are included. Such landing fees totaled $1,663,003 in FY 2008.

Other Airfield Area

Other Airfield Area nonairline revenues include fuel flowage fees, in-flight catering fees, and the sale of utilities. Such revenues totaled $7,271,075 in FY 2008.

Other Buildings and Areas

Revenues generated from the Other Buildings and Areas cost center include space rentals, land rentals, utility sales, and reimbursed real estate taxes. Tenants include American Airlines, FedEx, United Airlines, US Airways, and the U.S. Postal Service. Most building and ground rental agreements between the City and the Other Buildings and Areas tenants extend beyond the forecast period. Other Buildings and Areas revenues totaled $8,970,853 in FY 2008.

Northeast Philadelphia Airport

Revenues at Northeast Philadelphia Airport include landing fees, fuel flowage fees, concession fees, and various rentals. Such revenues totaled $2,453,744 in FY 2008.

APPLICATION OF PROJECT REVENUES

Exhibit F presents the forecast application of Project Revenues as required under the General Ordinance. The priorities for applying Project Revenues and other amounts on deposit in the Aviation Operating Fund are as follows:

1. Payment of Net Operating Expenses

2. Deposit to the Sinking Fund to pay the Debt Service Requirements of Airport Revenue Bonds

3. Restoration of any deficiency in the Sinking Fund Reserve Account (no such amounts are forecast to be required)

4. Restoration of any deficiency in the Renewal Fund and payment of any amounts due under Exchange Agreements (no such amounts are forecast to be required)

5. Payment of any termination amounts payable to a Qualified Swap Provider as a result of the termination of a Qualified Swap and certain other termination amounts (no such amounts are forecast to be required)

6. Payment of debt service on any Subordinate Obligations (no such amounts are forecast to be required)

7. Payment of debt service on general obligation bonds adjudged to be self-sustaining on the basis of Project Revenues from the Airport System (no such amounts are forecast to be required)

8. Payment of Interdepartmental Charges

9. Payment of debt service on any other general obligation bonds incurred for the Airport System (no such amounts are forecast to be required)

Under the General Ordinance, any remaining balance may be used by the City for any Airport System purpose. Under the Airline Agreement, beginning in FY 2008, any remaining balance is to be applied as follows:

10. Amount required to maintain a balance in the Bond Redemption and Improvement Account equal to at least 15% of Debt Service Requirements in FY 2009, 20% in FY 2010, and 25% thereafter. The Bond Redemption and Improvement Account balance, as of July 1, 2008, was $18.5 million.

11. Amount required to maintain a balance in the O&M Account equal to 10% of Operating Expenses. The O&M Account balance, as of July 1, 2008, was $16.5 million.

12. 50% of net revenues from the OTA cost center in excess of $7.0 million, to be credited in the annual calculation of Signatory Airline landing fees (Airline Revenue Allocation).

Any remaining funds are to be deposited to the Airport Discretionary Account and may be used by the City for any Airport System purpose.

Exhibit F presents the forecast application of Project Revenues as required under the General Ordinance and the Airline Agreement.

Pledged PFC revenues are not included in Project Revenues but do constitute Amounts Available for Debt Service. Such pledged PFC revenues are to be deposited directly into the Sinking Fund for the payment of PFC-eligible debt service on the 1998B Bond and the 2001A Bond.

Exhibit F-1 presents the forecast application of PFC revenues. As shown, forecast PFC collections exceed PFC revenues pledged to pay debt service on the 1998B Bond and the 2001A Bond.

DEBT SERVICE COVERAGE

Exhibit G-1 presents the calculation of Airport Revenue Bond debt service coverage (Rate Covenant Test #1) and total debt service coverage (Rate Covenant Test #2) in accordance with the Rate Covenant of Section 5.01 of the General Ordinance in each year FY 2005 through FY 2013. Pledged Amounts Available for Debt Service after the payment of Net Operating Expenses are forecast to be sufficient to exceed the debt service coverage of 1.50 times required by Rate Covenant Test #1 in each year.

Under the Rate Covenant, Amounts Available for Debt Service include that portion of the Aviation Operating Fund that is attributable to Amounts Available for Debt Service and carried forward at the beginning of each Fiscal Year. For the purposes of calculating debt service coverage in Exhibit G-1, that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service includes the balances in the Bond Redemption and Improvement Account, the O&M Account, and the Airport Discretionary Account. As shown on Exhibit F, additional deposits are forecast to be made into the Airport Discretionary Account. For the purposes of calculating debt service coverage in Exhibit G-1, those additional deposits are assumed to be spent annually on capital projects so as to maintain the Airport Discretionary Account balances shown.

Exhibit G-1 also shows that pledged Amounts Available for Debt Service after the payment of all Operating Expenses are forecast to be sufficient to cover debt service on outstanding Bonds, the proposed 2009 Refunding Bonds, the planned 2010 Bonds, and all other requirements, as required by Rate Covenant Test #2 in each year.

Exhibit G-2 presents a summary of historical and projected debt service coverage assuming the stress test passenger forecast summarized in Table 30 and discussed in the earlier section “Stress Test Forecast.” Concessions and other revenues associated with passengers were assumed to be reduced, as were certain operating and maintenance expenses. All other assumptions are the same as for the base passenger forecast.

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Exhibit A

SOURCES AND USES OF FUNDS FOR PLANNED 2010 PROJECT
Philadelphia International Airport
(in thousands of dollars)

		Sources of funds					General Airport Revenue Bonds	
	Project costs	AIP grants	Pay-as-you-go PFC revenues	TSA Grants	PennDOT Grants	City funds	2007 Bonds	Planned 2010 Bonds
Terminal F expansion								
Design	$ 10,000	$ -	$ -	$ -	$ -	$ -	$ 10,000	$ -
Construction	103,900	-	-	-	-	-	-	103,900
Subtotal	$ 113,900	$ -	$ -	$ -	$ -	$ -	$ 10,000	$ 103,900
Terminals B-C baggage system								
Design	$ 25,000	$ -	$ -	$ -	$ -	$ -	$ 25,000	$ -
Construction	145,000	-	25,000	25,000	-	-	-	95,000
Subtotal	$ 170,000	$ -	$ 25,000	$ 25,000	$ -	$ -	$ 25,000	$ 95,000
Runway 9L-27R resurfacing and navaids	35,000	14,150	-	-	1,000	1,000	-	18,850
DOA maintenance facilities	19,000	-	-	-	-	-	-	19,000
Eastside taxiways	43,000	32,250	-	-	-	-	-	10,750
Westside taxiways	17,000	12,750	-	-	-	-	-	4,250
Infrastructure improvement program	24,500	-	-	-	-	-	-	24,500
Property acquisition	70,000	-	-	-	-	-	-	70,000
Subtotal	$ 208,500	$ 59,150	$ -	$ -	$ 1,000	$ 1,000	$ -	$ 147,350
TOTAL	$ 492,400	$ 59,150	$ 25,000	$ 25,000	$ 1,000	$ 1,000	$ 35,000	$ 346,250

(a) Source: Division of Aviation, City of Philadelphia.

Exhibit B

SOURCES AND USES OF
PROPOSED 2009 REFUNDING AND PLANNED 2010 BOND FUNDS
Philadelphia International Airport
(in thousands of dollars)

	Proposed 2009 Refunding Bonds	Planned 2010 Bonds
Sources of Funds		
Airport Revenue Bonds	$ 45,870,000	$ 429,665,000
Original issue premium / (discount)	(375,643)	(8,493,000)
Interest earnings (a)	-	2,899,000
Total sources	$ 45,494,357	$ 424,071,000
Uses of Funds		
Project costs from Bond proceeds (b)	$ -	$ 346,250,000
Deposit to Sinking Fund	41,163,000	-
Cost of issuance	460,000	4,312,000
Underwriter's discount	321,000	3,008,000
Capitalized Interest	-	38,164,000
Deposit to Sinking Fund Reserve	4,050,000	32,337,000
Total uses	$ 45,994,000	$ 424,071,000

(a) Assumes project funds earn interest at a rate of 0.50%.
(b) See Exhibit A.

Source: Citi, March 18, 2009.

Exhibit C

DEBT SERVICE REQUIREMENTS
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

	Historical (unaudited) (a) (b)				Budget (a)	Forecast (c)			
Airport Revenue Bonds	2005	2006	2007	2008	2009	2010	2011	2012	2013
Series 1995A	$ 16,120,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Series 1997A	13,996,000	13,997,000	6,075,000	6,074,000	6,074,000	6,078,000	6,078,000	6,078,000	6,073,000
Series 1997B	7,135,000	7,131,000	7,133,000	7,131,000	-	-	-	-	-
Series 1998A	10,317,000	10,317,000	10,319,000	10,318,000	10,323,000	10,317,000	10,317,000	10,318,000	10,319,000
Series 1998B	24,378,000	24,468,000	29,756,000	27,209,000	27,810,000	30,603,000	30,599,000	30,597,000	30,595,000
Series 2001A	13,424,000	13,432,000	13,428,000	13,437,000	13,439,000	13,523,000	13,458,000	13,467,000	13,484,000
Series 2001B	2,760,000	2,761,000	2,761,000	2,762,000	2,762,000	2,759,000	2,759,000	2,757,000	2,758,000
Series 2005A	-	-	104,000	701,000	8,320,000	8,323,000	8,320,000	8,316,000	8,315,000
Series 2005B (d) (e)	-	-	-	777,000	1,200,000	-	-	-	-
Series 2005C	-	16,115,000	16,118,000	16,120,000	15,487,000	13,995,000	14,430,000	14,845,000	15,281,000
Series 2007A	-	-	-	-	4,312,000	8,624,000	11,779,000	11,781,000	11,780,000
Series 2007B	-	-	-	-	6,936,000	6,928,000	6,927,000	6,929,000	6,928,000
Proposed Refunding Series 2009 (d)	-	-	-	-	440,000	2,595,000	4,050,000	4,047,000	4,051,000
Future Bonds									
Planned 2010 Bonds (e)	-	-	-	-	-	-	4,514,000	8,653,000	28,766,000
	$ 88,130,458	$ 88,221,319	$ 85,694,410	$ 84,528,544	$ 97,102,000	$ 103,744,000	$ 113,229,000	$ 117,787,000	$ 138,351,000
Less: Interest income (f)	(49,498)	(95,586)	(129,751)	(140,269)	(2,773,000)	(5,307,000)	(5,307,000)	(5,307,000)	(5,934,000)
Bond Debt Service Requirements	$ 88,080,960	$ 88,125,733	$ 85,564,659	$ 84,388,275	$ 94,329,000	$ 98,437,000	$ 107,922,000	$ 112,480,000	$ 132,417,000
Less: Pledged PFC revenues	$ (32,908,131)	$ (32,591,618)	$ (32,920,891)	$ (32,925,675)	$ (32,926,000)	$ (33,095,000)	$ (33,043,000)	$ (33,048,000)	$ (33,060,000)
Net Bond debt service requirements	$ 55,172,829	$ 55,534,115	$ 52,643,768	$ 51,462,600	$ 61,403,000	$ 65,342,000	$ 74,879,000	$ 79,432,000	$ 99,357,000
General Obligation Bonds	$ 2,454,449	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Less: Outside Terminal Area	(1,379,757)	-	-	-	-	-	-	-	-
Overseas Terminal	(23,894)	-	-	-	-	-	-	-	-
Net General Obligation Bond debt service requirements	$ 1,050,798	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total debt service allocable to Project cost centers	$ 56,223,627	$ 55,534,115	$ 52,643,768	$ 51,462,600	$ 61,403,000	$ 65,342,000	$ 74,880,000	$ 79,433,000	$ 99,358,000
Allocation to Project cost centers									
Terminal Building (g)	$ -	$ -	$ 35,867,023	$ 34,839,845	$ 44,504,000	$ 46,473,000	$ 52,908,000	$ 55,687,000	$ 68,260,000
Domestic Terminal	35,589,906	33,810,802	-	-	-	-	-	-	-
International Terminal	3,015,274	2,648,542	-	-	-	-	-	-	-
Units D and E Baggage Tunnel	137,340	-	-	-	-	-	-	-	-
Ramp Area	1,309,512	1,096,089	274,641	589,272	588,000	745,000	749,000	752,000	756,000
Airfield Area	14,331,047	16,239,969	15,021,413	14,572,519	14,833,000	16,206,000	19,098,000	20,844,000	28,167,000
Other Buildings and Areas (h)	-	-	-	1,272,647	1,259,000	1,257,000	1,278,000	1,298,000	1,319,000
Cargo City	1,025,344	881,067	819,627	-	-	-	-	-	-
Other Areas	461,838	493,168	472,134	-	-	-	-	-	-
Northeast Philadelphia Airport	353,366	364,478	188,930	188,317	185,000	166,000	171,000	176,000	180,000
Outside Terminal Area	-	-	-	-	34,000	495,000	676,000	676,000	676,000
	$ 56,223,627	$ 55,534,115	$ 52,643,768	$ 51,462,600	$ 61,403,000	$ 65,342,000	$ 74,880,000	$ 79,433,000	$ 99,358,000

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Source: The PFM Group, December 8, 2008, except as noted.
(d) The outstanding Airport Revenue Bonds, Series 2005B, are assumed to be refunded in their entirety by the 2009 Refunding Bonds.
(e) Source: Citi, March 18, 2009.
(f) Interest income generated in the Sinking Fund Reserve Accounts is deducted from debt service for historical years and shown in aggregate for forecast years.
Interest income generated in the Renewal Fund is shown in aggregate for all years.
(g) Effective FY 2007, Terminal Building represents consolidation of Domestic Terminal, International Terminal, and Units D&E Baggage Tunnel cost centers.
(h) Effective FY 2008, Other Buildings and Areas represents consolidation of Cargo City, Other Areas, and Overseas Terminal cost centers.

Exhibit D

OPERATING EXPENSES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Historical (unaudited) (a) (b)				Budget (a)	Forecast			
By object category	2005	2006	2007	2008	2009	2010	2011	2012	2013
Division of Aviation operating expenses									
Personal services	$ 34,467,727	$ 35,157,321	$ 37,775,143	$ 39,423,643	$ 40,343,000	$ 41,932,000	$ 44,080,000	$ 46,338,000	$ 48,146,000
Contractual services	46,183,114	48,779,695	51,823,477	54,390,074	59,399,000	62,850,000	68,038,000	71,211,000	73,795,000
Materials and supplies	3,563,171	5,649,944	4,982,627	4,728,531	5,776,000	6,046,000	6,355,000	6,681,000	6,935,000
Equipment	402,707	1,225,618	2,083,764	1,192,135	1,575,000	1,638,000	1,718,000	1,802,000	1,869,000
Taxes	1,029,333	1,030,563	718,399	256,162	1,762,000	1,868,000	1,931,000	2,004,000	2,079,000
Other	(232,418)	452,045	(286,160)	(170,113)	-	-	-	-	-
Total Division of Aviation operating expenses	$ 85,413,634	$ 92,295,186	$ 97,097,250	$ 99,820,432	$ 108,855,000	$ 114,334,000	$ 122,122,000	$ 128,036,000	$ 132,824,000
Interdepartmental charges									
Police	$ 17,564,148	$ 18,408,703	$ 21,913,738	$ 24,524,788	$ 21,896,000	$ 22,566,000	$ 23,634,000	$ 24,746,000	$ 25,772,000
Fire	7,070,474	7,456,471	8,557,579	9,464,718	9,559,000	9,717,000	10,149,000	10,607,000	11,058,000
Utilities	15,320,662	14,488,404	17,158,676	18,180,935	18,130,000	19,111,000	20,203,000	21,359,000	22,427,000
Insurance	2,348,341	2,570,573	2,721,530	3,304,293	3,936,000	4,122,000	4,265,000	4,411,000	4,543,000
Services of others	1,980,527	1,925,002	3,590,648	2,619,877	3,930,000	4,068,000	4,190,000	4,315,000	4,444,000
Legal services	1,605,882	1,625,856	1,872,091	2,218,357	2,600,000	2,422,000	2,495,000	2,570,000	2,647,000
Fringe benefits	16,589,448	17,297,513	19,878,490	22,938,811	20,576,000	18,450,000	19,395,000	20,389,000	21,186,000
Fleet management	4,219,912	4,016,937	5,664,169	4,570,190	4,251,000	4,472,000	4,607,000	4,746,000	4,888,000
Vehicle purchases	-	-	-	-	350,000	365,000	376,000	388,000	400,000
Indemnities	438,099	109,105	708,695	1,313,587	375,000	386,000	397,000	408,000	420,000
Other	-	-	-	-	-	-	-	-	-
Total interdepartmental charges	$ 67,137,493	$ 67,898,564	$ 82,065,616	$ 89,135,556	$ 85,603,000	$ 85,679,000	$ 89,711,000	$ 93,939,000	$ 97,785,000
Total Airport System operating expenses	$ 152,551,127	$ 160,193,750	$ 179,162,866	$ 188,955,988	$ 194,458,000	$ 200,013,000	$ 211,833,000	$ 221,975,000	$ 230,609,000
Percent annual change	7.0%	5.0%	11.8%	5.5%	2.9%	2.9%	5.9%	4.8%	3.9%

Exhibit D (page 2 of 2)

OPERATING EXPENSES, City of Philadelphia, Division of Aviation

For Fiscal Years ending June 30

	Historical (unaudited) (a) (b)				Budget (a)	Forecast			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
By cost center									
Project cost centers									
Terminal Building	$ 85,910,137	$ 86,341,458	$ 103,698,007	$ 103,781,617	$ 109,171,000	$ 114,615,000	$ 121,900,000	$ 128,979,000	$ 134,262,000
Airfield Area	31,054,768	33,989,749	37,023,767	33,245,782	37,748,000	37,431,000	40,306,000	41,692,000	43,159,000
Other Buildings and Areas (c)	-	-	-	16,559,774	12,361,000	12,366,000	12,761,000	13,184,000	13,613,000
Cargo City (c)	5,227,511	5,089,554	6,925,743	-	-	-	-	-	-
Other Areas (c)	6,009,992	5,957,885	6,028,487	-	-	-	-	-	-
Northeast Philadelphia Airport	4,582,904	3,613,521	4,040,391	3,803,886	4,305,000	4,046,000	4,165,000	4,291,000	4,420,000
Airport Services	23,422	19,905	26,777	308,983	-	1,000	(1,000)	(1,000)	-
Outside Terminal Area (d)	-	-	-	31,255,946	30,873,000	31,554,000	32,702,000	33,830,000	35,155,000
Division of Aviation operating expenses	$ 75,253,710	$ 77,152,026	$ 87,073,009	$ 99,820,432	$ 108,855,000	$ 114,334,000	$ 122,122,000	$ 128,036,000	$ 132,824,000
Interdepartmental charges	57,555,024	57,860,046	70,670,163	89,135,556	85,603,000	85,679,000	89,711,000	93,939,000	97,785,000
	$ 132,808,734	$ 135,012,072	$ 157,743,172	$ 188,955,988	$ 194,458,000	$ 200,013,000	$ 211,833,000	$ 221,975,000	$ 230,609,000
City cost centers									
Division of Aviation operating expenses	$ 10,092,386	$ 15,065,632	$ 11,091,107	$ -	$ -	$ -	$ -	$ -	$ -
Interdepartmental charges	9,495,603	9,843,633	10,157,456	-	-	-	-	-	-
Outside Terminal Area (d)	$ 19,587,989	$ 24,909,265	$ 21,248,563	$ -	$ -	$ -	$ -	$ -	$ -
Division of Aviation operating expenses	$ 67,539	$ 77,527	$ 83,735	$ -	$ -	$ -	$ -	$ -	$ -
Interdepartmental charges	86,865	194,886	87,396	-	-	-	-	-	-
Overseas Terminal (c)	154,404	272,413	171,131	-	-	-	-	-	-
Total Airport System operating expenses	$ 152,551,127	$ 160,193,750	$ 179,162,866	$ 188,955,988	$ 194,458,000	$ 200,013,000	$ 211,833,000	$ 221,975,000	$ 230,609,000

(a) Source: City of Philadelphia, Division of Aviation.

(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.

(c) Effective FY 2007, Other Buildings and Areas represents consolidation of Cargo City, Other Areas, and Overseas Terminal cost centers.

(d) Effective FY 2008, the Outside Terminal Area cost center was redefined from a City cost center to a Project cost center.

Exhibit E

REVENUES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

Project Revenues	Historical (unaudited) (a) (b)				Budget (a)	Forecast			
Application of prior year's:	2005	2006	2007	2008	2009	2010	2011	2012	2013
Credit for excess payments	$ 18,687,991	$ 19,162,104	$ 9,621,309	$ (12,484,691)	$ 1,179,000	$ -	$ -		
Airline Revenue Allocation (c)	-	-	-	6,667,238	2,126,000	4,631,000	5,901,000	6,008,000	6,613,000
Airline revenues									
Terminal Building space rentals (d)	$ 44,882,862	$ 47,946,944	$ 55,929,401	$ 75,420,248	$ 83,622,000	$ 88,142,000	$ 99,318,000	$ 105,676,000	$ 120,293,000
Terminal Building Payments-in-Aid	13,883,676	9,718,638	-	-	-	-	-	-	-
Ramp Area rentals (e)	1,481,987	1,128,203	284,582	799,971	685,000	1,863,000	1,555,000	1,586,000	1,620,000
OTA Payments-in-Aid	982,320	-	-	-	-	-	-	-	-
	$ 61,230,845	$ 58,793,785	$ 56,213,983	$ 76,220,219	$ 84,307,000	$ 90,005,000	$ 100,873,000	$ 107,262,000	$ 121,913,000
International, charter, and common use airline charges	19,191,385	16,500,586	15,369,736	17,722,494	18,561,000	18,354,000	20,681,000	22,004,000	25,047,000
Landing fees (f)	34,791,531	28,049,800	25,845,374	44,596,722	50,125,000	51,939,000	54,392,000	57,657,000	67,185,000
Total airline revenues	$ 115,213,761	$ 103,344,171	$ 97,429,093	$ 138,539,435	$ 152,993,000	$ 160,298,000	$ 175,946,000	$ 186,923,000	$ 214,145,000
Nonairline revenues									
Terminal Building									
Concessions									
Master concession agreement	$ 11,894,752	$ 11,841,693	$ 13,696,826	$ 15,221,691	$ 16,726,000	$ 16,833,000	$ 17,733,000	$ 18,668,000	$ 19,638,000
Rental cars (g)	15,224,258	15,456,785	16,388,242	16,845,171	16,693,000	16,765,000	17,715,000	18,703,000	19,729,000
Advertising	2,359,427	2,362,153	3,333,711	2,958,399	3,118,000	3,055,000	3,149,000	3,244,000	3,338,000
Ground handling	521	7,269	28,406	30,090	25,000	25,000	25,000	25,000	25,000
Public telephones	642,736	460,077	408,762	293,757	335,000	335,000	335,000	335,000	335,000
Other	582,191	596,592	493,603	538,639	468,000	477,000	486,000	495,000	504,000
Terminal Building concession revenues	$ 30,703,885	$ 30,724,569	$ 34,349,550	$ 35,887,747	$ 37,365,000	$ 37,490,000	$ 39,443,000	$ 41,470,000	$ 43,569,000
Space rentals	$ 2,935,001	$ 8,002,643	$ 9,553,534	$ 7,192,574	$ 851,000	$ 1,243,000	$ 1,243,000	$ 1,243,000	$ 1,243,000
Tenant surcharge for proprietary equipment (h)	3,825,269	4,238,795	4,755,109	-	6,231,000	6,231,000	6,231,000	6,231,000	6,231,000
Reimbursement of security costs	1,515,620	3,417,133	3,160,248	3,747,779	3,989,000	4,089,000	4,191,000	4,296,000	4,403,000
Other	4,059,511	4,025,696	3,352,676	10,084,262	3,056,000	3,327,000	3,376,000	3,427,000	3,479,000
Interest income	333,680	930,651	1,028,668	833,979	900,000	900,000	900,000	900,000	900,000
Other Terminal Building nonairline revenues	$ 12,669,081	$ 20,614,918	$ 21,850,235	$ 21,858,594	$ 15,027,000	$ 15,790,000	$ 15,941,000	$ 16,097,000	$ 16,256,000
Total Terminal Building nonairline revenues	$ 43,372,966	$ 51,339,487	$ 56,199,785	$ 57,746,341	$ 52,392,000	$ 53,280,000	$ 55,384,000	$ 57,567,000	$ 59,825,000
Outside Terminal Area (i)									
Public parking	-	-	-	33,570,037	37,644,000	39,465,000	41,499,000	43,599,000	48,010,000
Rental cars (g)	-	-	-	3,428,503	3,450,000	3,380,000	3,485,000	3,589,000	3,694,000
Other OTA revenues	-	-	-	5,650,513	7,408,000	7,435,000	7,563,000	7,694,000	7,827,000
Total Outside Terminal Area revenues	$ -	$ -	$ -	$ 42,649,053	$ 48,502,000	$ 50,280,000	$ 52,547,000	$ 54,882,000	$ 59,531,000

Exhibit E (page 2 of 2)
REVENUES
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

	Historical (unaudited) (a) (b)				Budget (a)	Forecast			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Airfield Area									
Nonsignatory airline landing fees (j)	$ 17,327,499	$ 20,078,745	$ 19,834,491	$ 1,663,003	$ 597,000	$ 1,219,000	$ 1,277,000	$ 1,353,000	$ 1,577,000
Fuel flowage fees	1,225,140	1,162,547	845,723	896,463	996,000	1,026,000	1,057,000	1,088,000	1,121,000
Inflight catering	2,069,665	1,825,945	1,714,958	1,837,001	1,762,000	1,726,000	1,780,000	1,833,000	1,887,000
Other	168,687	701,858	141,327	4,326,220	573,000	588,000	604,000	620,000	636,000
Interest income	185,393	517,073	392,404	211,391	350,000	350,000	350,000	350,000	350,000
Airfield Area nonairline revenues	$ 20,976,384	$ 24,286,168	$ 22,928,903	$ 8,934,078	$ 4,278,000	$ 4,909,000	$ 5,068,000	$ 5,244,000	$ 5,571,000
Cargo City	$ 5,714,365	$ 6,601,812	$ 6,619,282	$ -	$ -	$ -	$ -	$ -	$ -
Other Areas	2,175,480	2,396,317	3,011,539	-	-	-	-	-	-
Other Buildings and Areas	-	-	-	8,970,853	9,023,000	9,104,000	9,203,000	9,304,000	9,409,000
Northeast Philadelphia Airport	1,466,586	2,659,633	2,931,513	2,453,744	2,629,000	2,654,000	2,679,000	2,704,000	2,729,000
Ramp Area	182,335	180,405	6,085	63,800	-	-	-	-	-
Airport Services	23,423	19,904	26,777	308,983	-	-	-	-	-
	$ 9,562,189	$ 11,858,071	$ 12,595,196	$ 11,797,380	$ 11,652,000	$ 11,758,000	$ 11,882,000	$ 12,008,000	$ 12,138,000
Total nonairline revenues	$ 73,911,539	$ 87,483,726	$ 91,723,884	$ 121,126,852	$ 116,824,000	$ 120,227,000	$ 124,881,000	$ 129,701,000	$ 137,065,000
Distribution of International Terminal net revenue	361,564	418,349	-	-	-	-	-	-	
Less: Airline Revenue Allocation	-	-	-	(2,125,868)	-	-	-	-	-
Less: Credit to Signatory Airlines for excess payments	(19,142,493)	(9,621,309)	12,484,691	(1,178,510)	-	-	-	-	-
Total Project Revenues	$ 189,032,362	$ 200,787,041	$ 211,258,977	$ 250,544,456	$ 273,122,000	$ 285,156,000	$ 306,728,000	$ 322,632,000	$ 357,823,000
Revenues from City cost centers (i)									
Revenues (costs) deferred from prior year	$ (14,791)	$ (148,596)	$ (226,924)	$ -	$ -	$ -	$ -	$ -	$ -
Outside Terminal Area									
Public parking	27,239,109	30,186,642	33,184,918	-	-	-	-	-	-
Rental cars (g)	2,028,578	2,636,256	2,968,230	-	-	-	-	-	
Other OTA revenues	4,896,969	5,394,941	5,557,855	-	-	-	-	-	-
Overseas Terminal	44,494	194,084	398,055	-	-	-	-	-	-
Transfer from General Fund	(909,207)	-	-	-	-	-	-	-	-
	$ 33,285,152	$ 38,263,327	$ 41,882,134	$ -	$ -	$ -	$ -	$ -	$ -
Costs (revenues) deferred to following year	148,596	226,924	-	-	-	-	-	-	-
Total revenues from City cost centers	$ 33,433,748	$ 38,490,251	$ 41,882,134	$ -	$ -	$ -	$ -	$ -	$ -
Total Airport System revenues	$ 222,466,110	$ 239,277,292	$ 253,141,111	$ 250,544,456	$ 273,122,000	$ 285,156,000	$ 306,728,000	$ 322,632,000	$ 357,823,000
Percent annual change	9.0%	7.6%	5.8%	-1.0%	9.0%	4.4%	7.6%	5.2%	10.9%

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Established under the Airline Agreement.
(d) See Exhibit E-1.
(e) See Exhibit E-2.
(f) See Exhibit E-3. Historical amounts prior to FY 2008 shown exclude cargo airline landing fees (shown under nonairline revenues). FY 2008 and beyond amounts include landing fees for certain regional affiliates.
(g) Rental car revenues are allocated between the Terminal Building and Outside Terminal Area cost centers per the Airline Agreement.
(h) Included in Other Terminal Building Revenues for FY 2008.
(i) Effective FY 2008, the Outside Terminal Area cost center was redefined from a City cost center to a Project cost center.
(j) Amounts through FY 2007 include landing fees for certain regional affiliates.

Exhibit E-1

CALCULATION OF TERMINAL BUILDING RENTALS

City of Philadelphia, Division of Aviation

For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Invariably, assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Budget (a)	Forecast			
	2009	2010	2011	2012	2013
Terminal Building space rentals					
Operating Expenses	$ 109,171,000	$ 114,615,000	$ 121,900,000	$ 128,979,000	$ 134,262,000
Debt Service Requirements	44,504,000	46,473,000	52,908,000	55,687,000	68,260,000
Bond Redemption and Improvement Requirement (b)	-	-	-	-	2,386,000
O&M Requirement (b)	576,000	573,000	575,000	581,000	257,000
Less: Terminal Building nonairline revenue	(52,392,000)	(53,280,000)	(55,384,000)	(57,567,000)	(59,825,000)
Airline Revenue Allocation	-	-	-	-	-
Prior year carry-forwards	113,000	(1,885,000)	-	-	-
Total Terminal Building requirement	$ 101,972,000	$ 106,496,000	$ 119,999,000	$ 127,680,000	$ 145,340,000
Airline leased space (square feet) (c)	1,082,480	1,144,598	1,144,598	1,144,598	1,144,598
Requirement per square foot	$ 94.20	$ 93.04	$ 104.84	$ 111.55	$ 126.98
Rental Rate Structure					
Airline rental revenue required	$ 101,972,000	$ 106,496,000	$ 119,999,000	$ 127,680,000	$ 145,340,000
Equivalent ticket counter area (square feet)	624,637	653,766	653,766	653,766	653,766
Rental rates (per square foot per year)					
Ticket counter and offices	$ 163.25	$ 162.90	$ 183.55	$ 195.30	$ 222.31
Concourse upper level, bag claim, offices, VIP rooms	122.44	122.17	137.66	146.47	166.73
Concourse lower level, bag makeup, operations	81.63	81.45	91.78	97.65	111.16
Dolly concourse, bag claim E, volatile storage, other	40.81	40.72	45.89	48.82	55.58

(a) Source: City of Philadelphia, Division of Aviation.

(b) Requirements established under the Airline Agreement.

(c) Increased square footage attributable to completion of Terminals D-E Expansion Project.

Exhibit E-2

CALCULATION OF RAMP AREA RENTALS
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Invariably, assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Budget (a)	Forecast			
	2009	2010	2011	2012	2013
Ramp Area rentals					
Operating Expenses (b)	$ 755,000	$ 749,000	$ 806,000	$ 834,000	$ 863,000
Debt Service Requirements	588,000	745,000	749,000	752,000	756,000
Bond Redemption and Improvement Requirement (c)	-	-	-	-	1,000
	$ 1,343,000	$ 1,494,000	$ 1,555,000	$ 1,586,000	$ 1,620,000
Less: Prior year carry-forward	(447,000)	369,000	-	-	-
Ramp Area rentals	$ 896,000	$ 1,863,000	$ 1,555,000	$ 1,586,000	$ 1,620,000
Ramp Area linear feet	18,790	18,790	18,790	18,790	18,790
Ramp Area rental rate per linear foot	$ 47.68	$ 99.15	$ 82.76	$ 84.41	$ 86.22

(a) Source: City of Philadelphia, Division of Aviation.
(b) Per the Airline Agreement, 2% of the Operating Expenses allocated to the Airfield Area are recovered through Ramp Area rentals.
(c) Requirements established under the Airline Agreement.

Exhibit E-3

CALCULATION OF LANDING FEES

City of Philadelphia, Division of Aviation

For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Invariably, assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Budget (a)	Forecast			
	2009	2010	2011	2012	2013
Airfield Area requirement					
Operating Expenses	$ 36,993,000	$ 36,682,000	$ 39,500,000	$ 40,858,000	$ 42,296,000
Debt Service Requirements	14,833,000	16,206,000	19,098,000	20,844,000	28,167,000
Bond Redemption and Improvement Requirement (b)	-	-	-	-	1,390,000
O&M Requirement (b)	179,000	187,000	190,000	188,000	83,000
Less: Nonairline revenues	(4,278,000)	(4,909,000)	(5,068,000)	(5,244,000)	(5,571,000)
	$ 47,727,000	$ 48,166,000	$ 53,720,000	$ 56,646,000	$ 66,365,000
Other Buildings and Areas					
Operating Expenses	$ 12,361,000	$ 12,366,000	$ 12,761,000	$ 13,184,000	$ 13,613,000
Debt Service Requirements	1,259,000	1,257,000	1,278,000	1,298,000	1,319,000
Bond Redemption and Improvement Requirement (b)	-	-	-	-	4,000
O&M Requirement (b)	64,000	62,000	60,000	59,000	26,000
Less: Airline Revenue Allocation (b)	(2,574,000)	(4,631,000)	(5,901,000)	(6,008,000)	(6,613,000)
Less: Nonairline revenues	(9,023,000)	(9,104,000)	(9,203,000)	(9,304,000)	(9,409,000)
	$ 2,087,000	$ (50,000)	$ (1,005,000)	$ (771,000)	$ (1,060,000)
Northeast Philadelphia Airport					
Operating Expenses	$ 4,305,000	$ 4,046,000	$ 4,165,000	$ 4,291,000	$ 4,420,000
Debt Service Requirements	185,000	166,000	171,000	176,000	180,000
Bond Redemption and Improvement Requirement (b)	-	-	-	-	1,000
O&M Requirement (b)	22,000	20,000	20,000	19,000	8,000
Less: Nonairline revenues	(2,629,000)	(2,654,000)	(2,679,000)	(2,704,000)	(2,729,000)
	$ 1,883,000	$ 1,578,000	$ 1,677,000	$ 1,782,000	$ 1,880,000
	$ 51,697,000	$ 49,694,000	$ 54,392,000	$ 57,657,000	$ 67,185,000
Less: Prior year carry-forwards	(1,573,000)	2,245,000	-	-	-
Signatory Airline Landing Fees required	$ 50,124,000	$ 51,939,000	$ 54,392,000	$ 57,657,000	$ 67,185,000
Signatory Airline landed weight (1,000-pound units) (c)	22,982,000	22,148,000	22,932,000	23,716,000	24,402,000
Signatory Airline Landing Fee rate per 1,000 pounds	$ 2.18	$ 2.35	$ 2.37	$ 2.43	$ 2.75

(a) Source: City of Philadelphia, Division of Aviation.
(b) Requirements established under the Airline Agreement.
(c) FY 2009 landed weight according to the Division of Aviation's budget, which differs from the forecast shown in Table 30.

Exhibit F

APPLICATION OF REVENUES
City of Philadelphia, Division of Aviation
For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

Priority under Section 4.06 of the General Ordinance and the Airline Agreement	Historical (unaudited) (a)				Budget (a)	Forecast			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Project Revenues (c)									
Airline Revenues	$ 115,213,761	$ 103,344,171	$ 97,429,093	$ 138,539,435	$ 152,993,000	$ 160,298,000	$ 175,946,000	$ 186,923,000	$ 214,145,000
Nonairline Revenues	73,911,539	87,483,726	91,723,884	121,126,852	116,824,000	120,227,000	124,881,000	129,701,000	137,065,000
Prior year's:									
Airline Revenue Allocation	-	-	-	6,667,238	2,126,000	4,631,000	5,901,000	6,008,000	6,613,000
Credit for excess payments	18,687,991	19,162,104	9,621,309	(12,484,691)	1,179,000	-	-	-	-
Distribution of International Terminal net revenue	361,564	418,349	-	-	-	-	-	-	-
Credit for excess payments	(19,142,493)	(9,621,309)	12,484,691	(1,178,510)	-	-	-	-	-
	$ 189,032,362	$ 200,787,041	$ 211,258,977	$ 252,670,324	$ 273,122,000	$ 285,156,000	$ 306,728,000	$ 322,632,000	$ 357,823,000
Application of Project Revenues									
Net Operating Expenses (d)	$ 75,253,710	$ 77,152,026	$ 87,073,009	$ 99,820,432	$ 108,855,000	$ 114,334,000	$ 122,122,000	$ 128,036,000	$ 132,824,000
Sinking Fund (net Debt Service Requirements) (e) (f)	55,172,829	55,534,115	52,643,768	51,462,600	61,403,000	65,342,000	74,879,000	79,432,000	99,357,000
General Obligation Bond debt service requirements (e)	1,050,798	-	-	-	-	-	-	-	-
Interdepartmental charges (d)	57,555,024	57,860,046	70,670,163	89,135,556	85,603,000	85,679,000	89,711,000	93,939,000	97,785,000
Bond Redemption & Improvement Requirement (g)(h)	-	-	-	-	-	-	-	-	3,781,250
O&M Reserve Requirement (g)(h)	-	-	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	442,081
Airline Revenue Allocation (h)	-	-	-	2,125,868	4,631,000	5,901,000	6,008,000	6,613,000	8,317,000
Available for Airport System use	-	10,240,854	(128,000)	9,125,868	11,630,000	12,900,000	13,008,000	13,612,000	15,317,000
	$ 189,032,361	$ 200,787,041	$ 211,258,940	$ 252,670,324	$ 273,122,000	$ 285,156,000	$ 306,728,000	$ 322,632,000	$ 357,823,331

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) See Exhibit E.
(d) See Exhibit D.
(e) See Exhibit C.
(f) Net of PFC Revenues pledged as Amounts Available for Debt Service.
(g) Deposit to meet required balance after consideration of estimated interest income.
(h) Requirements established under the Airline Agreement.

Exhibit F-1

APPLICATION OF PASSENGER FACILITY CHARGE REVENUES

City of Philadelphia, Division of Aviation

For Fiscal Years Ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

	Historical (unaudited) (a)				Budget (a)	Forecast			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Calculation of PFC revenues									
Enplaned passengers	15,490,569	15,574,997	15,851,691	16,052,973	15,500,000	15,200,000	15,600,000	16,000,000	16,400,000
Percent PFC-eligible	90.3%	90.9%	93.9%	99.5%	94.8%	94.8%	94.8%	94.8%	94.8%
PFC-eligible enplaned passengers	13,981,446	14,160,632	14,881,000	15,972,887	14,688,742	14,404,444	14,783,508	15,162,572	15,541,637
PFC collection per passenger (c)	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39	$ 4.39
PFC collections	$ 61,378,550	$ 62,165,175	$ 65,328,768	$ 70,120,974	$ 64,484,000	$ 63,236,000	$ 64,900,000	$ 66,564,000	$ 68,228,000
Interest earnings	1,284,026	3,252,682	5,047,045	5,098,760	1,844,000	1,585,000	1,356,000	2,067,000	2,827,000
Total PFC revenues	$ 62,662,576	$ 65,417,857	$ 70,375,813	$ 75,219,734	$ 66,328,000	$ 64,821,000	$ 66,256,000	$ 68,631,000	$ 71,055,000
Application of PFC revenues									
Pay-as-you-go expenditures									
Already approved projects	$ 12,190,896	$ 13,788,386	$ 39,532,022	$ 13,429,984	$ 44,682,000	$ 44,682,000	$ 44,682,000	$ -	$ -
Bond debt service									
1998B Bond	$ 22,840,131	$ 22,517,618	$ 22,781,000	$ 22,780,000	$ 22,847,000	$ 22,953,000	$ 22,949,000	$ 22,947,000	$ 22,947,000
2001A Bond	10,068,000	10,074,000	10,140,000	10,146,000	10,079,000	10,143,000	10,094,000	10,100,000	10,113,000
PFC revenues used to pay Bond debt service	$ 32,908,131	$ 32,591,618	$ 32,921,000	$ 32,926,000	$ 32,926,000	$ 33,096,000	$ 33,043,000	$ 33,047,000	$ 33,060,000
Percentage of annual PFC revenues used to pay Bond debt service	52.5%	49.8%	46.8%	43.8%	49.6%	51.1%	49.9%	48.2%	46.5%
Total application of PFC revenues	$ 45,099,027	$ 46,380,004	$ 72,453,022	$ 46,355,984	$ 77,608,000	$ 77,778,000	$ 77,725,000	$ 33,047,000	$ 33,060,000
Year-end PFC revenue fund balance	$ 57,671,934	$ 76,709,788	$ 74,632,578	$ 103,496,328	$ 92,216,000	$ 79,259,000	$ 67,790,000	$ 103,374,000	$ 141,369,000

(a) Source: City of Philadelphia, Division of Aviation.

(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.

(c) Net of airline processing charge of $0.08 per PFC through May 2005 and $0.11 thereafter.

Exhibit G-1

DEBT SERVICE COVERAGE - BASE PASSENGER FORECAST
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

		Historical (a) (b)				Budget (a)	Forecast			
		2005	2006	2007	2008	2009	2010	2011	2012	2013
Airport Revenue Bond debt service coverage (Test #1)										
Project Revenues		$ 189,032,362	$ 200,787,041	$ 211,258,977	$ 250,544,456	$ 273,122,000	$ 285,156,000	$ 306,728,000	$ 322,632,000	$ 357,823,000
Pledged PFC revenues		32,908,131	32,591,618	32,920,891	32,925,675	32,926,000	33,095,000	33,043,000	33,048,000	33,060,000
Other Amounts Available for Debt Service (c)		-	-	10,240,854	42,583,167	61,413,000	65,052,000	68,387,000	70,594,000	73,359,000
Total Amounts Available for Debt Service		$ 221,940,493	$ 233,378,659	$ 254,420,722	$ 326,053,298	$ 367,461,000	$ 383,303,000	$ 408,158,000	$ 426,274,000	$ 464,242,000
Less: Net Operating Expenses		75,253,710	77,152,026	87,073,009	99,820,432	108,855,000	114,334,000	122,122,000	128,036,000	132,824,000
Net amounts available	[A]	$ 146,686,783	$ 156,226,633	$ 167,347,713	$ 226,232,866	$ 258,606,000	$ 268,969,000	$ 286,036,000	$ 298,238,000	$ 331,418,000
Bond Debt Service Requirements	[B]	$ 88,080,960	$ 88,125,733	$ 85,564,659	$ 84,388,275	$ 94,329,000	$ 98,437,000	$ 107,922,000	$ 112,480,000	$ 132,417,000
Bond debt service coverage	[A/B]	1.67	1.77	1.96	2.68	2.74	2.73	2.65	2.65	2.50
Coverage requirement		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Total debt service coverage (Test #2)										
Project Revenues		$ 189,032,362	$ 200,787,041	$ 211,258,977	$ 250,544,456	$ 273,122,000	$ 285,156,000	$ 306,728,000	$ 322,632,000	$ 357,823,000
Pledged PFC revenues		32,908,131	32,591,618	32,920,891	32,925,675	32,926,000	33,095,000	33,043,000	33,048,000	33,060,000
Other Amounts Available for Debt Service (c)		-	-	10,240,854	42,583,167	61,412,637	65,052,000	68,387,000	70,594,000	73,359,000
Total Amounts Available for Debt Service		$ 221,940,493	$ 233,378,659	$ 254,420,722	$ 326,053,298	$ 367,460,637	$ 383,303,000	$ 408,158,000	$ 426,274,000	$ 464,242,000
Less: Operating Expenses	[C]	132,808,734	135,012,072	157,743,172	188,955,988	194,458,000	200,013,000	211,833,000	221,975,000	230,609,000
Net amounts available	[D]	$ 89,131,759	$ 98,366,587	$ 96,677,550	$ 137,097,310	$ 173,003,000	$ 183,290,000	$ 196,325,000	$ 204,299,000	$ 233,633,000
Airport Revenue Bond Debt Service Requirements and General Obligation Bond debt service requirements	[E]	$ 89,131,758	$ 88,125,733	$ 85,564,659	$ 84,388,275	$ 94,329,000	$ 98,437,000	$ 107,923,000	$ 112,481,000	$ 132,418,000
Total debt service coverage	[D/E]	1.00	1.12	1.13	1.62	1.83	1.86	1.82	1.82	1.76
Coverage requirement		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Airline payments per enplaned passenger										
Total passenger airline revenues (d)		$ 115,213,761	$ 103,344,171	$ 97,429,093	$ 133,475,343	$ 147,301,000	$ 154,400,000	$ 169,770,000	$ 180,376,000	$ 206,516,000
Enplaned passengers		15,490,569	15,574,997	15,851,691	16,052,973	15,500,000	15,200,000	15,600,000	16,000,000	16,400,000
Passenger airline payments per enplaned passenger		$7.44	$6.64	$6.15	$8.31	$9.50	$10.16	$10.88	$11.27	$12.59

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Per Section 5.01(a) of the General Ordinance, that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service.
Includes Bond Redemption and Improvement Account, O&M Account, and Discretionary Account balances as of the beginning of the Fiscal Year.
(d) Airline revenues include passenger airline terminal rentals; international, charter, and common use airline charges; ramp rentals; and passenger airline landing fees.

Exhibit G-2

DEBT SERVICE COVERAGE - STRESS TEST FORECAST
City of Philadelphia, Division of Aviation
For Fiscal Years ending June 30

The forecasts presented in this exhibit were prepared using information from the sources indicated and assumptions provided by, or reviewed with and agreed to by, Division of Aviation management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, there are likely to be differences between the forecast and actual results, and these differences may be material.

		Historical (a) (b)				Budget (a)	Projection			
		2005	2006	2007	2008	2009	2010	2011	2012	2013
Airport Revenue Bond debt service coverage (Test #1)										
Project Revenues		$ 189,032,362	$ 200,787,041	$ 211,258,977	$ 250,544,456	$ 273,122,000	$ 266,334,000	$ 292,779,000	$ 311,594,000	$ 346,866,000
Pledged PFC revenues		32,908,131	32,591,618	32,920,891	32,925,675	32,926,000	33,095,000	33,043,000	33,048,000	33,060,000
Other Amounts Available for Debt Service (c)		-	-	10,240,854	42,583,167	61,413,000	65,052,000	65,907,000	69,179,000	72,378,000
Total Amounts Available for Debt Service		$ 221,940,493	$ 233,378,659	$ 254,420,722	$ 326,053,298	$ 367,461,000	$ 364,481,000	$ 391,729,000	$ 413,821,000	$ 452,304,000
Less: Net Operating Expenses		75,253,710	77,152,026	87,073,009	99,820,432	108,855,000	105,316,000	114,443,000	121,221,000	125,949,000
Net amounts available	[A]	$ 146,686,783	$ 156,226,633	$ 167,347,713	$ 226,232,866	$ 258,606,000	$ 259,165,000	$ 277,286,000	$ 292,600,000	$ 326,355,000
Bond Debt Service Requirements	[B]	$ 88,080,960	$ 88,125,733	$ 85,564,659	$ 84,388,275	$ 94,329,000	$ 98,437,000	$ 107,922,000	$ 112,480,000	$ 132,417,000
Bond debt service coverage	[A/B]	1.67	1.77	1.96	2.68	2.74	2.63	2.57	2.60	2.46
Coverage requirement		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Total debt service coverage (Test #2)										
Project Revenues		$ 189,032,362	$ 200,787,041	$ 211,258,977	$ 250,544,456	$ 273,122,000	$ 266,334,000	$ 292,779,000	$ 311,594,000	$ 346,866,000
Pledged PFC revenues		32,908,131	32,591,618	32,920,891	32,925,675	32,926,000	33,095,000	33,043,000	33,048,000	33,060,000
Other Amounts Available for Debt Service (c)		-	-	10,240,854	42,583,167	61,412,637	65,052,000	65,907,000	69,179,000	72,378,000
Total Amounts Available for Debt Service		$ 221,940,493	$ 233,378,659	$ 254,420,722	$ 326,053,298	$ 367,460,637	$ 364,481,000	$ 391,729,000	$ 413,821,000	$ 452,304,000
Less: Operating Expenses	[C]	132,808,734	135,012,072	157,743,172	188,955,988	194,458,000	185,865,000	200,012,000	211,652,000	220,193,000
Net amounts available	[D]	$ 89,131,759	$ 98,366,587	$ 96,677,550	$ 137,097,310	$ 173,003,000	$ 178,616,000	$ 191,717,000	$ 202,169,000	$ 232,111,000
Airport Revenue Bond Debt Service Requirements and General Obligation Bond debt service requirements	[E]	$ 89,131,758	$ 88,125,733	$ 85,564,659	$ 84,388,275	$ 94,329,000	$ 98,437,000	$ 107,923,000	$ 112,481,000	$ 132,418,000
Total debt service coverage	[D/E]	1.00	1.12	1.13	1.62	1.83	1.81	1.78	1.80	1.75
Coverage requirement		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Airline payments per enplaned passenger										
Total passenger airline revenues (d)		$ 115,213,761	$ 103,344,171	$ 97,429,093	$ 133,475,343	$ 147,301,000	$ 147,420,000	$ 165,058,000	$ 174,521,000	$ 200,117,000
Enplaned passengers		15,490,569	15,574,997	15,851,691	16,052,973	15,500,000	10,800,000	11,800,000	12,600,000	13,000,000
Passenger airline payments per enplaned passenger		$7.44	$6.64	$6.15	$8.31	$9.50	$13.65	$13.99	$13.85	$15.39

(a) Source: City of Philadelphia, Division of Aviation.
(b) Information reconciles to the General Purpose Financial Statements contained in the City's Comprehensive Annual Finance Report as audited by the Office of the City Controller.
(c) Per Section 5.01(a) of the General Ordinance, that portion of the Aviation Operating Fund balance attributable to Amounts Available for Debt Service.
Includes Bond Redemption and Improvement Account, O&M Account, and Discretionary Account balances as of the beginning of the Fiscal Year.
(d) Airline revenues include passenger airline terminal rentals; international, charter, and common use airline charges; ramp rentals; and passenger airline landing fees.

APPENDIX III

ENGINEER'S LETTER

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URBAN ENGINEERS, INC.
Formulating Excellence
ISO 9001:2000 Certified | Founded 1960 | Employee Owned
530 Walnut Street, 14th Floor
Philadelphia, PA 19106-3685
(215) 922-8080 Fax (215) 922-8082
www.urbanengineers.com

March 24, 2009

City of Philadelphia
1330 Municipal Services Building
1401 John F. Kennedy Boulevard
Philadelphia, P A 19102

Attn: Rob Dubow
Director of Finance

Re: Engineering Certification of the Airport System
Philadelphia International Airport and Northeast Philadelphia Airport

Dear Mr. Dubow:

Urban Engineers (Urban) is pleased to submit the attached engineering reports on the physical condition of the City of Philadelphia's Airport System including Philadelphia International and Northeast Philadelphia Airports. Based on our visual inspection of these facilities and our examination of those documents we deemed relevant to our inspection effort, it is our professional opinion that the physical elements of the Airport System, supported by a suitable ongoing maintenance plan, are in good operating condition. Our examinations and interviews were conducted in early 2009. The attached reports summarize our observations.

This examination of the Airport System was conducted at the request of the Division of Aviation, Philadelphia International Airport. Urban is a professional consulting engineering firm, employing personnel encompassing a broad range of engineering disciplines that contribute considerable experience in the design and analysis of the physical operation of airports of the magnitude and scope of Philadelphia's Airport System.

Very truly yours,

URBAN ENGINEERS, INC.

Edward M. D'Alba, PE
President

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APPENDIX IV

SUMMARY OF CERTAIN AUTHORIZATIONS FOR THE BONDS

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APPENDIX IV
SUMMARY OF CERTAIN AUTHORIZATIONS
FOR THE BONDS

The following are summaries of certain provisions and/or definitions of The First Class City Revenue Bond Act (the "Act"), the Amended and Restated General Airport Revenue Bond Ordinance of 1995, as amended and supplemented (the "General Ordinance"), the Ninth Supplemental Ordinance to the General Ordinance (the "Ninth Supplemental Ordinance") the Insurance and Reimbursement Agreement (as defined herein) and the Airline Agreements (as defined herein). The summaries are not, and should not be regarded as, complete statements of the provisions of these documents and legislation. Reference is made to the Act, the General Ordinance, the Ninth Supplemental Ordinance, the Insurance and Reimbursement Agreement and the Airline Agreements, copies of which are available from the Office of the Director of Finance, 1401 J. F. K. Boulevard, Municipal Services Building, Room 1330, Philadelphia, Pennsylvania 19102, for the complete terms and provisions thereof.

THE FIRST CLASS CITY REVENUE BOND ACT

The Bonds are being issued under the terms of The First Class City Revenue Bond Act and the General Ordinance and pursuant to the Ninth Supplemental Ordinance. The following summarizes the terms of The First Class City Revenue Bond Act. All capitalized terms used in the following summary of The First Class City Revenue Bond Act are defined as in The First Class City Revenue Bond Act and may be differently referenced in other portions of this Official Statement.

General Authorization; Definition of Project; Bonds to be Special Obligations

The Act is intended to provide a comprehensive authorization to the City and any other Pennsylvania city of the first class to issue revenue bonds ("Bonds") to finance various types of projects.

The Act defines "Project" to include, among other things, any buildings, structures, facilities or improvements of a public nature, the related land, rights or leasehold estates in land and the related furnishings, machinery, apparatus or equipment of a capital nature, which the City is authorized to own, construct acquire, improve, lease, operate or support; any item of construction, acquisition or extraordinary maintenance or repair thereof, the City's share of the cost of any of the foregoing undertaken jointly with others; and any combination of the foregoing or any undivided portion of the cost of any of the foregoing as may be designated a project by the City for financing purposes and in respect of which the City may reasonably be expected to receive "Project Revenues" (as defined in the act), which include, among other things, all revenues generated by the Project financed.

Bonds issued under the Act are required to be payable solely from Project Revenues and to be secured solely by such revenues and by any reserve funds which may be created in connection with the Bonds. The Bonds are not permitted to pledge the credit or taxing power of the City, to create a debt or charge against the tax or general revenues of the City, or to create a lien against any City property other than the Project Revenues pledged therefore and reserve funds established in respect of the Bonds. The Bonds are excluded from the calculation of the City's debt-incurring capacity under the Pennsylvania Constitution.

Estimates of Future Revenues

To establish that Project Revenues will be sufficient to amortize all Bonds outstanding, the Act requires a finding to be made in the ordinance authorizing the issuance of the Bonds that the pledged Project Revenues will be sufficient to pay any prior parity charges on such pledged Project Revenues and the principal of and interest on the Bonds. The finding is to be based on a report of the chief fiscal officer of the City filed with the City Council and supported by appropriate schedules and summaries. The report of the chief fiscal officer of the city may be based on a report of the airport consultant employed by the City to evaluate the Project.

For the purposes of estimating future Project Revenues, the Act provides that only the following shall be included (i) those rents, rates, tolls or charges to the general public which, under existing authorizations, and in effect as of the date of calculation, will be reasonably collectable during the fiscal year under the rate schedule which is or will be in effect during such fiscal year, or which may be imposed by administrative action without further legislation: (ii) those bulk payments which may be imposed under subsisting legislation or which are provided under subsisting agreements or are the subject of an expression of intent by the prospective obligor deemed reliable by the chief fiscal officer of the City; and (iii) those governmental subsidies or payments which, under subsisting legislation, are subject to reasonably precise calculation and, unless stated in such legislation or authorization to be of an annually or more frequent recurring nature, are payable in such year.

Details of Bonds and City Covenants

The Act provides that the ordinance authorizing the issuance of the Bonds shall fix the aggregate amounts of the Bonds to be issued from time to time and determine, or designate officers of the City to determine, the form and details of the Bonds. The City may include in its Bond ordinance various covenants with Bondholders, including covenants governing the imposition, collection and disbursement of Project Revenues, Project operation and maintenance, the establishment, segregation, maintenance, custody, investment and disbursement of sinking funds and reserves, the issuance of additional priority or parity bonds, the redemption of the Bonds and such other provisions as the City deems necessary or desirable in the interest or for the protection of the City or of such Bondholders. Under the Act the covenants, terms and provisions of the Bond ordinance made for the benefit of Bondholders constitute contractual obligations of the City, but such covenants (within limitations, if any, fixed by the Bond ordinance) may be modified by agreement with a majority in interest of the Bondholders or such larger portion thereof as may by provided in the Bond ordinance.

Sinking Fund

The Act requires that the Bond ordinance shall provide for the establishment of a sinking fund for the payment of the principal of and interest on the Bonds. Payment into such sinking fund shall be made in annual or more frequent installments and shall be sufficient to pay or accumulate for payment all principal of and interest on the Bonds for which the sinking fund is established as and when the same shall become due and payable. The sinking fund shall be managed by the chief fiscal officer of the City and moneys therein to the extent not currently required, shall be invested, subject to limitations established by the Bond ordinance and the Act. Interest and profits from investment of moneys in the sinking fund shall be added to such fund and may be applied in reduction of or to complete required deposits into the sinking fund. Excess moneys in the sinking fund shall be repaid to the City for its general purposes or may be applied as may be provided in the Bond ordinance. All moneys deposited in the sinking fund are subjected to a perfected security interest for the benefit of the holders of the Bonds, for which the fund is established, until properly disbursed. This perfected security interest also applies, under the terms of the Act, to moneys in the sinking fund reserve created as part of the sinking fund by the General Ordinance.

Refunding

Any outstanding Bonds issued under the Act or other bonds issued for purposes for which bonds are issuable under the Act, whether issued before or after the effective date of the Act, may from time to time be refunded by Bonds issued under the Act and are subject to the same protections and provisions required for the issuance of an original issue of Bonds. The last stated maturity date of the refunding Bonds may not be later than ten years after the last stated maturity date of the Bonds to be refunded. If outstanding Bonds are refunded in advance of their maturity or redemption date, the principal thereof and interest thereon to payment or redemption date, and redemption premium payable, if any, will no longer be deemed to be outstanding obligations when the City shall have deposited with a bank, bank and trust company or trust company, funds irrevocably pledged to the purpose, which are represented by demand deposits, interest bearing time accounts, savings deposits, certificates of deposit (insured or secured as public funds) or specified obligations of the United States or of the Commonwealth of Pennsylvania to effect such redemption or payment or, if interest on the deposited funds to the time of disbursement is also pledged, sufficient, together with such interest, for such purpose and, in the case of redemption, shall have duly called the Bonds for redemption or given irrevocable instructions to give notice of such call.

Validity of Proceedings; Suits and Limitations Thereon

Prior to delivery of any Bonds, the City must file with the Court of Common Pleas a transcript of the proceedings authorizing the issuance of the Bonds. If no action is brought on or before the twentieth day following the date of recording of the transcript, the validity of the proceedings, the City's right to issue the Bonds, the lawful nature of the purpose for which the Bonds are issued, and the validity and enforceability of the Bonds in accordance with their terms may not thereafter be inquired into judicially, in equity, at law, or by civil or criminal proceedings, or otherwise, either directly or collaterally, except where a constitutional question is involved.

Negotiable Instrument

The Act provides that Bonds issued thereunder shall have the qualities and incidents of securities under article 8 of the Uniform Commercial Code of the Commonwealth and shall be negotiable instruments.

Exemption from State Taxation

The Commonwealth pledges with the holders from time to time of Bonds issued under the Act that such Bonds, and the interest thereon, shall at all times be free from taxation within and by the Commonwealth, but this exemption does not extend to gift, succession or inheritance taxes or any other taxes not levied directly on the Bonds and the receipt of interest thereon.

Defaults and Remedies

If the City should fail to pay the principal of or interest on any Bond when the same shall be due and payable, the remedy provisions of the Act permit the holder of such Bond, subject to the limitations described below, to recover the amount due in an action in Philadelphia Common Pleas Court; but a judgment rendered in favor of the Bondholder in such an action is collectible only from Pledged Amounts. The holders of 25% or more in aggregate principal amount of the Bonds of such series then outstanding which are in default, whether because of failure of timely payment which is not cured in 30 days, or failure of the City to comply with any other provisions of the Bonds or any Bond ordinance, may appoint a trustee to represent them. On being appointed, the trustee shall be the exclusive representative for the affected Bondholders and the individuals rights of action described above shall no longer be available. The trustee may, and upon written request of the holders of 25% or more in aggregate principal amount of Bonds in default, and on being furnished with indemnity satisfactory to it, shall, take one or more of the following actions, which, if taken, shall preclude similar action, whether previously or subsequently initiated, by individual holders of Bonds; enforce, by proceedings at law or in equity, all rights of the holders of the Bonds; bring suit on the Bonds; bring suit in equity to require the City to make an accounting for all pledged Project Revenues received and to enjoin unlawful action or action in violation of the holders' rights; and, after 30 days' written notice to the City, and subject to any limitations in the Bond ordinance, declare the unpaid principal of the Bonds to be immediately due and payable, together with interest thereon at the rates stated in the Bonds until final payment, and upon the curing of all defaults, to annual such declaration. In any suit, action or proceeding by or on behalf of holders of defaulted Bonds, trustee fees and expenses, including operating costs of a project and reasonable counsel fees, shall constitute taxable costs, and all such costs and expenses allowed by the Court shall be deemed additional principal due on the Bonds and shall be paid in full from any recovery prior to any distribution to the holders of the Bonds. The General Ordinance limits any such recovery to Pledged Amounts. The trustee shall make distribution of any sums so collected in accordance with the Act.

Refunding with General Obligation Bonds

Upon certification by the City's chief fiscal officer that Project Revenues pledged for the payment of Bonds have become insufficient to meet the requirements of the ordinance or ordinances under which the Bonds were issued, the City Council is empowered, subject to applicable Pennsylvania constitutional debt limitations, to authorize the issuance and sale of general obligation refunding bonds of the City, without limitations as to rate of interest, in such principal amount (subject to the aforesaid limitations on indebtedness) as may be required, together with other available funds, to pay and redeem such Bonds, together with interest to the payment or redemption date and redemption premium, if any.

THE AMENDED AND RESTATED GENERAL AIRPORT REVENUE BOND ORDINANCE

The Bonds are being issued under the terms of the General Ordinance and pursuant to the Ninth Supplemental Ordinance. The Ninth Supplemental Ordinance (see below) sets forth the specific terms of the Bonds.

The following summarizes the terms of the General Ordinance. All capitalized terms used in the following summary of the General Ordinance are defined as in the General Ordinance and may be differently referenced in other portions of this Official Statement.

Certain Definitions

The following is a summary of certain terms defined in the General Ordinance and used in this Official Statement. Reference should be made to the General Ordinance for a full and complete statement of its terms and any capitalized terms used herein but not otherwise defined.

"Accreted Value" means, with respect to Capital Appreciation Bonds, the amount to which, as of any specified time, the Original Value of any such Capital Appreciation Bond has been increased by accretion, all as may be provided in an applicable Supplemental Ordinance.

"Act" means The First Class City Revenue Bond Act, approved October 18, 1972 (Act No. 234, 53 P.S. §15901 to 15924), as from time to time amended.

"Airport System" means the Airport and Northeast Philadelphia Airport, as such system currently exists or hereafter may be developed, expanded, extended or improved from time to time.

"Amended and Restated General Airport Revenue Bond Ordinance" or "General Ordinance" means the Amended and Restated General Airport Revenue Bond Ordinance, as amended from time to time by one or more Supplemental Ordinances in accordance with Article V or Article X of the Amended and Restated General Airport Revenue Bond Ordinance.

"Amounts Available for Debt Service" means for any particular period, Project Revenues for that period plus: (a) Passenger Facility Charges which are legally available to pay Debt Service Requirements with respect to such particular period to the extent such Passenger Facility Charges have been pledged under a Supplemental Ordinance, and (b) grants or moneys received from private persons or public agencies, either federal, state or local, directly or indirectly for the benefit of the Airport System, to the extent deposited in the Sinking Fund to be used for Debt Service Requirements.

"Assumed Amortization Period" means, with respect to Balloon Bonds, the period of time specified in clause (a) or clause (b), as selected by the City: (a) five years; or (b) the period of time exceeding five years set forth in an Investment Banker's Certificate delivered to the City, as being not longer than the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar issuers of comparable credit standing would need to be amortized, if then being offered, in order to be marketable on reasonable and customary terms.

Notwithstanding the foregoing, such period shall not be in excess of (i) the maximum amortization period permitted by the Act, or (ii) the useful life of the assets to be financed, or the remaining useful life of the assets being refinanced.

"Assumed Interest Rate" means with respect to Balloon Bonds, the rate per annum (determined as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made) set forth in an Investment Banker's Certificate delivered to the City, as being not lower than the lowest rate of interest at which indebtedness having comparable terms, security and federal tax status amortized on a level debt service basis over a period of time equal to the Assumed Amortization Period, and issued or incurred by similar issuers of comparable credit standing would, if being offered as of such last day of the calendar month, be marketed at par on reasonable and customary terms.

"Authority" shall mean a municipal authority created pursuant to the Municipal Authorities Act of 1945, as amended, or an authority created pursuant to any other applicable statute or to another entity.

"Aviation Capital Fund" means the Aviation Capital Fund established in Section 4.04 of the General Ordinance.

"Aviation Funds" means, collectively, the Aviation Operating Fund, the Aviation Capital Fund, the Sinking Fund (including the Sinking Fund Reserve Account), the Subordinate Obligations Fund, and the Renewal Fund.

"Aviation Operating Fund" means the operating fund of the Division of Aviation which is so designated in the City's books and records and which is established in Section 4.04 of the General Ordinance and described in Sections 4.05 and 4.06 of the General Ordinance.

"Balloon Bonds" means any series of Bonds, or any portion of a series of Bonds, designated by Determination as Balloon Bonds, (a) 25% or more of the principal payments (including mandatory sinking fund payments) of which are due in a single year, or (b) 25% or more of the principal of which may, at the option of the holder or holders thereof, be redeemed at one time.

"Bond" or "Bonds" means any airport revenue bond of the City, authorized and issued, or assumed, under one or more supplemental ordinances amending and supplementing the General Airport Revenue Bond Ordinance of 1978, or the General Ordinance.

"Bond Committee" means the Mayor, City Controller and City Solicitor or a majority thereof.

"Bond Counsel" means a firm of nationally recognized bond counsel selected by the City.

"Bondholder" or "Holder" means any registered owner of Bonds or holder of Bonds issued in coupon form at the time Outstanding.

"Capital Appreciation Bonds" means any Bonds issued under the General Ordinance which do not pay interest either until maturity or until a specified date prior to maturity, but whose Accreted Value increases periodically by accretion to a final Maturity Value.

"City" means the City of Philadelphia, Pennsylvania.

"City Controller" means the head of the City's auditing department as provided by the Philadelphia Home Rule Charter.

"City Solicitor" means the head of the City's law department as provided by the Philadelphia Home Rule Charter.

"Code" means the Internal Revenue Code of 1986, as amended.

"Consultants" means nationally recognized Independent registered consulting engineers, registered architects, certified public accountants or other Independent qualified experts having broad experience in the operation of airport systems of the magnitude and scope of the Airport System.

"Cost Accounting System" means the system for accounting for the collection, allocation, and reporting of revenues, expenses and debt service associated with the operation of the Airport System in accordance with Cost Centers as provided for in the Airline Agreements, or if none of the Airline Agreements is in effect, as determined by the City, from time to time.

"Cost Centers" means the cost areas to be used in the Cost Accounting System as set forth in the Airline Agreements, or if none of the Airline Agreements is in effect, then as determined by the City from time to time. Such Cost Centers shall initially consist of the Airport Area Cost Center, the Terminal Area Cost Center, the Other Buildings and Area Cost Center, the Northeast Philadelphia Airport Cost Center, the Outside Terminal Area Cost Center and the Airport Services Cost Center, all as defined in the Airline Agreements.

"Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that is provided by a commercial bank, insurance company or other institution, with a current long term rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance) not lower than the credit rating of any Series of Bonds which has no Credit Facility, to provide support for a Series of Bonds, and shall include any Substitute Credit Facility.

"Debt Service Account" means the Debt Service Account of the Sinking Fund established in Section 4.04 of the General Ordinance.

"Debt Service Requirements," with reference to a specified period, means:

A. amounts required to be paid into any mandatory sinking fund established for the Bonds, for the benefit of Bondholders during the period;

B. amounts needed to pay the principal or redemption price of Bonds maturing during the period and not to be redeemed at or prior to maturity through any sinking fund established for the Bonds, for the benefit of the Bondholders;

C. interest payable on Bonds during the period, with adjustments for (i) capitalized interest and accrued interest, (ii) any investment income realized from investments in the Aviation Capital Fund, Sinking Fund Reserve Account and Renewal Fund to the extent that such investment proceeds are deposited in or credited to the Debt Service Account of the Sinking Fund, and (iii) all net amounts payable to the City under a Qualified Swap during such period (other than termination amounts payable by a Qualified Swap Provider due as a result of termination of a Qualified Swap); and

D. all net amounts, if any, due and payable by the City under a Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap), a Credit Facility, or a Standby Agreement for Bonds during such period secured by a parity pledge of Project Revenues as set forth in a Determination or Supplemental Ordinance pursuant to which the related Bonds were issued.

For purposes of estimating Debt Service Requirements for any future period, (i) any Option Bond outstanding during such period shall be assumed to mature on the stated maturity date thereof, except that the principal amount of any Option Bond that has been tendered for payment before its stated maturity date and has not at the time of such estimate been remarketed, shall be deemed to accrue on the date required for payment pursuant to the terms of the Standby Agreement; and (ii) Debt Service Requirements on Bonds for which the City has entered into a Qualified Swap shall be calculated assuming that the interest rate on such Bonds shall equal the stated fixed or variable rate payable by the City on the Qualified Swap or, if applicable and if greater than such stated rate, the applicable rate for any Bonds issued in connection with the Qualified Swap adjusted, in the case of a variable rate obligation, as provided in Section 5.01 of the General Ordinance; provided that if the Qualified Swap Provider's payments under the Qualified Swap are based on an index, then, Debt Service Requirements on such Bonds shall be calculated using the sum of (i) the interest rate on the Bonds, and (ii) the difference between the fixed rate obligation of the City under the Swap Agreement and such index; provided, further that, for purposes of projecting the difference in (ii) above, the City shall be entitled to assume that the difference will be equal to the average differential during the period of twenty-four (24) consecutive calendar months preceding the date of calculation or, if the Swap Agreement was entered into less than twenty-four (24) months prior thereto, the average differential since the date the Swap Agreement was entered into.

Calculation of Debt Service Requirements with respect to Variable Rate Bonds and Balloon Bonds shall be subject to adjustment as permitted by Section 5.01(b) of the General Ordinance.

"Determination" means a determination by the Bond Committee regarding certain matters relating to the issuance of a Series of Bonds, made pursuant to the General Ordinance or the Supplemental Ordinance providing for the issuance of such Series of Bonds.

"Director of Finance" means the chief financial officer of the City as established by the Philadelphia Home Rule Charter.

"Division of Aviation" means the division of the Department of Commerce of the City responsible for the maintenance, improvement, repair and operation of the Airport System and for the construction of additional facilities for the Airport System or any successor division or Department of the City which is charged by law with such responsibility.

"Effective Date" shall have the meaning set forth in Article I of the General Ordinance.

"Exchange Agreement" means, to the extent from time to time permitted by applicable law, any interest exchange agreement, interest rate swap agreement, currency swap agreement or other contract or agreement, other than a Qualified Swap that has not been deemed to be an Exchange Agreement pursuant to Section 3.12 of the General Ordinance, authorized, recognized and approved by a Supplemental Ordinance or Determination as an Exchange Agreement and providing for (i) certain payments by the City, and (ii) payments by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose obligations under an Exchange Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated at all times in one of the three highest rating categories (without regard to gradation) by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance) or the equivalent thereof by any successor thereto as of the date the Exchange Agreement is entered into; which payments by the City and counterparty are calculated by reference to fixed or variable rates.

"Existing Bonds" means any Bonds to the extent the lien of such bonds is not defeased on or prior to the Effective Date of the General Ordinance, which Existing Bonds shall be specified in a certificate of the Director of Finance on the Effective Date and thereafter shall be secured by the General Ordinance.

"Financial Consultant" means a firm of investment bankers, a financial consulting firm, a firm of certified public accountants or any other firm which is qualified to calculate amounts required to be rebated to the United States pursuant to Section 148(f) of the Code.

"Fiscal Agent" means a bank or other entity designated as such pursuant to Section 7.01 of the General Ordinance or its successor.

"Fiscal Year" means the fiscal year of the City.

"Fitch" means Fitch Investors Service and any successor thereto.

"General Airport Revenue Bond Ordinance of 1978" means the General Airport Revenue Bond Ordinance of 1978, approved March 16, 1978, as amended and supplemented from time to time.

"General Obligation Bonds" means the general obligation bonds of the City issued and outstanding from time to time to finance, in whole or in part, improvements to the Airport System and adjudged, pursuant to the Constitution and laws of the Commonwealth of Pennsylvania, to be self-sustaining on the basis of expected Project Revenues.

"Government Obligations" means direct noncallable obligations of, or obligations of the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America.

"Interdepartmental Charges" means the actual charges for services performed for the Division of Aviation by all officers, departments, boards or commissions of the City which are included in the computation of Operating Expenses of the Division of Aviation and allocable to the Airport System.

"Independent" means a person who is not a salaried employee or elected or appointed official of the City; provided, however, that the fact that such person is retained regularly by or transacts business with the City shall not make such person an employee within the meaning of this definition.

"Investment Banker's Certificate" means a written estimate of an investment banker selected by the City and experienced in underwriting indebtedness of the character of the Bonds in question.

"Maturity Value" with respect to Capital Appreciation Bonds means the amount due on the maturity date.

"Moody's" means Moody's Investors Service and any successor thereto.

"Net Operating Expenses" means Operating Expenses exclusive of Interdepartmental Charges. On and after the date on which a transaction described in Section 9.01 of the General Ordinance is completed, Net Operating Expenses may include Interdepartmental Charges at the written direction of the City.

"Non-Parity Sinking Fund Reserve Requirement" means any Sinking Fund Reserve Requirement referred to in clause (ii) of the definition of "Sinking Fund Reserve Requirement" as specified in a Supplemental Ordinance.

"Non-Parity Sinking Fund Reserve Account" means any account of the Sinking Fund Reserve Account created pursuant to a Supplemental Ordinance for a particular Series of Bonds that will not be secured by the Parity Sinking Fund Reserve Account, and for which a Non-Parity Sinking Fund Reserve Requirement applies.

"Northeast Philadelphia Airport" means the airport facility operated by the Division of Aviation, and located in the northeast portion of the City as such facility currently exists or hereafter may be developed, extended or improved from time to time.

"NSS General Obligation Bonds" means the general obligation bonds of the City issued and outstanding from time to time to finance, in whole or in part, improvements to the Airport System that have not been adjudged to be self-sustaining on the basis of expected Project Revenues.

"Operating Expenses" means all costs and expenses of the Airport System necessary and appropriate to operate and maintain in good operating condition during each Fiscal Year those portions of the Airport System from which revenues are derived and which are included within the definition of Project Revenues, and shall include, without limitation, salaries and wages, purchases of services, interest on temporary borrowings to be paid from Bonds, costs of materials, supplies and equipment that can be expensed, maintenance costs, costs of any property or the replacement thereof or for any work or project, related to the Airport System having an estimated life or usefulness and a cost less than minimum standards for capitalization established by the Division of Aviation's accounting policies (provided such minimum standards shall in no event be less than the standards set forth in the City Charter of the City), pension and welfare plan and worker's compensation requirements, unemployment compensation requirements, taxes and payments in lieu of taxes, insurance premiums, provisions for claims, refunds and uncollectible receivables and Interdepartmental Charges, all consistently determined in accordance with the accrual basis of accounting adjusted to meet the particular requirements of the Airline Agreements and the Ordinance, consistently applied, but Operating Expenses shall exclude depreciation, amortization, and except as expressly set forth above, Debt Service Requirements and amounts due under Subordinate Obligations and Exchange Agreements. Operating Expenses shall also exclude debt service on General Obligation Bonds and NSS General Obligation Bonds. Aggregate financing payments under capitalized lease agreements shall be payable as Operating Expenses to the extent payments under such capitalized lease agreements either (i) do not constitute Capital Expenditures under the Airline Agreements, or (ii) constitute Capital Expenditures under the Airline Agreements and have not been disapproved by the Majority-in-Interest under the Airline Agreements. Any financing payments on capitalized lease agreements not satisfying the requirements of either clause (i) or (ii) above, may be payable in accordance with Section 4.06(i) of the General Ordinance.

"Option Bond" means any Bond which by its terms may be tendered by and at the option of the Holder thereof for payment by the City prior to its stated maturity date or the maturity date of which may be extended by and at the option of the Holder thereof.

"Ordinance" means the General Ordinance, as amended from time to time by one or more Supplemental Ordinances in accordance with Article V or Article X of the General Ordinance.

"Original Value" with respect to Capital Appreciation Bonds means the principal amount paid by the initial purchasers on the date of original issuance.

"Outside Terminal Area" shall have the meaning ascribed in the Airline Agreements.

"Outstanding," when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being issued and delivered subject to the General Airport Revenue Bond Ordinance of 1978 or the General Ordinance except (i) any Bonds canceled by the Fiscal Agent at or prior to such date; (ii) Bonds (or portion of Bonds) for the payment or redemption of which moneys, equal to the principal amount, Accreted Value or redemption price thereof, as the case may be, with interest (except to the extent of any Capital Appreciation Bonds) to the date of maturity or redemption date, shall be held in trust under the General Ordinance and set aside for such payment or redemption, provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as provided in Article VI of the General Ordinance or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice; (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 6.06 of the General Ordinance; and (iv) Bonds deemed to have been paid as provided in Section 11.01 of the General Ordinance.

"Parity Sinking Fund Reserve Requirement" means the Sinking Fund Reserve Requirement described in clause (i) of the definition of " Sinking Fund Reserve Requirement."

"Parity Sinking Fund Reserve Account" means the Sinking Fund Reserve Account created pursuant to the first paragraph of Section 4.09 of the General Ordinance.

"Passenger Facility Charges" means all passenger facility charges collected pursuant to applicable law.

"Payments-in-Aid of Outside Terminal Area" means the payment-in-aid of the Outside Terminal area required to be made by the Scheduled Airlines pursuant to the Airline Agreements.

"Permitted Investments" shall mean any of the following obligations, but only to the extent the same are legal for investment of funds of the City at the time, under applicable law:

(a) Government Obligations;

(b) Qualified Rebate Fund Securities;

(c) Bonds, notes or other obligations of United States government agencies issued by the Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, Government National Mortgage Association, Resolution Funding Corporation, U.S. Maritime Administration, Small Business Administration, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, and Student Loan Marketing Association;

(d) Interest-bearing time or demand deposits, or certificates of deposit with a maturity date of no longer than twenty four months from the date of the investment, or other similar arrangements with any institution (including the Fiscal Agent or its affiliates) with a bond or deposit rating at all times in the higher of (i) the rating on the Bonds Outstanding under the General Ordinance, or (ii) one of the three highest rating categories (without regard to gradation), by S&P and Moody's (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance); with a maturity date of no longer than twenty four months from the date of the investment, provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation through the Bank Insurance Fund or Savings Association Insurance Fund, or to the extent not insured, are secured by a pledge of collateral as provided by laws applicable to funds of the City of Philadelphia;

(e) Commercial paper (having original maturities of not more than 270 days) rated at all times P-1 or A-1+ by Moody's and S&P, respectively, however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance;

(f) Investments in money market funds rated at all times in one of the two highest rating categories (without regard to gradation) by S&P and Moody's (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance);

(g) Repurchase agreements with a term not exceeding twenty four months with the Fiscal Agent or any bank with a capital and surplus of at least $100,000,000 and a bond or deposit rating at all times in the higher of (i) the rating on the Bonds Outstanding under the General Ordinance, or (ii) one of the three highest rating categories of S&P and Moody's (provided that, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance) which bank is a member of the Federal Reserve System, or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, that are collateralized with Permitted Investments described in (a) or (b) above, having a market value at the time of purchase (inclusive of accrued interest) at least equal to 102% of the full amount of the repurchase agreement and which Permitted Investments shall be held by a third party custodian which is a bank or trust company pursuant to a third party custodial agreement;

(h) General Obligation bonds of corporations rating in one of the two highest rating categories (without regard to gradation) by Moody's and S&P, provided that, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance;

(i) Collateralized mortgage obligations which are rated in one of the two highest rating categories (without regard to gradation) by Moody's and S&P, with a maturity date no later than two years from the date of investment; provided that the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance;

(j) Obligations of the Commonwealth or any municipality or other political subdivision of the Commonwealth with a maturity date no later than two years from the date of investment, rated by Moody's and S&P in one of the three highest rating categories (without regard to gradation); provided that, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bond Outstanding under the General Ordinance; and

(k) Any other obligation approved in writing by S&P and Moody's to the extent that either is rating Bonds Outstanding under the General Ordinance at the time.

"Philadelphia Home Rule Charter" means the Philadelphia Home Rule Charter, as amended or superseded by any new home rule charter, adopted pursuant to authorization of the First Class City Home Rule Act approved April 21, 1949, P. L. 665 §1 et seq. (53 P. S. § 13101 et seq.).

"Pledged Amounts" shall have the meaning set forth in Section 4.02 of the General Ordinance.

"Prior Bonds" means the bonds issued under the General Airport Revenue Bond Ordinance of 1978 designated as Airport Revenue Bonds, Series 1978, 1984, 1985 and 1988.

"Project" shall have the meaning assigned to it in the Act, as the same may be amended from time to time.

"Project Revenues" means all of the revenues, rents, rates, tolls or other charges imposed upon all lessees, occupants and users of the Airport System and all moneys received by or on behalf of the City from all sources during any Fiscal Year (except as hereinafter excluded) from or in connection with the ownership, operation, improvements and enlargements of the Airport System, or any part thereof and the use thereof, including, without limitation, revenues pledged or appropriated for the benefit of the Airport System, all rentals, rates, charges, landing fees, use charges, concession revenues, income derived from the City's sale of services, fuel, oil, and other supplies or commodities, and all other charges received by the City or accrued by it from the Airport System, and any investment income realized from the investment of the foregoing, except as provided below, and all accounts, contract rights and general intangibles representing the Project Revenues all consistently determined in accordance with the accrual basis of accounting adjusted to meet the particular requirements of the Airline Agreements (if any of the Airline Agreements are in effect) and the General Ordinance.

Project Revenues as defined in the preceding paragraph shall not include (a) any and all Passenger Facility Charges, or any taxes which the City may from time to time impose upon users of the Airport System, (b) any governmental grants and contributions in aid of capital projects, (c) such rentals as may be received pursuant to Special Facility Agreements for Special Purpose Facilities, (d) proceeds of the sale of Bonds and any income realized from the investment of proceeds of the sale of Bonds maintained in the Aviation Capital Fund and income realized from investments of amounts maintained in the Renewal Fund and Sinking Fund Reserve Account, (e) except as required by applicable laws, rules or regulations, net proceeds from the sale of Airport assets, including the sale or transfer of all or substantially all of the assets of the Airport System under Section 9.01 hereof unless the Division of Aviation determines to include any such net proceeds as Project Revenues and such determination is evidenced by written notification by the City to the Fiscal Agent, (f) proceeds of insurance or eminent domain (other than proceeds that provide for lost revenue due to business interruption or business loss), and (g) net amounts payable to the City under a Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap).

"Qualified Escrow Securities" means funds which are represented by (a) demand deposits, interest-bearing time accounts, savings deposits or certificates of deposit, but only to the extent such deposits or accounts are fully insured by the Federal Deposit Insurance Corporation or any successor United States governmental agency, or to the extent not insured, fully secured and collateralized by Government Obligations having a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such deposits or accounts, (b) if at the time permitted under the Act, noncallable obligations of the Commonwealth of Pennsylvania or any political subdivision thereof or any agency or instrumentality of the Commonwealth of Pennsylvania or any political subdivision thereof for which cash, Government Obligations or a combination thereof have been irrevocably pledged to or deposited in a segregated escrow account for the payment when due of principal or redemption price of and interest on such obligations, and any such cash or Government Obligations pledged and deposited are payable as to principal or interest in such amounts and on such dates as may be necessary without reinvestment to provide for the payment when due of the principal or redemption price of and interest on such obligations, and such obligations are rated by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is then rating Bonds Outstanding under the General Ordinance) in the highest rating category (without regard to gradations) assigned by each such rating service to obligations of the same type, or (c) noncallable Government Obligations. In each case such funds (i) are subject to withdrawal, maturing or payable at the option of the holder, at or prior to the dates needed for disbursement, provided such deposits or accounts, whether deposited by the City or by such depository, are insured or secured as public deposits with securities having at all times a market value exclusive of accrued interest equal to the principal amount thereof, (ii) are irrevocably pledged for the payment of such obligations and (iii) are sufficient, together with the interest to disbursement date payable with respect thereto, if also pledged, to meet such obligations in full.

"Qualified Rebate Fund Securities" means either:

(a) Government Obligations; or

(b) rights to receive the principal of or the interest on Government Obligations through (i) direct ownership, as evidenced by physical possession of such Government Obligations or unmatured interest coupons or by registration as to ownership on the books of the issuer or its duly authorized paying agent or transfer agent, or (ii) purchase of certificates or other instruments evidencing an undivided ownership interest in payments of the principal of or interest on Government Obligations held under book-entry with the New York Federal Reserve Bank; or

(c) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated at the time purchased, based on the escrow, in the highest rating category of S&P and Moody's.

"Qualified Swap" or "Swap Agreement" means, with respect to a Series of Bonds, any financial arrangement that (i) is entered into by the City with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) provides that (a) the City shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of all or any portion of the Outstanding Bonds of such Series, and that such entity shall pay to the City an amount based on the interest accruing on a principal amount initially equal to the same principal amount of such Bonds, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Bonds) or that one shall pay to the other any net amount due under such arrangement, (b) the City shall pay to such entity an amount based on the interest accruing on the principal amount of all or any portion of the Outstanding Bonds of such Series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the City an amount based on interest accruing on a principal amount equal to the same principal amount of such Bonds at an agreed fixed rate or that one shall pay to the other any net amount due under such arrangement or, (c) the City shall be paid by a Qualified Swap Provider an amount, based on a notional amount equal to the principal amount of all or any portion of the Outstanding Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds exceeds a previously agreed upon rate, and/or the City shall pay to the Qualified Swap Provider an amount, based on a notional amount equal to the principal amount of all or any portion of the Outstanding Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds is less than a previously agreed upon rate; (iii) has been approved of in writing by the Scheduled Airlines and UPS (provided that the written consent of UPS shall be obtained only to the extent required, as determined in the sole discretion of the City); and (iv) which has been designated in writing to the Fiscal Agent by the City as a Qualified Swap with respect to the Bonds.

"Qualified Swap Provider" means, with respect to a Series of Bonds, an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, are rated (at the time the subject Qualified Swap is entered into) at the higher of (i) A by Moody's and A by S&P, or the equivalent thereof by any successor thereto, or (ii) the then current rating on Bonds outstanding under the General Ordinance, without taking into account Bonds the rating on which is based upon a Credit Facility for such Bonds, provided if all Bonds Outstanding under the General Ordinance are rated based upon one or more Credit Facilities, then the senior unsecured long term obligations or claims paying ability of the provider shall be at least equal to A by Moody's and S&P.

"Rate Covenant" means the rate covenant applicable pursuant to Section 5.01 of the General Ordinance.

"Rating Agency" means Moody's, S&P or Fitch, to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services if any such rating service has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

"Rebate Bond Year," for purposes of Section 4.14 of the General Ordinance and in order to facilitate compliance with the arbitrage rebate requirements of the Code, shall mean the period or periods specified in a Supplemental Ordinance or Determination for a Series of Bonds.

"Rebate Fund" means the Rebate Fund established in Section 4.04 of the General Ordinance.

"Record Date" means (i) with respect to any Variable Rate Bond, the Business Day immediately preceding an interest payment date or a redemption date or the maturity date, or such other date as set forth in the related Supplemental Ordinance, and (ii) with respect to Bonds bearing interest in a fixed rate mode or Bonds bearing interest at a prescribed fixed rate, the fifteenth (15th) day (regardless of whether it is a Business Day) of the calendar month next preceding an interest payment date, a redemption date or maturity date, or such other date as set forth in the related Supplemental Ordinance.

"Remarketing Agent" means a Remarketing Agent appointed in the manner provided in the applicable Supplemental Ordinance or Determination authorizing the issuance of Variable Rate Bonds.

"Remarketing Agreement" means an agreement providing for the remarketing of tendered Variable Rate Bonds by a Remarketing Agent, as more fully set forth and defined in the Supplemental Ordinance authorizing any Series of Variable Rate Bonds.

"Renewal Fund" means the Renewal Fund established in Section 4.04 of the General Ordinance.

"Renewal Fund Requirement" means $2,500,000 or such other amount as determined by the Consultant from time to time to be appropriate taking into account the size and operations of the Airport System.

"Required Rebate Fund Balance" shall have the meaning set forth in Section 4.14 of the General Ordinance.

"Scheduled Airlines" means the airlines that are signatories to the Airline Agreements.

"Second Supplemental Ordinance" means the Second Supplemental Ordinance to the General Ordinance.

"Series" when applied to Bonds means, collectively, all of the Bonds of a given issue authorized by Supplemental Ordinance, as provided in the General Ordinance, and may also mean, if appropriate, a subseries of any Series if, for any reason, the City should determine to divide any Series into one or more subseries of Bonds, or multiple series of Bonds, as the case may be.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill and any successor thereto.

"Sinking Fund" means the Sinking Fund established in Section 4.04 of the General Ordinance.

"Sinking Fund Depositary" means the bank named as such in Section 7.01 of the General Ordinance.

"Sinking Fund Installment" means an amount so designated which is established pursuant to Section 3.01 of the General Ordinance.

"Sinking Fund Reserve Account" means the Sinking Fund Reserve Account established in Section 4.04 of the General Ordinance.

"Sinking Fund Reserve Requirement" means (i) with respect to all Bonds (whether interest thereon is includable in, or excludable from, gross income for Federal income tax purposes) which the City determines will be secured by the Parity Sinking Fund Reserve Account, an amount equal to the lesser of (A) the greatest amount of Debt Service Requirements on Bonds payable in any one Fiscal Year, determined as of any particular date, or (B) the maximum amount permitted by the Code to be maintained without yield restriction for bonds, the interest on which is not includable in gross income for federal income tax purposes, and (ii) with respect to all Bonds which the City determines to secure with a Non-Parity Sinking Fund Reserve Account (whether interest thereon is includable in, or excludable from, gross income for Federal income tax purposes), the amount, if any, required to be deposited or maintained in the subaccount of the Sinking Fund Reserve Account as specified in a Supplemental Ordinance. For purposes of determining the Sinking Fund Reserve Requirement, Debt Service Requirements will be computed without regard to any Qualified Swap, Credit Facility or Standby Agreement, and the Debt Service Requirements attributable to any (i) Balloon Bonds, or Variable Rate Bonds shall be calculated in the manner set forth in Section 5.01(b) of the General Ordinance, or based upon the assumed fixed rate of interest as set forth in the Supplemental Ordinance or Determination for such Bonds, and (ii) Option Bonds shall be calculated in the manner set forth in the last paragraph under the definition of Debt Service Requirements.

"Special Facility Agreement" means an agreement entered into by the City and one or more other parties, relating to the design, construction, and/or financing of any facility, improvement, structure, equipment, or assets acquired or constructed on any land or in or on any structure or buildings that is or are part of the Airport System, all or a portion of the payments to the City under which (a) are intended to be excluded from Amounts Available for Debt Service, and (b) may be pledged to the payment of Special Facility Revenue Bonds.

"Special Facility Revenue Bonds" means any City revenue bonds or notes authorized and issued for the purpose of acquiring, constructing, or improving a Special Purpose Facility leased to, or contracted for operation by, any person or persons, under a specific lease or contract requiring the user or users thereof to provide for the payment of rentals or sums adequate to pay all principal, interest, redemption price, reserve requirements, if any, as required in the legislation authorizing the Special Facility Revenue Bonds (the "debt service charges") on the Special Facility Revenue Bonds.

"Special Purpose Facility" means any facility acquired or constructed for the benefit or use of any person or persons and the costs of construction and acquisition of which are paid for (a) by the obligor under a Special Facility Agreement, (b) from the proceeds of Special Facility Revenue Bonds, or (c) both.

"Standby Agreement" with respect to a Series of Bonds, means an irrevocable letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the Bonds of such Series, as amended, supplemented or extended from time to time.

"Standby Purchaser," with respect to a Series of Bonds, means the provider of the Standby Agreement for such Series of Bonds.

"Subordinate Obligation" means any obligation referred to in, and complying with the provisions of, Section 5.04(h) of the General Ordinance.

"Subordinate Obligation Fund" means the Subordinate Obligation Fund established in Section 4.04 of the General Ordinance.

"Subordinate Obligation Ordinance" means the ordinance, and any supplements or amendments thereto authorizing the issuance of a series of Subordinate Obligations.

"Substitute Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (other than a Qualified Swap or an Exchange Agreement) that replaces a Credit Facility and is provided by a commercial bank, insurance company or other financial institution with a then current long term credit rating (or whose obligations thereunder are guaranteed by a financial institution with a long term rating) from Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, then rating Bonds Outstanding under the General Ordinance) not lower than the credit rating of any Series of Bonds which has no Credit Facility; provided that in no event shall such substitution take place unless Moody's and S&P acknowledge in writing that such substitution, in and of itself, will not result in a lowering, suspension or withdrawal of the rating on the Bonds secured by such Credit Facility.

"Supplemental Ordinance" means an ordinance supplemental to the General Ordinance enacted pursuant to the Act and the General Ordinance by the Council of the City.

"Tender Agent," with respect to a Series of Bonds, means any commercial bank or trust company organized under the laws of any state of the United States or any national banking association designated as a tender agent for such Series of Bonds, and its successor or successors hereafter appointed in the manner provided in the applicable Supplemental Ordinance or Determination.

"Uncertificated Bond" means any Bond which is fully registered as to principal and interest and which is not represented by an instrument.

"UPS" means United Parcel Service and its successors.

"UPS Agreement" means that certain agreement between the City and United Parcel Service dated as of December 18, 1985, as amended from time to time.[1]

[1] The UPS Agreement expired on June 30, 2006 and is superseded by the Use and Lease Agreements defined herein.

"Use and Lease Agreements" mean the Airline - Airport Use and Lease Agreements (the "Airline Agreements) currently in effect, if any and, as amended from time to time, between the City and the Scheduled Airlines providing for the construction of capital improvements to the Airport System, the financing of such improvements, the use and occupancy of portions of the Airport System by the Scheduled Airlines and the rates, rents and charges to be paid by the Scheduled Airlines for such use and occupancy as therein provided.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

SUMMARY OF OPERATIVE PROVISIONS OF THE GENERAL ORDINANCE

The following is a summary of certain operative provisions of the General Ordinance. Reference should be made to the General Ordinance for a full and complete statement of its provisions and the meaning of any capitalized terms used herein but not otherwise defined.

Authorization, Scope and Purpose; Effective Date

The General Ordinance was enacted pursuant to the provisions of The First Class City Revenue Bond Act for the purpose of amending and restating in full, the General Airport Revenue Bond Ordinance of 1978, approved on March 16, 1978, as supplemented and amended. The General Ordinance became effective immediately and without any further action by City Council upon the consent of the Holders of at least 67 percent of the Outstanding Bonds (the "Effective Date"). On the Effective Date, the General Airport Revenue Bond Ordinance of 1978 and all supplements thereto were no longer in force or with any effect; provided that supplements to the General Airport Revenue Bond Ordinance of 1978 relating to Existing Bonds were deemed to be supplements to the General Ordinance on and after the Effective Date, to the extent such supplements were not inconsistent with the General Ordinance.

Concerning the Bonds

Form and Terms of Bonds. The aggregate principal amount of Bonds which may be issued or assumed, authenticated and delivered under the General Ordinance is unlimited, but prior to the issuance or assumption of such Series of Bonds, the City shall enact a Supplemental Ordinance authorizing such Series and the maximum aggregate principal amount of such Series and comply with all conditions in Section 5.04 of the General Ordinance (described under "Conditions and Provisions Relating to Issuing Bonds" hereinafter) and all conditions in the Act pertaining to the issuance or assumption of Airport revenue bonds.

A Series of Bonds may be secured by a Credit Facility or Standby Agreement meeting the requirements of the General Ordinance and the applicable Supplemental Ordinance. In connection with the issuance of its Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the City also may enter into Qualified Swaps or Exchange Agreements if the Bond Committee determines that any such Qualified Swap or Exchange Agreement will assist the City in more effectively managing its interest costs. The City's payment obligation under any Qualified Swap (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap) shall be made from the Sinking Fund and its payment obligation under any such Exchange Agreement shall be made in accordance with Section 4.06(e) of the General Ordinance. Unless otherwise acknowledged in writing by S&P, that execution and delivery of such Qualified Swap Agreement or Exchange Agreement will not, in and of itself, result in a downgrade, suspension or withdrawal of the credit ratings on any Bonds Outstanding under the General Ordinance, the City will not enter into any Qualified Swap or Exchange Agreement.

Notwithstanding anything to the contrary in the General Ordinance, any Qualified Swap or Exchange Agreement entered into after June 15, 2005, may only be executed if authorized by Resolution of the City Council.

Issuance of Bonds

Purpose of Bonds; Combination of Projects for Financing Purposes. The Bonds issued or assumed under the General Ordinance shall be issued or assumed for the purpose (i) of paying the costs of Projects relating to the Airport System of the City, (ii) of reimbursing any fund of the City from which such costs shall have been paid or advanced together with interest thereon, (iii) of funding any of such costs for which the City shall have outstanding bond anticipation notes or other obligations, (iv) of refunding any Bonds or bonds of the City issued for the foregoing purposes, or (v) of refunding any General Obligation Bonds or NSS General Obligation Bonds.

Pledge of Revenues; Grant of Security Interest; Limitation on Recourse

The City pursuant to the General Ordinance pledges for the security and payment of all Bonds and thereby grants to Bondholders a lien on and security interest in: (i) all Project Revenues, (ii) amounts payable to the City under a Qualified Swap, (iii) except as provided in Section 4.09 of the General Ordinance (with respect to a non-parity reserve fund), all amounts on deposit in or credited to the Aviation Funds and (iv) proceeds of the foregoing ((i)-(iv) collectively are referred to herein as, the "Pledged Amounts"). The City may pledge Passenger Facility Charges pursuant to a Supplemental Ordinance and such Passenger Facility Charges, and proceeds thereof, shall constitute Pledged Amounts; provided, however, that if as a result of applicable law, rules and regulations, such Passenger Facility Charges may only be pledged to secure one or more specified Series of Bonds, such pledged Passenger Facility Charges, and proceeds thereof, shall constitute Pledged Amounts solely with respect to such Series of Bonds; provided, further, that Passenger Facility Charges shall not constitute Pledged Amounts or Amounts Available for Debt Service under the General Ordinance unless the City first receives written confirmation from all Rating Agencies then rating any Bonds Outstanding under the General Ordinance, that the pledge of Passenger Facility Charges in and of itself will not result in a downgrade, suspension or withdrawal of rating on any Bonds Outstanding under the General Ordinance, without taking into account Bonds the rating on which is based upon one or more Credit Facilities for such Bonds, provided that if all Bonds Outstanding under the General Ordinance are rated based upon a Credit Facility, then Passenger Facility Charges may be pledged only upon receipt by the City of written consent by the providers of all such Credit Facilities. To the extent that the Fiscal Agent maintains such Pledged Amounts, the Fiscal Agent shall hold and apply the security interest granted by the General Ordinance in the Pledged Amounts, in trust, for the equal and ratable benefit and security of all present and future Holders of Bonds issued pursuant to the provisions of the General Ordinance and each Supplemental Ordinance, without preference, priority or distinction of any one Bond over any other Bond; provided however, that the pledge of the General Ordinance may also be for the benefit of the provider of a Credit Facility, Standby Agreement or Qualified Swap (other than with respect to termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap), or any other person who undertakes to provide moneys for the account of the City for the payment of principal or redemption price of and interest on any Series of Bonds, on an equal and ratable basis with Bonds, to the extent provided by any Supplemental Ordinance or Determination.

Amounts constituting revenues, rents, rates, tolls or other charges generated or allocable to the Outside Terminal Area may be pledged under the General Ordinance as Project Revenues, only if there shall be delivered to the Fiscal Agent: (i) a written statement supported by appropriate schedules and summaries, that on the basis of historical, and estimated future annual financial operations of the Airport System, from which Amounts Available for Debt Service are to be derived, the Airport System will, in the opinion of the Consultant, yield Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the pledge of amounts described above, sufficient to comply with the Rate Covenant, and (ii) for so long as any of the Airline Agreements are in effect, with the prior written consent of the Scheduled Airlines to amend the Airline Agreements so that they reflect the foregoing modifications. For purposes of the statement in clause (i) above, the definition of "Operating Expenses" shall be deemed to include projected operating expenses of the Outside Terminal Area and Debt Service Requirements shall be deemed to include the debt service on any Bonds assumed or to be assumed under the General Ordinance, and any Qualified Swap, Credit Facility or Standby Agreement related thereto which is secured by a parity pledge of Project Revenues.

Neither the Bonds nor the City's reimbursement or other contractual obligations under any Credit Facility, Standby Agreement, Qualified Swap or Exchange Agreement shall constitute a general indebtedness or a pledge of the full faith and credit of the City within the meaning of any Constitutional or statutory provision or limitation of indebtedness. No Bondholder or beneficiary of any of the foregoing agreements shall ever have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City for the payment of the principal and redemption price of or interest on the Bonds or the making of any payments under the General Ordinance. The Bonds and the obligations evidenced thereby and by the foregoing agreements, shall not constitute a lien on any property of or in the City, except as set forth in this section.

Bonds to be Parity Bonds

All Bonds issued under the General Ordinance shall be parity Bonds equally and ratably secured by the pledge of and grant of the security interest described in the preceding section, except as provided for in the preceding section and the section below entitled "Sinking Fund Reserve Account" without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond or as between principal and interest.

Subordinate Obligations issued pursuant to a Subordinate Obligation Ordinance shall be secured (i) by a pledge of and grant of the security interest in Project Revenues to the extent required to be deposited in the Subordinate Obligations Fund and (ii) the amounts on deposit in or credited to the Subordinate Obligations Fund subject and subordinate to the payment of the amounts described in clauses (a) through (d) of the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts" from Amounts Available for Debt Service and subject to the elimination of any deficiency in any fund or account established under the General Ordinance or under any Supplemental Ordinance.

Pursuant to the General Ordinance, the City reserves the right, and nothing in the General Ordinance shall be construed to impair such right, to finance improvements to the Airport System by the issuance of its General Obligation Bonds, NSS General Obligation Bonds, Special Facility Revenue Bonds or Subordinate Obligations under ordinances other than Supplemental Ordinances; provided that in the case of any Airport System revenue bonds or notes for the payment of which Project Revenues shall be used or pledged, payment of such Airport System revenue bonds shall be subject and subordinate to the payment from such Project Revenues of the payments described in the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts" and subject to the elimination of any deficiency in any fund or account established under the General Ordinance or under any Supplemental Ordinance.

Establishment of Funds and Accounts

The following funds and accounts are established pursuant to the General Ordinance and shall be held by the City: (a) Aviation Operating Fund; (b) Aviation Capital Fund; and (c) Rebate Fund.

The following funds and accounts are established pursuant to the General Ordinance or, have heretofore been established and shall be maintained by the Fiscal Agent: (a) Sinking Fund and within such Sinking Fund, a Sinking Fund Reserve Account, a Debt Service Account and a Charges Account; (b) Subordinate Obligation Fund; and (c) Renewal Fund.

On the Effective Date of the General Ordinance, the City transferred or caused to be transferred or credited on its books and records all amounts maintained in or credited to the funds and accounts created under the General Airport Revenue Bond Ordinance of 1978 as set forth in the General Ordinance.

Nothing in the General Ordinance shall be construed to prevent the City from establishing, in connection with the issuance of one or more Series of Bonds, additional funds or accounts to be held for the benefit of one or more Series of Bonds issued under the General Ordinance, as set forth in Supplemental Ordinances; provided that, no such additional funds or accounts shall be established unless, in the opinion of Bond Counsel, establishment of additional funds or accounts would not (i) adversely affect the exclusion of interest on Bonds, if any, from gross income for federal income tax purposes, or (ii) materially adversely affect the security or interests of Bondholders. If required by law, rules or regulations, the City shall establish and maintain a separate account within the Sinking Fund for pledged Passenger Facility Charges.

Segregation of Aviation Funds; Deposit of Project Revenues into Aviation Operating Fund.

(a) The Aviation Funds shall be held separate and apart from all other funds and accounts of the City and the Fiscal Agent and the funds and accounts therein shall not be commingled with, loaned or transferred among themselves or to any other City funds or accounts except as expressly permitted in the General Ordinance.

(b) The City shall, upon receipt of any Project Revenues, deposit such Project Revenues into the Aviation Operating Fund. Any Passenger Facility Charges that constitute Amounts Available for Debt Service under the General Ordinance, shall be deposited directly into the appropriate account or subaccount of the Sinking Fund to the extent required to pay debt service on Bonds. The City and Fiscal Agent also shall cause to be deposited into the Aviation Operating Fund, Sinking Fund Reserve Account, Sinking Fund, and Renewal Fund proceeds of Bonds as designated by Supplemental Ordinance or Determination and any other funds directed to be deposited into the Aviation Operating Fund, Sinking Fund Reserve Account, Sinking Fund, or Renewal Fund by the City. The Fiscal Agent shall, at the written direction of the City, disburse from the Aviation Operating Fund the amounts and at the times specified below in the section entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts."

(c) (i) If at any time sufficient moneys are not available in the Aviation Operating Fund to pay Operating Expenses and to make the transfers required by the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", or if a deficiency exists in the Aviation Capital Fund, then, subject to the requirements of (ii) and (iii) below, amounts on deposit in the Aviation Capital Fund and Renewal Fund may be loaned, at the written direction of the City, to the Aviation Operating Fund for the payment of such Operating Expenses and to make transfers required by the section below entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", to the extent of the deficiency, and amounts on deposit in the Aviation Operating Fund and Renewal Fund may be loaned, at the written direction of the City, to the Aviation Capital Fund, to the extent of the deficiency. Notwithstanding anything to the contrary in this subparagraph (c), during any Fiscal Year, loans from the Aviation Capital Fund and loans from the Aviation Operating Fund pursuant to this section at any time shall not exceed in the aggregate 5% of the Division of Aviation's budgeted Operating Expenses net of Debt Service Requirements for such Fiscal Year.

(ii) Loans from the Aviation Capital Fund to the Aviation Operating Fund shall be made only to the extent of unencumbered capital amounts in the Aviation Capital Fund, and may be spent only for purposes authorized under applicable federal, state and local law. Any amounts borrowed from the Aviation Capital Fund shall be repaid on the earlier to occur of: (1) the date the funds are required by the Division of Aviation for purposes of the Aviation Capital Fund, (2) the date proceeds of Bonds, bonds or notes become available to the City for reimbursement of the expenditures made with the money borrowed, or (3) the last day of the twelve-month period beginning on the date the loan was made, in which case repayment may be made from the Renewal Fund;

(iii) Loans from the Aviation Operating Fund to the Aviation Capital Fund shall be made only to the extent of any surplus in the Aviation Operating Fund; provided that a Consultant delivers a written certification to the Fiscal Agent that the Division of Aviation will have, after making the loan, sufficient funds in the Aviation Operating Fund to pay all Operating Expenses when payable and the Debt Service Requirements up to and including the later of: the last day of the Fiscal Year in which the loan takes place or, the next interest payment date. Amounts loaned to the Aviation Capital Fund shall be used for the following purposes: (1) capital projects previously approved by the Scheduled Airlines in accordance with the Airline Agreements, or (2) capital projects for which an appropriation has been made. Any amounts borrowed shall be repaid no later than the date the funds are required by the Division of Aviation for purposes of the Aviation Operating Fund.

Transfer from Aviation Operating Fund to Other Funds and Accounts. Amounts on deposit in the Aviation Operating Fund Operating Fund shall be applied by the City or the Fiscal Agent, as the case may be, in the following manner and in the following order of priority:

(a) to pay such sums constituting Net Operating Expenses in a timely manner;

(b) for deposit in the appropriate accounts of the Sinking Fund, the amount necessary to provide for the timely payment of Debt Service Requirements;

(c) for deposit in the Sinking Fund Reserve Account or the appropriate subaccount thereof, the amount, if any, required to eliminate any deficiencies therein; provided, however, in the event there are insufficient amounts available to replenish all of the accounts or subaccounts within the Sinking Fund Reserve Account, the amount to be deposited in each Sinking Fund Reserve Account or subaccount shall be determined by dividing the Sinking Fund Reserve Requirement on the Outstanding Bonds secured thereby by the sum of the Sinking Fund Reserve Requirements on all Bonds Outstanding under the General Ordinance and multiplying that result by the total amount available to be deposited under this clause (c);

(d) for deposit in the Renewal Fund, the amount, if any, required to eliminate any deficiency therein, and to pay amounts due and payable under Exchange Agreements;

(e) to pay termination amounts to a Qualified Swap Provider due as a result of the termination of a Qualified Swap and termination amounts payable to JP Morgan Chase Bank – New York with respect to Payments upon Early Termination on the Interest Rate Swap Transaction effective June 15, 2005;

(f) for deposit in the Subordinate Obligation Fund (i) the amount necessary to provide for the timely payment of the principal or redemption price of and interest on Subordinate Obligations, (ii) on or before the dates that other payments are due under any credit facility, liquidity facility or swap agreement constituting Subordinate Obligations, to deposit the amount necessary to make such payments, (iii) forward to the paying agent in respect of bond anticipation notes (payable by exchange for, or out of the proceeds of the sale of Subordinate Obligations) the amount necessary to provide for the timely payment of interest thereon (to the extent not capitalized), and (iv) deposit in the applicable subaccount of the sinking fund reserve account for a series of Subordinate Obligations the amounts, if any, required to eliminate any deficiency in such account;

(g) to pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest on General Obligation Bonds; [2]

(h) to pay any Interdepartmental Charges;

(i) to pay to the City the amount necessary to provide for the timely payment of the principal or redemption price of and interest of NSS (non-self-sustaining) General Obligation Bonds;[1] and

Any amounts remaining in the Aviation Operating Fund following any transfer then required to be made pursuant to subparagraphs (a)-(i) above, may be used at the written direction of the City for any Airport System purposes. In the Airline Agreement, the City has provided its written direction to use such remaining amounts as provided in subparagraphs (j)-(m) below.

So long as any Bonds or bonds are outstanding, the deposit and application of Project Revenues for each Fiscal Year during the term of the Airline Agreement shall be governed by the General Ordinance. The City is expressly permitted in the General Ordinance to use amounts remaining in the Aviation Operating Fund following any transfers pursuant to subparagraphs (a)-(i) above for the Bond Redemption and Improvement Requirement, the O&M Requirement, the Airline Revenue Allocation, and City Revenue Allocation. Pursuant to Section 4.06 of the General Ordinance, any amounts remaining in the Aviation Operating Fund following any transfer then required to be made pursuant to subparagraphs (a)-(i) above may be used for any Airport System purposes at the written direction of the City. The City has directed that such amounts remaining will be applied or credited in the following manner:

(j) Bond Redemption and Improvement Account. The Bond Redemption and Improvement Account is available for use by City for the payment of deficiencies with respect to the Debt Service Requirements or deficiencies with respect to the Sinking Fund Reserve Requirement as provided under the General Ordinance. If no such deficiencies exist, City is not in default under the General Ordinance and a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, mutually agree (whose agreement will not be unreasonably withheld), the Division of Aviation can use such amounts for repair, renewals, replacements or

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[2] No general obligation debt of the City described in paragraphs g and I above are currently outstanding.

alterations to the Airport System; redemption of Bonds; costs of Capital Projects or equipment; purchase of Bonds; arbitrage rebate pursuant to Section 148(f) of the Code or for any lawful Airport System purposes. In addition to the initial deposit of sixteen million eight hundred thousand dollars ($16,800,000) into the Bond Redemption and Improvement Account, the City will make periodic deposits therein. For the sole purpose of establishing a dollar amount for the Bond Redemption and Improvement Requirement, and expressly not for the purpose to establish a debt service reserve fund as set forth in the General Ordinance, the Bond Redemption and Improvement Requirement shall mean an amount not to exceed the lesser of (i) the amount of Debt Service Reserve Surety Bonds fulfilling the City's Sinking Fund Reserve Requirements, or (ii) such dollar amount required to maintain a dollar balance in the Bond Redemption and Improvement Account equal to fifteen percent (15%) of the Debt Service Requirement in Fiscal Year 2009, twenty percent (20%) of the Debt Service Requirement in Fiscal Year 2010, and twenty five percent (25%) of the Debt Service Requirement thereafter. The Bond Redemption and Improvement Account may be funded with amounts remaining, if any, following any and all transfers required by subparagraphs (a)-(i) above.

(1) Notwithstanding the foregoing, for each and every Fiscal Year during the term of Airline Agreement, the interest earned on the balance of the Bond Redemption and Improvement Account shall first be used to reduce the Bond Redemption and Improvement Requirement for the following Fiscal Year and the remaining interest and any excess balance in the Bond Redemption and Improvement Account due to a reduction in the Debt Service Requirement, if any, shall be transferred to the Aviation Operating Fund and then allocated to the Airport Cost Centers in proportion to the Debt Service Requirement for each such Airport Cost Center as a Non-Airline Revenue.

(2) The net Bond Redemption and Improvement Requirement shall be allocated on the basis of Debt Service Requirements to the Airport Cost Centers.

(k) O&M Account. The O&M Account is available for use by City for the payment of Operating Expenses in City’s sole discretion in the event the then current Airport Revenues allocated to Operating Expenses in the Annual Budget are deemed to be insufficient. If a Majority-in Interest of the Eligible Signatory Airlines, determined pursuant to the Airfield Area MII Formula, and City mutually agree (whose agreement will not be unreasonably withheld), any balance then can be used for repairs, renewals, replacements, alterations, the redemption of Bonds or bonds or for any Airport System purposes. Notwithstanding the foregoing, City has no reasonable expectation that funds in the O&M Account will be used to pay Debt Service since the account is being created to pay Operating Expenses. The City will make an initial deposit in the O&M Account in the amount of fifteen million dollars ($15,000,000). The O&M Account may be funded with amounts remaining, if any, following any and all transfers required by subparagraphs (a)-(j) above. Thereafter, the O&M Requirement shall mean an amount not to exceed one million dollars ($1,000,000) per Fiscal Year to be deposited in the O&M Account to maintain a balance equal to ten percent (10%) of Operating Expenses.

(1) Notwithstanding the foregoing, for each and every Fiscal Year during the term of the Agreement, the interest earned on the balance of the O&M Account shall first be used to reduce the O&M Requirement for the following Fiscal Year and the remaining interest and any excess balance in the O&M Account due to a reduction in Operating Expenses, if any, shall be transferred to the Aviation Operating Fund, then allocated to the Airport Cost Centers in proportion to the Operating Expenses for each such Airport Cost Center as a Non-Airline Revenue.

(2) The net O&M Requirement shall be allocated on the basis of Operating Expenses to the Airport Cost Centers.

(l) Airline Revenue Allocation. The Airline Revenue Allocation shall be calculated from any amounts remaining in the Aviation Operating Fund if any, following any and all transfers required by subparagraphs (a)-(k) above. Commencing in Fiscal Year 2008 and for each Fiscal Year thereafter during the term of the Airline Agreement, the Airline Revenue Allocation shall be equal to fifty percent (50%) of the prior Fiscal Year's total net revenue from the Outside Terminal Areas Cost Center reduced by an amount of up to seven million dollars ($7,000,000), to the extent net revenue from the Outside Terminal Areas Cost Center equals or exceeds seven million dollars ($7,000,000). The Airline Revenue Allocation for Fiscal Year 2008 and each Fiscal Year thereafter, if any, shall first be credited to the Other Buildings and Areas Cost Center to determine the Airfield Area

Requirement for such Fiscal Year and then, if the Airline Revenue Allocation exceeds the deficit of the Other Buildings and Areas Cost Center, the excess shall be allocated pro rata to the Airfield Area Cost Center and Terminal Area Cost Center based on airline revenue allocable to such cost center.

(m) Discretionary Account. Following any and all transfers required by subparagraphs (a)-(l) above, any amounts remaining in the Aviation Operating Fund, less the Airline Revenue Allocation shall be deposited in the Discretionary Account to be used at the written direction of the City for any Airport System purposes.

Sinking Fund. Except as set forth in Sections 4.02, 4.04 and 4.09 of the General Ordinance, the Sinking Fund shall be a consolidated fund for the equal and proportionate benefit of the Holders of all Bonds from time to time Outstanding, Credit Facilities, Standby Agreements, and Qualified Swap Agreements secured by a parity pledge of Project Revenues and payable pursuant to subparagraph (c) of the section above entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts", and each account therein may be invested and reinvested on a consolidated basis in accordance with Section 9 of the Act.

The Fiscal Agent, as directed by the City by Supplemental Ordinance, Determination or other written direction, shall pay out of the Debt Service Account of the Sinking Fund to the designated paying agent or agents (i) on or before each interest payment date for any of the Bonds the amount required for the interest payable on such date; and (ii) on or before each principal, redemption or prepayment date for any Bonds, the amount required for the principal, redemption or prepayment payable on such date, and (iii) on or before the respective due dates the amounts, if any, due under any Swap Agreements (other than termination amounts payable to a Qualified Swap Provider due as a result of termination of a Qualified Swap). Such amounts shall be applied by the designated paying agent or agents on the due dates thereof. The Fiscal Agent shall also pay out of the Debt Service Account of the Sinking Fund the accrued interest included in the purchase price of Bonds purchased for retirement and on or before the due dates any amounts owing by the City under any Credit Facility or Standby Agreement, payable from the Debt Service Account, on account of advances to pay principal of or interest or redemption premium on Bonds.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) if so directed by the City, shall be applied by the Fiscal Agent, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to the purchase of Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established. All purchases of Bonds pursuant to this paragraph shall be made at prices not exceeding the applicable sinking fund redemption price of such Bonds plus accrued interest, and such purchases shall be made by the Fiscal Agent as directed by the City. As soon as practicable after the 42nd day preceding the due date of any such Sinking Fund Installment, the Fiscal Agent shall proceed to call for redemption, by giving notice as provided in Section 6.03 of the General Ordinance, on such due date Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment after making allowance for any Bonds purchased pursuant to Section 4.10 of the General Ordinance which the City has directed the Fiscal Agent to apply as a credit against such Sinking Fund Installment as provided in Section 4.08 thereof. The Fiscal Agent shall pay out of the Sinking Fund to the appropriate paying agent or agents, on or before such redemption date (or maturity date) the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing) and such amount shall be applied by such paying agent or agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the City from Amounts Available for Debt Service, or other amounts available therefor.

In the event of the refunding of any Bonds, the Fiscal Agent shall, if the City so directs in writing, withdraw from the Sinking Fund all, or any portion of, the amounts accumulated therein with respect to principal or interest on the Bonds being refunded and deposit such amounts with itself or another financial institution serving as escrow agent to be held for the payment of the principal or redemption price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 11.01 of the General Ordinance. In the event of a refunding, the City may also direct the Fiscal Agent to withdraw from the Sinking Fund all, or a portion of, the amounts accumulated therein with respect to principal and interest on the Bonds being refunded and deposit such amounts in any fund or account established under the General Ordinance.

If any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or otherwise or at the date fixed for redemption thereof, if moneys sufficient to pay such Bond shall have been deposited with the Fiscal Agent, it shall be the duty of the Fiscal Agent to hold such moneys, without liability to the City, any Bondholder or any other person for interest thereon, for the benefit of the owner of such Bond. Notwithstanding the foregoing, any moneys in the Sinking Fund for the payment of the interest, principal or redemption premium of Bonds unclaimed for two (2) years after the due date shall be repaid to the Aviation Operating Fund but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Sinking Fund; provided, however, that such repayment shall not be made unless, at the time of such repayment, there shall exist no deficiency in any fund or account established under the General Ordinance or any Supplemental Ordinance.

The Fiscal Agent shall pay, solely out of the Charges Account to the appropriate payees any fees, expenses and other amounts due and payable from the Charges Account, under any Credit Facility or Standby Agreement, with respect to Bonds, to the extent such amounts are not paid from the Debt Service Account.

Credits Against Sinking Fund Installments. If at any time Bonds of any Series or maturity for which Sinking Fund Installments shall have been established are purchased or redeemed other than pursuant to the third paragraph of the section above entitled "Sinking Fund" or are deemed to have been paid pursuant to Section 11.01 of the General Ordinance and, with respect to such Bonds which have been deemed paid, irrevocable instructions have been given to the Fiscal Agent to redeem or purchase the same on or prior to the due date of the Sinking Fund Installment to be credited under this section, the City may from time to time and at any time by written notice to the Fiscal Agent specify the portion, if any, of such Bonds so purchased, redeemed or deemed to have been paid and not previously applied as a credit against any Sinking Fund Installment which are to be credited against future Sinking Fund Installments. Such notice shall specify the amounts of such Bonds to be applied as a credit against such Sinking Fund Installment or Sinking Fund Installments and the particular Sinking Fund Installment or Installments against which such Bonds are to be applied as a credit; provided, however that none of such Bonds may be applied as a credit against a Sinking Fund Installment to become due less than forty-two (42) days after such notice is delivered to the Fiscal Agent. All such Bonds to be applied as a credit shall be surrendered to the Fiscal Agent for cancellation on or prior to the due date of the Sinking Fund Installment against which they are being applied as a credit. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Sinking Fund Reserve Account. There is created under the General Ordinance a parity Sinking Fund Reserve Account within the Sinking Fund to be known as the "Parity Sinking Fund Reserve Account." Unless the applicable Supplemental Ordinance designates a Non-Parity Sinking Fund Reserve Requirement, the City shall deposit, or cause to be deposited in the Parity Sinking Fund Reserve Account from the proceeds of the sale of each Series of Bonds, or from other amounts available therefor, an amount which, when added to the existing balance in the Parity Sinking Fund Reserve Account, will be equal to the Parity Sinking Fund Reserve Requirement immediately after the issuance of such Series of Bonds. All amounts in the Parity Sinking Fund Reserve Account shall be available to pay the principal, redemption price or interest on any other Series of Bonds secured by the Parity Sinking Fund Reserve Account.

If a Supplemental Ordinance for a Series of Bonds designates a Non-Parity Sinking Reserve Requirement for such Series of Bonds, the Supplemental Ordinance pursuant to which such Bonds were issued shall either create a separate Non-Parity Sinking Fund Reserve Subaccount, or create or designate a previously created subaccount within the Sinking Fund Reserve Account. Notwithstanding anything to the contrary in this section, the City shall not create a Non-Parity Sinking Fund Reserve Account or designate a Non-Parity Sinking Fund Reserve Requirement unless the City first obtains written confirmation from S&P (such confirmation shall only be required if S&P is then rating Bonds Outstanding under the General Ordinance) that such action, in and of itself, will not result in a downgrade, suspension or withdrawal of the credit rating on any Bonds Outstanding under the General Ordinance. The City shall, under direction of the Director of Finance, deposit in the specified Non-Parity Sinking Fund Reserve Subaccount created pursuant to any Supplemental Ordinance, the amount required to be deposited pursuant to the Supplemental Ordinance for such Series of Bonds. The money and investments in each Non-Parity

Sinking Fund Reserve Subaccount shall be held and maintained in an amount equal at all times to the applicable Non-Parity Sinking Fund Reserve Requirement for such Series secured thereby, as provided in the Supplemental Ordinance authorizing such Series of Bonds. All amounts in each Non-Parity Sinking Fund Reserve Subaccount shall be available solely to secure the Bonds specified in the Supplemental Ordinance pursuant to which such subaccount was created.

If at any time and for any reason, the moneys in the Debt Service Account of the Sinking Fund shall be insufficient to pay as and when due, the principal of (and premium, if any) or interest on any Bond or Bonds or other obligations payable from the Debt Service Account then due (including any amounts payable out of the Sinking Fund under Swap Agreements), the Fiscal Agent is authorized and directed (i) with respect to Bonds secured by the Parity Sinking Fund Reserve Account, to withdraw an amount equal to the deficiency from the Parity Sinking Fund Reserve Account, and use such amount to pay debt service on the Bonds secured thereby, and (ii) with respect to Bonds secured by a Non-Parity Sinking Fund Reserve Subaccount, to withdraw an amount equal to the deficiency from such Non-Parity Sinking Fund Reserve Subaccount and use such amount to pay debt service on the Bonds secured thereby. If by reason of such withdrawal or for any other reason there shall be a deficiency in the Sinking Fund Reserve Account or any subaccount thereof, the City covenants to restore such deficiency promptly from Project Revenues, in no event later than the next interest payment date for Bonds Outstanding under the General Ordinance.

Any money in the Sinking Fund Reserve Account or any subaccount thereof in excess of the applicable Sinking Fund Reserve Requirement shall be transferred on an annual basis to the Debt Service Account of the Sinking Fund at the written direction of the City.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Sinking Fund Reserve Account or any subaccount thereof, the City may cause to be deposited into any account or subaccount of the Sinking Fund Reserve Account an unconditional and irrevocable surety bond or an insurance policy payable to the Fiscal Agent for the account of the Holders of the Series of Bonds in question or an irrevocable letter of credit in an amount equal to the difference between the Sinking Fund Reserve Requirement for the related Series of Bonds and the remaining sums, if any, then on deposit in the applicable account or subaccount of the Sinking Fund Reserve Account. The surety bond, insurance policy or letter of credit (each, a "Sinking Fund Reserve Facility") shall be payable (upon the giving of notice as required thereunder) on any payment date on which moneys will be required to be withdrawn from the applicable account or subaccount of the Sinking Fund Reserve Account and applied to the payment of debt service on the related Series of Bonds and such withdrawal cannot be met by amounts on deposit in the applicable account or subaccount of the Sinking Fund Reserve Account or provided from amounts held in any other Fund under the General Ordinance that are available to pay debt service on such Series of Bonds.

The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in not lower then the second highest rating category (without regard to gradations) by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance). The letter of credit issuer shall be a bank or trust company which is rated not lower than the second highest rating category (without regard to gradations) by Moody's and S&P (however, the rating by Moody's and S&P, or either of them, shall only be required to the extent such Rating Agency is, at the time in question, rating Bonds Outstanding under the General Ordinance), and the letter of credit itself shall be rated in at least the second highest category of such Rating Agencies. If a disbursement is made pursuant to a Sinking Fund Reserve Facility provided pursuant to this subsection, the City shall be obligated either (i) to reinstate the maximum limits of such Sinking Fund Reserve Facility or (ii) to deposit into the applicable account or subaccount of the Sinking Fund Reserve Account, funds in the amount of the disbursement made under such Sinking Fund Reserve Facility, or a combination of such alternatives, as shall provide that the amount in the applicable account or subaccount of the Sinking Fund Reserve Account equals the Sinking Fund Reserve Requirement for the related Series of Bonds within a time period not longer than would be required to restore the applicable account or subaccount of the Sinking Fund Reserve Account by operation of this section and from the same source of funds as provided herein. Upon the occurrence of any reduction or suspension of any credit rating with respect to such Sinking Fund Reserve Facility (or the provider thereof) required by this section, the City shall replace the Sinking Fund Reserve Facility with a new one that meets the aforesaid rating requirements; provided however that with respect to any letter of credit that is a Sinking Fund

Reserve Facility, the City may in lieu of replacing such Sinking Fund Reserve Facility, cause the Sinking Fund Reserve Facility to be drawn upon to the full extent possible and deposit such monies in the subaccount of the Sinking Fund Reserve Account in which the Sinking Fund Reserve Facility was held. In addition, 30 days prior to the expiration date of any Sinking Fund Reserve Facility, that is a letter of credit the City shall either extend the term of such Sinking Fund Reserve Facility by at least one year or deposit cash in the face amount of the Sinking Fund Reserve Facility in question in the appropriate account or subaccount of the Sinking Fund Reserve Account in replacement of such Sinking Fund Reserve Facility, and if the City fails to take either of such actions by such date, the Fiscal Agent shall within five Business Days thereafter draw down upon the Sinking Fund Reserve Facility that is a letter of credit to the full extent possible and deposit the proceeds of such draw in the appropriate subaccount of the Sinking Fund Reserve Account.

Subordinate Obligation Fund. Subject to the third paragraph of this section, the Fiscal Agent upon direction of the Director of Finance, shall apply amounts in the Subordinate Obligation Fund to the payment of the principal of, redemption premium, if any, and interest on Subordinate Obligations and to payments due under any credit facility, qualified swap or standby agreement in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided, in the Subordinate Obligation Ordinance or Supplemental Ordinance or Determination.

At any time and from time to time the City may deposit in the Subordinate Obligation Fund for the payment of Subordinate Obligations amounts received from any source other than Project Revenues which is not inconsistent with the General Ordinance, any Supplemental Ordinance or any Subordinate Obligation Ordinance or Determination.

If at any time the amounts in the Sinking Fund shall be less than the current requirement of such fund pursuant to subparagraphs (b) and (c) of Section 4.06 of the General Ordinance and there shall not be on deposit in the Sinking Fund Reserve Account, the Aviation Operating Fund or the Renewal Fund available moneys sufficient to cure such deficiency, then the Fiscal Agent shall withdraw from the Subordinate Obligation Fund and deposit in the Sinking Fund the amount necessary (or all the moneys in said fund, if less than the amount necessary) to eliminate such deficiency.

Any moneys in the Subordinate Obligation Fund for the payment of Subordinate Obligations, unclaimed for two (2) years after the due date shall be repaid to the City but such repayment shall not discharge the obligation, if any, for which such moneys were previously held in the Subordinate Obligation Fund; provided, however, that such repayment shall not be made unless, at the time of such repayment, there shall exist no deficiency in any fund or account established under the General Ordinance, any Supplemental Ordinance or any Subordinate Obligation Ordinance.

Aviation Capital Fund. Proceeds of Bonds issued for capital purposes shall be deposited into the Aviation Capital Fund and disbursed according to established procedures of the City for purposes permitted by the Act, other applicable law and the Bonds and such other purposes as are permitted under the General Ordinance.

Renewal Fund. All amounts credited to the Renewal Fund on or after the Effective Date shall be maintained in accordance with this section. Payments from the Renewal Fund shall be made only for the following purposes: (a) to pay the cost of major repairs, renewals and replacements of Airport System facilities for purposes of meeting unforeseen contingencies and emergencies arising from the operation of the Airport System, or (b) to pay expenses chargeable as Operating Expenses if Project Revenues are insufficient, for whatever reason to cover such Operating Expenses in any Fiscal Year, (c) to pay debt service on the Bonds, or (d) to repay any loan in accordance with Section 4.05(c)(ii)(3) of the General Ordinance.

The City shall withdraw from the Renewal Fund the sum or sums necessary to make such payments and shall apply the same to such purpose. If by reason of such withdrawal or any other reason, funds on deposit in the Renewal Fund are less than the Renewal Fund Requirement, the City shall deposit in the Renewal Fund the amount of such deficiency, but only from Project Revenues as the same shall become available, by regular quarterly deposits which shall not be required to exceed the total of $500,000 in any Fiscal Year, and the availability of which shall be determined in accordance with the priorities specified in the section herein entitled "Transfer from Aviation Operating Fund to Other Funds and Accounts."

If at any time the moneys and investments in the Renewal Fund are in excess of the Renewal Fund Requirement, the amount of such excess on order of the Director of Finance, shall be paid over by the City to the Debt Service Account of the Sinking Fund, to be used and applied as are all other moneys deposited in or on deposit therein.

Rebate Fund. The Rebate Fund shall be maintained by the City for so long as any Series of Bonds is Outstanding, and for sixty (60) days thereafter (or such other period as may be specified by the Code and applicable regulations), for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code. All amounts in the Rebate Fund, including income earned from investment of amounts in the Rebate Fund, shall be held by the City free and clear of the lien created by the General Ordinance.

Management of Funds and Accounts. The moneys on deposit in the funds and accounts established under the General Ordinance, to the extent not currently required, shall be invested and secured as required by Section 9 of the Act, all at the direction and under the management of the Director of Finance or such other chief fiscal officer of the City as may hereinafter be established.

Investment of Funds and Accounts. All moneys deposited in any fund or account established under the General Ordinance or under any Supplemental Ordinance may be invested by the City or by the Fiscal Agent, at the oral (confirmed in writing promptly thereafter) or written direction of the City, in any Permitted Investments (except as otherwise provided in the General Ordinance with respect to the Sinking Fund, Sinking Fund Reserve Account and Rebate Fund); provided that any investments with respect to amounts on deposit in the Sinking Fund (other than the Sinking Fund Reserve Account) shall mature or shall be subject to redemption by the holder thereof upon demand at par no later than the date when such amounts are needed for the purposes of such funds or accounts.

Interest earnings on amounts on deposit (i) in the Aviation Operating Fund shall be credited to the Aviation Operating Fund; (ii) in the Sinking Fund shall be credited to the Sinking Fund to the extent needed to meet Debt Service Requirements and additional interest earnings may be credited to the Aviation Operating Fund so long as such credit will not adversely impact the tax-exempt status of tax-exempt Bonds Outstanding under the General Ordinance; (iii) in the Sinking Fund Reserve Account shall be credited to the Sinking Fund Reserve Account to the extent needed to satisfy the Sinking Fund Reserve Requirements and additional interest earnings shall be credited to the Debt Service Account of the Sinking Fund; (iv) in the Subordinate Obligation Fund shall be credited to the Subordinate Obligation Fund to the extent needed to satisfy payment provisions for the Subordinate Obligations and additional interest earnings may be credited to the Aviation Operating Fund; (v) in the Renewal Fund, shall be credited to the Renewal Fund to the extent needed to meet the Renewal Fund Requirements and any additional interest earnings shall be credited to the Debt Service Account of the Sinking Fund; (vi) in the Aviation Capital Fund shall be credited to the appropriate account of the Aviation Capital Fund; and (vii) in the Rebate Fund shall be credited to the Rebate Fund.

Valuation of Funds and Accounts. In computing the assets of any fund or account established under the General Ordinance, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued on June 30 of each Fiscal Year at the lower of the cost or current market value thereof if the applicable maturity is more than one (1) year and at par if the applicable maturity is equal to or less than one (1) year plus accrued interest, or at the redemption price thereof, if then redeemable at the option of the holder; provided that investments in any reserve fund or reserve account of the Sinking Fund established pursuant to a Supplemental Ordinance may be valued as provided in the Supplemental Ordinance establishing it. The annual valuation shall apply for all purposes of the General Ordinance except if Bonds are issued or a fund deficit occurs based on the annual valuation, in which cases a valuation shall be made on the date Bonds are issued or the deficit is eliminated, as the case may be.

Covenants of City

Rate Covenant.

(a) The City covenants with Bondholders that it will, at a minimum, impose, charge and recognize as revenues in each Fiscal Year such rentals, charges and fees as shall, together with that portion of the Aviation

Operating Fund balance attributable to Amounts Available for Debt Service and carried forward at the beginning of such Fiscal Year and together with all other Amounts Available for Debt Service to be received in such Fiscal Year, equal to not less than the greater of:

(1) The sum of:

(i) all Net Operating Expenses payable during such Fiscal Year;

(ii) 150% of the amount required to pay the Debt Service Requirements during such Fiscal Year;

(iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and

(iv) the amount, if any, required to be paid into the Renewal Fund during such Fiscal Year; or

(2) The sum of:

(i) all Operating Expenses payable during such Fiscal Year; and

(ii) (A) all Debt Service Requirements during such Fiscal Year (B) all debt service requirements during such Fiscal Year in respect of all outstanding General Obligation Bonds issued for improvements to the Airport System and all outstanding NSS General Obligation Bonds issued for improvements to the Airport System; (C) all debt service requirements during such Fiscal Year on Subordinate Obligations and any other subordinate indebtedness secured by any Amounts Available for Debt Service, (D) all amounts required to repay loans among funds made pursuant to Section 4.05(c) of the General Ordinance, (E) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund during such Fiscal Year and (F) all amounts required to be paid under Exchange Agreements.

Provided, however, if (i) the written election of the City is obtained and filed with the Fiscal Agent, and (ii) so long as any Airline Agreements or the UPS Agreement is in effect, the prior written consent of the Scheduled Airlines and UPS (provided that the written consent of UPS shall be obtained only to the extent required, as determined in the sole discretion of the City) to amend the Airline Agreements is obtained, then the foregoing rate covenant shall no longer be effective, and the rate covenant in the section below entitled "Alternative Rate Covenant" shall be substituted in lieu of the foregoing for all purposes.

(b) (1) In the event that any Bonds Outstanding are, or any proposed series of Bonds, are to be

Balloon Bonds, then Debt Service Requirements on such Balloon Bonds shall be calculated for purposes of projecting compliance with this section or the section below entitled "Conditions of and Provisions Relating to Issuing Bonds", or for purposes of determining the Sinking Fund Reserve Requirement for a particular series of Balloon Bonds, whether for any period prior to or after the date of calculation, as follows:

(i) If such Balloon Bonds are not Capital Appreciation Bonds, by assuming that such Bonds will be amortized on the basis of level debt service over the Assumed Amortization Period beginning on the date on which principal on Balloon Bonds is payable and that such Bonds bear interest at the Assumed Interest Rate; and

(ii) If such Balloon Bonds are Capital Appreciation Bonds, by assuming that the Accreted Value of such Bonds at maturity is to be amortized on the basis of level principal payments over the Assumed Amortization Period.

(2) The City shall be entitled to assume, in calculating Debt Service Requirements on any Variable Rate Bonds for purposes of projecting compliance with this section or funding the Sinking Fund Reserve Account, that such Variable Rate Bonds will bear interest at a rate equal to (i) the average interest rate on the Variable Rate Bonds during the period of twenty-four (24) consecutive calendar months preceding the date of calculation or (ii) if the Variable Rate Bonds were not Outstanding during the entire twenty-four (24) month period, the average interest rate on the Variable Rate Bonds since their date of issue or (iii) such other rate as may be specified in a Supplemental Ordinance or Determination.

(3) If a series of Bonds to be issued will be Variable Rate Bonds, then for purposes of calculating the Debt Service Requirements on the proposed series of Bonds under this section or the section below entitled "Conditions of and Provisions Relating to Issuing Bonds", the rate of interest to be borne by such Variable Rate Bonds shall be deemed to be the Bond Buyer's 25 Bond Revenue Index, or any successor standard index for long-term, tax exempt, investment grade revenue bonds for a date within 90 days of the issuance of such Variable Rate Bonds.

The City represents that it has, by its Code of Ordinances, as amended, authorized the imposition of rents, rates, fees and charges by the Department of Commerce by contract, lease or otherwise sufficient from time to time to comply with the Rate Covenant and covenants with the Holders of Bonds that it will not repeal or materially adversely dilute or impair such authorization.

Operation of System

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as such Bonds shall remain Outstanding it will continuously maintain the Airport System or cause the Airport System to be maintained in good condition and will continuously operate the Airport System or cause the Airport System to be operated; provided that the City may dispose of such portions of the Airport System which are no longer necessary or required for Airport purposes; and provided further that this covenant shall not apply to any portion of the Airport System assigned or conveyed pursuant to Article IX of the General Ordinance.

Conditions and Provisions Relating to Issuing Bonds

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as any such Bonds shall remain Outstanding it will not issue or assume any Series of Bonds thereunder without first complying with the conditions set forth in subparagraphs (a) through (d) below and further covenants to comply with the provisions of subparagraphs (e) through (h) below:

(a) *Enactment of Supplemental Ordinance*. Prior to the issuance or assumption of any Series of Bonds (but only following the filing of the report and opinion required by Section 8 of the Act) the City shall enact a Supplemental Ordinance meeting the requirements of Section 5.04(a) of the General Ordinance.

(b) *Filing of Transcript*. Prior to the issuance or assumption of any Series of Bonds, the Director of Finance shall, in addition to the filing requirements of Section 12 of the Act, file with the Fiscal Agent a transcript of the proceedings authorizing the issuance of such Series of Bonds meeting the requirements of Section 5.04(b) of the General Ordinance.

(c) *Delivery of Consultant's Report*. Prior to the issuance or assumption of any Series of Bonds pursuant to a Supplemental Ordinance (except that no Consultant's report shall be required in the case of issuance of any Series of Bonds for the purpose of refunding another Series of Bonds so long as the City certifies in writing that the Debt Service Requirements in any year on the proposed refunding Bonds do not exceed the Debt Service Requirements in any such year on the Bonds to be refunded), the City shall cause to be filed with the Fiscal Agent a report of Consultants setting forth the qualifications of the Consultants and containing, among other things, a statement, supported by appropriate schedules and summaries, that, on the basis of historical and estimated future annual financial operations of the Aviation System from which pledged Amounts Available for Debt Service are to be derived, (1) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultant's report, the Aviation System yielded pledged Amounts Available for Debt Service sufficient to satisfy the Rate Covenant, (2) no deficiency exists in the Sinking Fund Reserve Account and (3) the Airport System will, in the opinion of the Consultants, yield pledged Amounts Available for Debt Service for each of the five Fiscal Years (or three Fiscal Years in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years) ended immediately following the issuance or assumption of the Bonds, sufficient to comply with the Rate Covenant.

(d) *Opinions of Counsel*. Upon the issuance of any Series of Bonds, the City shall cause to be filed with the Fiscal Agent (i) an opinion of Bond Counsel to the effect that (1) the Bonds have been duly issued or assumed for a permitted purpose under the Act and the General Ordinance and (2) all conditions precedent to the issuance or assumption of the Bonds pursuant to the Act and the General Ordinance have been satisfied, and (ii) an opinion of the City Solicitor to the effect that (1) all documents delivered by the City in connection with the issuance of the Bonds have been duly and validly authorized, executed and delivered, (2) such execution and delivery and all other actions taken by the City in connection with the issuance of the Bonds have been duly authorized by all necessary actions of City Council, and (3) nothing has come to their attention that would lead them to believe that an event of default under the General Ordinance has occurred, and is continuing. The Fiscal Agent may conclusively rely upon such opinions.

(e) *Execution of Documents*. The Mayor, the City Solicitor, the City Controller, the Director of Finance and such other officers of the City as may be appropriate are authorized in connection with the issuance or assumption of any Series of Bonds under the General Ordinance to prepare, execute and file on behalf of the City such statements, documents, certificates or other material as may accurately and properly reflect the financial condition of the City or other matters relevant to the issuance or payment of such Bonds and as may be required or appropriate to comply with applicable State or Federal laws or regulation.

(f) *Disposition of Proceeds*. Unless otherwise provided in the applicable Supplemental Ordinance or Determination, accrued interest on Bonds shall be deposited in the Sinking Fund, an amount sufficient to satisfy the requirements of Section 4.09 of the General Ordinance shall be deposited in the Sinking Fund Reserve Account and the balance of the proceeds of the Bonds shall be deposited in the Bond Proceeds Account of the Aviation Capital Fund and shall be disbursed therefrom, in accordance with established procedures of the City, as provided in Section 4.11 of the General Ordinance, provided, however, that if such Bonds shall be issued for the purpose of funding or refunding Bonds previously issued by the City such proceeds shall, unless otherwise directed by the Supplemental Ordinance, be deposited in a special fund or account to be established with and held by the Fiscal Agent or another entity acting as an escrow agent and invested (if appropriate) and disbursed under the direction of the Director of Finance for the purpose of retiring the Bonds being funded or refunded.

(g) *Refunding Bonds*. If the City shall, by Supplemental Ordinance, authorize the issuance of refunding Bonds pursuant to Section 10 of the Act, in the absence of specific direction or inconsistent authorization in the Supplemental Ordinance, the Director of Finance is authorized by the General Ordinance in the name and on behalf of the City to take all such action, including the irrevocable pledge of proceeds and the income and profit from the investment thereof for the payment and redemption of the refunded Bonds, bonds or notes including the publication of all required redemption notices or the giving of irrevocable instructions therefor, as may be necessary or appropriate to accomplish the funding or refunding and to comply with the requirements of Section 10 of the Act.

(h) *Subordinate Obligations*. The City may, at any time, or from time to time, issue Subordinate Obligations for any purpose permitted under the Act pursuant to a Subordinate Obligation Ordinance. Subordinate Obligations shall be payable out of, and may be secured by a security interest in and a pledge and assignment of Project Revenues; provided, however, that any such security interest in and pledge and assignment of Project Revenues and amounts on deposit in the Subordinate Obligation Fund shall be, and shall be expressed to be, subordinate in all respects to the security interest in, and pledge and assignment of the Pledged Amounts for the security of Bonds.

Delivery of Reports

The City covenants with the Holders of all Bonds Outstanding under the General Ordinance that so long as such Bonds shall remain Outstanding it will, within one hundred twenty (120) days following the close of each Fiscal Year of the City or as soon thereafter as is practicable (not exceeding one hundred fifty (150) days following the close of each Fiscal Year), file with the Fiscal Agent a report of the operation of the Airport System for such Fiscal Year, including a statement of revenue, expenses, and net revenue (in each case not inconsistent with the statement of income, expenses, and other accounts of the City audited by the City Controller) prepared by the City or its Division of Aviation in accordance with the accrual basis of accounting adjusted to meet the particular requirements of the Airline Agreements and the General Ordinance consistently applied, showing compliance with the Rate Covenant and containing any required information as to the Cost Centers prepared in accordance with the Cost Accounting System, accompanied by a certificate of the Director of Commerce that the Airport System is in good operating condition and by a certificate of the Director of Finance that as of the date of such report the City has complied with all of the covenants in the General Ordinance and in all Supplemental Ordinances on its part to be performed. Such report shall be furnished to the Fiscal Agent in such reasonable number of copies as shall be required to meet the written requests of Bondholders therefor on a first come first served basis.

Disposition of Insurance Proceeds and Proceeds from the Sale of Assets

In the event that any assets of the Airport System are destroyed or the City shall sell any assets of the Airport System (except in the event of the sale or transfer of all or substantially all of the assets of the Airport System under Section 9.01 of the General Ordinance), the City shall apply such amounts, at the direction of the Director of Finance or such other chief fiscal officer of the City as may hereinafter be established (i) to the retirement of the principal amount of debt incurred in respect to the Airport System; (ii) to the reconstruction, repair or replacement of assets of the Airport System; (iii) to the making of capital additions or improvements to the Airport System or (iv) to the deposit in one of the Aviation Funds for any other Airport System purpose; provided that, if the insurance proceeds or the proceeds from the sale of assets are less than or equal to one and five-tenths percent (1.5%) of the depreciated value of property, plant and equipment of the Airport System, as shown on the financial statements of the City for the preceding Fiscal Year, such amounts may be used for any Airport System purpose.

Bonds Not to Become Arbitrage Bonds

The City covenants for the benefit of the Bondholders that, notwithstanding any other provision of the General Ordinance or any other instrument, it will neither make nor instruct the Fiscal Agent to make any investment or other use of amounts on deposit in the funds and accounts established under the General Ordinance or other proceeds of the Bonds which would cause any Series of Bonds issued under the General Ordinance as tax-exempt to be arbitrage bonds under Section 148 of the Code and the regulations thereunder to the extent that the same are applicable at the time of such investment; it will file any reports required to be filed pursuant to the Code; and it will not take or fail to take any action so as to render any Series of Bonds issued under the General Ordinance as tax-exempt to be arbitrage bonds under Section 148 of the Code.

Prohibition Against Certain Uses of Funds; Enforcement

(a) The City covenants that while any Bonds are Outstanding under the General Ordinance, it will not direct the Fiscal Agent to transfer, loan or advance proceeds of the Bonds or Amounts Available for Debt Service from the Aviation Funds to any City account for application other than for Airport System purposes.

(b) If, on any date when a deposit is required to be made of the Project Revenues, the City fails to comply with any provision of the General Ordinance, the Fiscal Agent is authorized to and shall seek, by mandamus or other suit, action or proceeding at law or in equity, the specific enforcement or performance of the obligation of the City to cause the Project Revenues to be transferred to the Aviation Operating Fund, and still have any and all other rights and remedies of a fiscal agent under the General Ordinance, any Supplemental Ordinance, the Act or otherwise at law or in equity.

Credit Facilities, Standby Agreements and Qualified Swaps

All or any of the foregoing covenants of the City for the benefit of the Bondholders may also be for the benefit of the providers of any Credit Facility, Standby Agreement and any Qualified Swap to the extent provided in a Supplemental Ordinance or Determination.

Fiscal Agent

Fiscal Agent. The Fiscal Agent under the General Airport Revenue Bond Ordinance of 1978 or its successor, shall be Fiscal Agent as of the Effective Date for the General Ordinance. The City may appoint a successor Fiscal Agent by Supplemental Ordinance to act as Fiscal Agent under the General Ordinance, and in connection with the Bonds issued thereunder. The Fiscal Agent shall also act as depository of the Sinking Fund and the Subordinate Obligation Fund, and may act as paying agent and Bonds Registrar.

Nothing in the General Ordinance shall be construed to prevent the City, in accordance with law, from engaging other Fiscal Agents from time to time or to engage other paying agents of the Bonds or any Series thereof in addition to, or as a successor to the Fiscal Agent. Any entity appointed by the City as Fiscal Agent under the General Ordinance shall be a trust company or national or state bank having trust powers and combined capital and surplus of at least fifty million ($50,000,000) dollars and be qualified to serve pursuant to the Act. Any entity appointed by the City as Fiscal Agent under the General Ordinance as a successor to the Fiscal Agent shall assume all rights and obligations of the Fiscal Agent thereunder.

Subject to the foregoing, the proper officers of the City are authorized to enter into contracts or to confirm existing agreements governing the maintenance of funds and accounts and records, the disposal of canceled Bonds, the rights, duties, privileges and immunities of the Fiscal Agent, and such other matters as are authorized by the Act and as are customary and appropriate and to confirm the agreement of the Fiscal Agent, in its several capacities, to comply with the provisions of the Act and of the General Ordinance.

The Fiscal Agent shall keep on file a copy of each report and its accompanying certificates delivered to it pursuant to the General Ordinance for a period of ten (10) years and shall exhibit the same to, and permit the copying thereof by, any Bondholder, or his authorized representative at all reasonable times.

Resignation of Fiscal Agent. The Fiscal Agent may resign and be discharged of the duties created by the General Ordinance by written resignation filed with the Director of Finance not less than sixty (60) days before the date when such resignation is to take effect. Such resignation shall take effect on the day specified in such notice provided that a successor Fiscal Agent has been appointed and has accepted its role as Fiscal Agent. If a successor Fiscal Agent is appointed prior to the date specified in the notice, the resignation shall take effect immediately on the appointment and acceptance of such successor, and the City shall give the notices required in the following section.

Appointment of Successor Fiscal Agent. If the Fiscal Agent or any successor Fiscal Agent resigns, is replaced, or is dissolved or if its property or business is taken under the control of any state or Federal court or administrative body, a vacancy shall exist in the office of the Fiscal Agent, and the City shall appoint a successor within thirty (30) days of such vacancy and shall mail notice of such appointment to the Bondholders and to the registered depositories at their registered addresses by first class mail, postage prepaid, within thirty (30) days of such appointment. If no successor is appointed within such thirty (30) day period, the Fiscal Agent and any Bondholder may petition any court of competent jurisdiction to appoint a successor.

Defaults and Remedies

Defaults and Statutory Remedies: Notice to Bondholders. If the City shall fail or neglect to pay or to cause to be paid the principal of, redemption premium, if any, or interest on any Bond or any Series of Bonds issued under the General Ordinance, whether at stated maturity or upon call for prior redemption or if the City, after written notice to it, shall fail or neglect to make any payment owed by it as a result of a Credit Facility or Standby Agreement and secured by a parity pledge of Project Revenues entered into with respect to Bonds and the provider of the Credit Facility or Standby Agreement provides written notification to the Fiscal Agent of such failure or neglect, or if the City shall fail to comply with any provision of any Bonds or with any covenant of the City contained in the General Ordinance, then, under and subject to the terms and conditions stated in the Act, the Holder or Holders of any Bond or Bonds shall be entitled to all of the rights and remedies, including the appointment of a trustee, provided in the Act; provided, however, that the remedy provided in Section 20(b)(4) of the Act may be exercised only upon the failure of the City to pay, when due, principal and redemption price (including principal due as a result of a scheduled mandatory redemption) and interest on a Series of Bonds.

Upon the occurrence of an event of default specified in this section, or if an event occurs which could lead to a default with the passage of time and of which the Fiscal Agent has actual notice, the Fiscal Agent shall, within thirty (30) days, given written notice thereof by first-class mail to all Bondholders.

Remedies Not Exclusive; Effect of Delay in Exercise of Remedies. No remedy in the General Ordinance or in the Act conferred upon or reserved to the trustee, if any, or to the Holder of any Bond is intended to be exclusive (except as specifically provided in the Act) of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the General Ordinance or now or hereafter existing at law or in equity or by statute.

No delay or omission of a trustee, if one be appointed pursuant to Section 20 of the Act, or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Article VIII of the General Ordinance, by the Act or otherwise may be exercised from time to time, and as often as may be deemed expedient.

Remedies to be Enforced Only Against Pledged Amounts. Any decree or judgment for the payment of money against the City by reason of default under the General Ordinance shall be enforceable only against the Pledged Amounts, and no decree or judgment against the City upon an action brought under the General Ordinance shall order or be construed to permit the occupation, attachment, seizure, or sale upon execution of any other property of the City.

Conveyance of System and Assignment, Assumption and Release of Obligations

Conveyance and Assignment, Assumption and Release. Nothing in the General Ordinance shall prevent the City from conveying and assigning to a municipal authority created pursuant to the Municipality Authorities Act, 53 Pa. C. S. ch. 56, or an authority created pursuant to any other applicable statute or to another entity (the "Authority") all or substantially all (or less than substantially all, as provided below) of its right, title and interest in the Airport System and thereupon becoming released from all of its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and related obligations, including, but not limited to Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, (i) if the Authority assumes in writing the City's obligations (1) to operate or cause the Airport System to be operated and to maintain or cause the Airport System to be maintained in good condition; and (2) to pay the principal, redemption premium, if any, and interest on all Outstanding Bonds and Subordinate Obligations, and all payments due under Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements entered into pursuant to the General Ordinance and then outstanding according to the terms thereof; and (ii) if the instrument of assumption provides the Bondholders or the trustee or entity serving in a similar capacity and acting on behalf of the Bondholders with the substantial equivalent of all of the rights and remedies provided in the General Ordinance and the Act; provided, however, that before the City may consummate such a conveyance and assignment and obtain a release of its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and related obligations, including but not limited to Credit Facilities, Standby Agreements, Qualified Swaps, and Exchange Agreements, the following conditions shall have been satisfied:

(a) the City and the Fiscal Agent shall have received an opinion of the City Solicitor substantially to the effect that the conveyance to the Authority of all or substantially all of the City's right, title and interest in the Airport System, the assignment to the Authority of the obligations of the City under the General Ordinance, any Supplemental Ordinance, the Bonds and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds, and the release of the City from all of its obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds or any Subordinate Obligations, and under related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, have been duly authorized by the City and do not violate any applicable law, ordinance, resolution or regulation of the City or any applicable court decision;

(b) the City and the Fiscal Agent shall have received an opinion of the solicitor of the Authority substantially to the effect that (i) the acquisition by the Authority of all or substantially all of the City's right, title and interest in the Airport System and the assumption by the Authority of the City's obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds, and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and any Subordinate Obligations and related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, have been duly authorized by the Authority and do not violate any law, ordinance, resolution or regulation applicable to the Authority or any applicable court decision; (ii) the instrument under which the Authority assumes the obligations of the City under the General Ordinance, under any Supplemental Ordinance and under the Bonds, and any Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and any Subordinate Obligations constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights; (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective lien in favor of Holders of Bonds and security interest in the Pledged Amounts to be generated by the Airport System; and (iv) the rates and charges established by the Authority and referred to below in subparagraph (e) have been duly authorized and enacted in accordance with applicable law;

(c) the City and the Fiscal Agent shall have received an opinion of Bond Counsel substantially to the effect that (i) the conveyance of all or substantially all of the City's right, title and interest in the Airport System to the Authority; the release of the City from its obligations under the General Ordinance, under any Supplemental Ordinance and under the Bonds and any Subordinate Obligations; and the assumption by the Authority of the City's obligations under the General Ordinance, under any Supplemental Ordinance, under the Bonds and Subordinate Obligations to make payments of principal, redemption premium, if any, and interest on the Bonds and Subordinate Obligations, and under related obligations, including, but not limited to, Credit Facilities, Standby Agreements, Qualified Swaps and Exchange Agreements, will not have an adverse effect on the exemption of interest on any series of Bonds issued as tax-exempt Bonds; (ii) the instrument under which the Authority assumes the obligations of the City under the General Ordinance, under any Supplemental Ordinance and under the Bonds to make payments of principal, redemption premium, if any, and interest on the Bonds constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other similar laws or equitable principles affecting the enforcement of creditors' rights, and (iii) the security interest granted by the Authority pursuant to subparagraph (d) creates a valid and effective lien in favor of the Holders of Bonds and security interest in the Pledged Amounts;

(d) the Authority shall, concurrently with the conveyance, assignment, assumption and release described above, grant to the trustee or entity serving in a similar capacity and acting on behalf of Bondholders a security interest in Pledged Amounts following the conveyance, assignment, assumption and release;

(e) the City and the Fiscal Agent shall have received a report of a Consultant, concluding that for each of the three (3) twelve (12) month periods following the conveyance, assignment, assumption and release described above, or for each of the three (3) fiscal years of the Authority commencing with the first full fiscal year of the Authority following the conveyance, assignment, assumption and release described above, the Airport System is projected to generate Amounts Available for Debt Service in an amount which is sufficient to enable the Authority to comply with the Rate Covenant determined in accordance with consistently applied accounting principles for each of the three twelve (12) month periods or three (3) fiscal years, as the case may be;

(f) the Authority shall have the authority, so long as Bonds remain Outstanding, to establish, and shall have established and shall have agreed to maintain rates and charges in connection with the operation of the Airport System at a level sufficient, in the opinion of a Consultant, as contained in a report filed with the Fiscal Agent, to generate Amounts Available for Debt Service in an amount which is sufficient to enable the Authority to comply with the Rate Covenant determined in accordance with consistently applied accounting principles;

(g) the Authority shall have agreed, so long as Bonds remain Outstanding, to incur or assume no parity debt payable from Amounts Available for Debt Service following the conveyance, assignment, assumption and release unless (1) in the case of debt incurred or assumed for the purpose of financing capital improvements, extensions, or expansions to the Airport System, or acquisition or assumption of such other assets for use in the operation, maintenance, and administration of the Airport System, or (2) in the case of debt incurred or assumed for the purpose of refinancing existing debt, the Authority first shall have obtained a report of a Consultant, concluding that on the basis of historical and estimated future annual financial operations of the Airport System from which Amounts Available for Debt Service are to be derived, (A) for either the immediately preceding Fiscal Year of the City, or any period of 12 full consecutive months during the 18-month period preceding the delivery of the Consultant's report, the Airport System yielded Amounts Available for Debt Service sufficient to satisfy the Rate Covenant, (B) no deficiency exists in the Sinking Fund Reserve Account and (C) the Airport System will, in the opinion of the Consultants, yield Amounts Available for Debt Service for each of the five Fiscal Years (or, if interest on all or a portion of the proposed debt is to be capitalized, following the Fiscal Year up to which interest has been capitalized on the debt or a portion thereof; provided that in the event that the Consultant is professionally unable to provide an opinion for a period in excess of three Fiscal Years, then such opinion may be for such three year period) ended immediately following the issuance or assumption of the Bonds, sufficient to comply with the Rate Covenant; provided, however, no Consultant's report is required to be delivered in the case of debt incurred or assumed for the purpose of refinancing existing debt, so long as the Authority certifies in writing that the Debt Service Requirements in any year on the proposed refinancing obligations do not exceed the Debt Service Requirements in any such year on the obligations to be refinanced. For purposes of the foregoing sentence and subparagraphs (e) and (f), the phrases "Amounts Available for Debt Service" and "Debt Service Requirements" shall have the meaning assigned in Section 2.01 of the General Ordinance with the exception that references therein to Bonds shall be deemed to include reference to Subordinate Obligations, General Obligation Bonds or NSS General Obligation Bonds which continue to be Outstanding after such transfer, additional debt of the Authority payable from revenues of the Airport System and the debt, if any, which the Authority proposes to incur or assume; and

(h) the Authority shall have agreed to incur or assume no obligation secured, or to be secured, by a pledge of Pledged Amounts senior to the pledge securing the Bonds.

In consideration of such conveyance and transfer, the Authority may finance and pay to the City compensation in an amount agreed upon between the City and Authority. Any such financing and payment of compensation to the City shall be disregarded in determining whether the Authority's instrument of assumption provides the Bondholders or the trustee or entity serving in a similar capacity on behalf of the Bondholders with the substantial equivalent of all of the rights and remedies provided in the General Ordinance and the Act.

Notwithstanding the foregoing, the City may convey to the Authority less than substantially all of its right, title and interest in the Airport System if a Consultant shall first have certified that the assets of and/or rights and interest in the Airport System which the City proposes to exclude from the conveyance to the Authority are not material to the ability of the Airport System to generate revenues following the conveyance. If less than substantially all of the assets of and/or rights and interest in the Airport System are conveyed to the Authority pursuant to this paragraph, references in the preceding paragraphs of this section to "all or substantially all of the City's right, title and interest in the Airport System" shall be deemed modified to reflect a conveyance of less than substantially all of the City's right, title and interest in the Airport System.

In connection with the conveyance to the Authority of all or substantially all of the City's right, title and interest in the Airport System, the City shall convey and assign to the Authority all amounts on deposit in the funds and accounts established under the General Ordinance, provided that any reserve funds shall be transferred as trust funds established for the benefit of the Series of Bonds for which such reserve funds were initially established. The Fiscal Agent shall take such actions as are necessary to terminate its security interest in the Project Revenues and funds and accounts established under the General Ordinance. If the City transfers less than substantially all of its right, title and interest in the Airport System then the City shall convey and assign to the Authority an amount of the balances on deposit in funds and accounts established under the General Ordinance proportionate to the amount of Bonds assumed or defeased. The City Controller shall certify the balances on deposit in the funds and accounts established under the General Ordinance as of the date of the conveyance. To the extent permitted by law, the City Controller will have the right to audit the books of any public Authority created by the City of Philadelphia pursuant to the laws of the Commonwealth of Pennsylvania, and the City Controller will be compensated by such public Authority for reasonable costs incurred in connection with the audit of such books.

Anything in the General Ordinance to the contrary notwithstanding, upon conveyance of all or substantially all of the assets of the Airport System to the Authority pursuant to Article IX of the General Ordinance, the provisions of the General Ordinance shall no longer be enforceable against the City.

Nothing contained in Article IX of the General Ordinance shall be construed to prohibit the City from conveying and assigning all or substantially all (or less than substantially all, as provided in Article IX) of its right, title and interest in the Airport System to an entity owned by private persons provided that the requirements of Article IX of the General Ordinance are otherwise satisfied.

Alternative Rate Covenant.

(a) The Authority may elect, upon conveyance of all or substantially all of the City's right, title and interest in the Airport System, to include in the resolution of the Authority the following rate covenant in lieu of the Rate Covenant contained in Article V of the General Ordinance, and such election shall state whether such election shall become effective as of the date of conveyance, or as of the first day of the immediately succeeding Fiscal Year. If such election states that it shall become effective beginning on the first day of the immediately succeeding Fiscal Year, then the Rate Covenant in Section 5.01 of the General Ordinance shall remain in effect from the date of conveyance until the last day of the Fiscal Year in which the conveyance took place.

The Authority covenants with the Bondholders that it will, at a minimum, impose, charge and collect in each Fiscal Year such rents, rates, fees and charges, together with any Amounts Available for Debt Service carried forward at the beginning of such Fiscal Year, as shall yield Amounts Available for Debt Service which shall be equal to the greater of the following amounts:

(A) the lesser of (1) The sum of: (i) all Net Operating Expenses incurred during such Fiscal Year; (ii) 150% of Debt Service Requirements payable during the Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during the Fiscal Year, or (2) The sum of: (i) all Operating Expenses incurred during such Fiscal Year; (ii) 125% of Debt Service Requirements payable during the Fiscal Year; (iii) the amount, if any, required to be paid into the Sinking Fund Reserve Account during such Fiscal Year; and (iv) the amount, if any, required to be paid into the Renewal Fund during the Fiscal Year; or

(B) (1) The sum of: (i) all Operating Expenses incurred during such Fiscal Year, (ii) all Debt Service Requirements during such Fiscal Year, (iii) all debt service requirements during such Fiscal Year in respect of all outstanding General Obligation Bonds or NSS General Obligation Bonds issued for improvements to the Airport System; (iv) all debt service requirements during such Fiscal Year on Subordinate Obligations and any other subordinate indebtedness secured by any Amounts Available for Debt Service, (v) all amounts required to repay loans among funds made pursuant to Section 4.05(c) of the General Ordinance, (vi) the amount, if any, required to be paid into the Sinking Fund Reserve Account or Renewal Fund during such Fiscal Year and (vii) all amounts required to be paid under Exchange Agreements.

(b) Promptly upon any material change in the circumstances which were contemplated at the time such rents, rates, fees and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the Authority shall review the rents, rates, fees and charges as necessary to enable the Authority to comply with the foregoing requirements; provided that such rents, rates, fees and charges shall in any event produce moneys sufficient to enable the Authority to comply with its covenants in the resolution.

Amendments and Modifications

Amendments and Modifications. In addition to the enactment of Supplemental Ordinances supplementing or amending the General Ordinance in connection with the issuance of successive Series of Bonds, the General

Ordinance and any Supplemental Ordinance may be further supplemented, modified or amended: (a) to cure any ambiguity, formal defect or omission therein or to make such provisions in regard to matters or questions arising thereunder which shall not be inconsistent with the provisions thereof and which shall not adversely affect the interests of Bondholders; (b) to grant to or confer upon Bondholders, or a trustee, if any, for the benefit of Bondholders any additional rights, remedies, powers, authority, or security that may be lawfully granted or conferred; (c) to incorporate modifications requested by any Rating Agency or Credit Facility provider to obtain or maintain a credit rating on any Series of Bonds; (d) to comply with any mandatory provision of state or Federal law or with any permissive provision of such law or regulation which does not substantially impair the security or right to payment of the Bonds but no amendment or modification shall be made with respect to any Outstanding Bonds to alter the amount, rate or time of payment, respectively, of the principal thereof or the interest thereon or to alter the redemption provisions thereof without the written consent of the Holders of all affected Outstanding Bonds; and (e) except as aforesaid, in such other respect as may be authorized in writing by the Holders of sixty-seven percent (67%) in principal amount or Original Value in the case of Capital Appreciation Bonds of the Bonds Outstanding and affected. In the case of a Credit Facility, Standby Agreement or Qualified Swap, if and to the extent provided in the Supplemental Ordinance and Determination of Bonds related thereto, the provider thereof may be the representative of the Bondholders of such Series or portion of such Series for purposes of Bondholder consent, approval or authorization. The written authorization of Bondholders of any supplement to or modification or amendment of the General Ordinance or any Supplemental Ordinance need not approve the particular form of any proposed supplement, modification or amendment but only the substance thereof. Bonds, the payment for which has been provided for in accordance with Section 6.04 of the General Ordinance, shall be deemed to be not Outstanding.

Miscellaneous

Deposit of Funds for Payment of Bonds. When interest on, and principal or redemption price (as the case may be) of, all Bonds issued under the General Ordinance, and all amounts owed under any Credit Facility and Standby Agreement entered into under the General Ordinance, have been paid, or there shall have been deposited with the Fiscal Agent or an entity which would qualify as a Fiscal Agent under Section 7.01 thereof an amount, evidenced by moneys or Qualified Escrow Securities the principal of and interest on which, when due, will provide sufficient moneys to fully pay the Bonds at the maturity date or date fixed for redemption thereof, and all amounts owed under any Credit Facility and Standby Agreement entered into under the General Ordinance, the pledge and grant of a security interest in the Pledged Amounts under the General Ordinance shall cease and terminate, and the Fiscal Agent and any other depository of funds and accounts established thereunder shall turn over to the City or to such person, body or authority as may be entitled to receive the same all balances remaining in any funds and accounts established under the General Ordinance.

If the City deposits with the Fiscal Agent or such other qualified entity moneys or Qualified Escrow Securities sufficient to pay, together with interest thereon, the principal or redemption price of any particular Bond or Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, interest on the Bond or Bonds shall cease to accrue on the due date and all liability of the City with respect to such Bond or Bonds shall likewise cease, except as provided in the following paragraph. Thereafter such Bond or Bonds shall be deemed not to be outstanding under the General Ordinance and shall have recourse solely and exclusively to the funds so deposited for any claims of whatsoever nature with respect to such Bond or Bonds, and the Fiscal Agent or such other qualified entity shall hold such funds in trust for such Holder or Holders.

Moneys deposited with the Fiscal Agent or such other qualified entity pursuant to the preceding paragraphs which remain unclaimed two (2) years after the date payment thereof becomes due shall, upon written request of the City, if the City is not at the time to the knowledge of the Fiscal Agent or such other qualified entity (the Fiscal Agent having no responsibility to independently investigate), in default with respect to any covenant in the General Ordinance or the Bonds contained, be paid to the City; and the Holders of the Bond for which the deposit was made shall thereafter be limited to a claim against the City; provided, however, that before making any such payment to the City, the Fiscal Agent or such other qualified entity shall, at the expense of the City, publish in a newspaper of general circulation published in Philadelphia, Pennsylvania, a notice of said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of publication of such notice, the balance of such moneys then unclaimed will be paid to the City.

This section shall not be construed to limit the procedure set forth in Section 10 of the Act for calculating the principal or redemption price of and interest on any Bonds for the purpose of ascertaining the sufficiency of revenues for the purpose of Sections 7(a)(5) and 8(a)(iii) of the Act for the purpose of determining the outstanding net debt of the City if General Obligation Bonds of the City are refunded pursuant to the Act.

No deposit of funds shall be made pursuant to Section 11.01 of the General Ordinance if, in the opinion of Bond Counsel, such action shall cause the interest on any Series of Bonds initially issued as tax exempt Bonds, to become subject to Federal income tax.

Ordinances are Contracts With Bondholders. The General Ordinance and Supplemental Ordinances adopted pursuant thereto are contracts with the Holders of all Bonds from time to time Outstanding under the General Ordinance and thereunder and shall be enforceable in accordance with the provisions thereof and the laws of Pennsylvania.

THE NINTH SUPPLEMENTAL ORDINANCE

The Bonds will be issued under and are subject to the Ninth Supplemental Ordinance which supplements the provisions of the General Ordinance. Reference is made to the Ninth Supplemental Ordinance and the General Ordinance for complete details of the terms of the Bonds. All capitalized and defined terms used in the following summary of the Ninth Supplemental Ordinance which are not otherwise defined in this Official Statement are defined as in the General Ordinance.

The Ninth Supplemental Ordinance authorizes the Mayor, the City Controller and the City Solicitor, or a majority of them (the "Bond Committee"), on behalf of the City of Philadelphia (the "City"), to borrow, by the issuance and sale of one or more series of Airport Revenue Bonds of the City (the "Bonds"). The Bonds are to be issued under and pursuant to The First Class City Revenue Bond Act of October 18, 1972, Act No. 234 (the "Act"), and are to be secured by the General Ordinance. The aggregate principal amount of the Bonds shall not exceed three hundred twenty million dollars ($320,000,000) exclusive of costs of issuance (including underwriters' discount), original issue discount, capitalized interest, funding of deposits to the Sinking Fund Reserve Account and similar items, and in the event the Bonds are issued with such items, the Bond Committee is authorized to increase the aggregate principal amount of the Bonds so issued, by the amount of such items (the "Additions").

As indicated in the Ninth Supplemental Ordinance, the Bonds shall bear interest from the dated date thereof to maturity or prior redemption, if any, at prescribed fixed or variable rates (not exceeding any limitation prescribed by law) as specified or provided in the Determination. The Bonds shall contain series or subseries designations, terms and provisions (including without limitation, interest payment dates, record dates, redemption provisions, denominations, provisions for payments by wire transfer and provision for issuance of the Bonds in book entry form) as the Bond Committee shall determine to be in the best interest of the City and which are not inconsistent with the provisions of the Ninth Supplemental Ordinance, of the Act or of the General Ordinance. In connection with the issuance of the Bonds, the Bond Committee is authorized by the Ninth Supplemental Ordinance to enter into such Qualified Swaps, Exchange Agreements or similar instruments as it may determine and as are permitted by the General Ordinance.

The Ninth Supplemental Ordinance provides that the Bonds shall not pledge the credit or taxing power of the City, or create any debt, charge or lien against the tax, general revenues or property of the City other than the revenues pledged by the General Ordinance. The Bond Committee is authorized on behalf of the City to enter into agreements (the "Enhancement Agreements") with any bank, insurance company or other appropriate entity providing credit enhancement or payment or liquidity sources for the account of the City for the Bonds, including, without limitation, letters of credit, lines of credit and insurance. Such Enhancement Agreements may provide for payment or acquisition of the Bonds if the City does not pay the Bonds when due and may provide for repayment with interest to the bank or other institution from the date of such payment or acquisition. The Bond Committee is authorized, by the Ninth Supplemental Ordinance, to make all such covenants and to take any and all necessary or appropriate or other actions in connection with the consummation of the transactions contemplated by the Ninth Supplemental Ordinance.

The Ninth Supplemental Ordinance provides that the Bonds shall be issued to refund and redeem all or any portion of the outstanding City of Philadelphia, Pennsylvania, Airport Revenue Bonds, of one or more of the following series: Series 1997A, Series 1998A, Series 1998B and 2005B, (the "Refunding Project") upon such terms and in such amounts as shall be determined by the Director of Finance (the "Refunded Bonds").

The City authorizes the redemption of the Refunded Bonds in accordance with the General Ordinance. The Bond Committee or the Director of Finance and the Fiscal Agent are authorized to take all actions necessary and appropriate to effect the redemption of the Refunded Bonds, including the issuance of required notices. Furthermore, the Bond Committee or the Director of Finance is authorized to enter into an Escrow Agreement (the "Escrow Agreement") providing for the deposit and investment of all or a portion of the Bond proceeds and other available funds of the City in amounts sufficient, together with interest thereon, if any, to defease the lien of such Refunded Bonds and providing for payment of the Refunded Bonds at maturity or redemption, as applicable, including all interest payable on such Refunded Bonds to such maturity or redemption dates, as applicable.

The Bonds may have a delivery date which occurs in a fiscal year which succeeds the fiscal year in which the sale date of such Bonds occurred.

The proceeds of the Bonds required for the defeasance of obligations to be refunded or otherwise defeased, as specified in the Ninth Supplemental Ordinance, may be deposited in an escrow fund or account to be established pursuant to the Escrow Agreement.

The proceeds of the sale of the Bonds shall be used to pay all "Project Costs" as such term is defined in the Act, including, but without limitation, the establishment of the sinking fund reserve required by, and other funds permitted by, the General Ordinance, and the payment of the costs of the issuance of the Bonds.

Pursuant to the Act, it is determined in the Ninth Supplemental Ordinance, based on the report of the Director of Finance filed pursuant to the Act, that the pledged Amounts Available for Debt Service will be sufficient to comply with the rate covenant contained in the General Ordinance and also to pay all costs, expenses and payments required to be paid therefrom, in the order and priority stated in the General Ordinance.

The City covenants in the Ninth Supplemental Ordinance that, so long as any Bond shall remain unpaid, it will make payments or cause payments to be made out of the Sinking Fund established pursuant to the General Ordinance or any of the other Aviation Funds available therefor, at such times and in such amounts as shall be sufficient for the payment of the interest thereon and the principal thereof when due. Prior to approval of the Ninth Supplemental Ordinance by City Council, the City delivered to the Chief Clerk of City Council an opinion of the City Solicitor to the effect, *inter alia,* that the holders of the Bonds have no claim upon the taxing power or general revenues of the City nor any lien upon any of the property of the City other than the Pledged Amounts pledged for the Bonds.

The City covenants in the Ninth Supplemental Ordinance that it will make no investment or other use of the proceeds of the Bonds which would cause the Bonds to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (the "Code"), and that the City will comply with the requirements of Section 148 of the Code throughout the term of the Bonds as more fully described in the determination of the Bond Committee. The Director of Finance is authorized to execute on behalf of the City a report of the issuance of the Bonds as required by Section 149(e) of the Code.

The Ninth Supplemental Ordinance provides, in the text of the Form of Bond included therein, that the Bonds shall be special obligations of the City payable solely from the pledged rentals, revenues and moneys and neither the credit nor the taxing power of the City is pledged for the payment of the principal of or interest on the Bonds, nor shall the Bonds be or be deemed to be a general obligation of the City. The Bonds together with all parity bonds of the City issued under the General Ordinance and all subsequent supplemental ordinances, shall be equally and ratably secured under the General Ordinance, to the extent set forth in the General Ordinance, by a pledge of Pledged Amounts which shall include Project Revenues defined to include revenues, rents, rates, tolls or other charges imposed and moneys received by or on behalf of the City from or in connection with the ownership and operation of the Airport System (exclusive of certain revenues as described in the General Ordinance), as more fully defined in the General Ordinance, together with certain other amounts as set forth in the General Ordinance. The

City covenants, so long as the Bonds shall remain outstanding, it will pay or cause to be paid from the pledged Amounts Available for Debt Service deposited in the Sinking Fund, and other amounts available therefor, the principal of, redemption premium, if any, and interest on the Bonds as the same shall become due and payable.

The Ninth Supplemental Ordinance authorizes the Director of Finance to execute and deliver a continuing disclosure agreement relating to the Bonds, meeting the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5). The City covenants and agrees that it will comply with and carry out all of the provisions of such continuing disclosure agreement.

INSURANCE AND REIMBURSEMENT AGREEMENT

Below is a summary of the Insurance and Reimbursement Agreement, by and among the City, U.S. Bank National Association and Assured Guaranty Corp. All capitalized terms used in the following summary of the Insurance and Reimbursement Agreement are defined as in the Insurance and Reimbursement Agreement and may be differently referenced in other portions of this Official Statement. Capitalized terms not otherwise defined in the Insurance and Reimbursement Agreement have the meanings ascribed to such terms in the General Ordinance . This summary is in all respects subject to and qualified in its entirety by reference to the Insurance and Reimbursement Agreement in its complete form.

Certain Definitions

"*Agreement*" means the Insurance and Reimbursement Agreement dated as of April 1, 2009, including any amendments or any supplements hereto as herein permitted.

"Assured Commitment" means the Bond Insurer's Commitment to issue the Insurance Policy to insure scheduled payments of principal and interest due on the Bonds.

"Assured Permitted Investments" shall mean any of the following obligations, to be used for all purposes, excluding defeasance investments in refunding escrow accounts, but only to the extent the same are legal for investment of funds of the City at the time, under applicable law:

(a) Government Obligations;

(b) Qualified Rebate Fund Securities;

(c) Notes, bonds or other obligations of United States government agencies issued by the Farmers Home Administration, Federal Financing Bank, Federal Housing Administration, General Services Administration, Government National Mortgage Association, Resolution Funding Corporation, U.S. Maritime Administration, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association;

(d) Interest-bearing time or demand deposits, or certificates of deposit with a maturity date of no longer than twenty-four months from the date of the investment, or other similar arrangements with any institution (including the Fiscal Agent or its affiliates) with a bond or deposit rating at all times in the higher of (x) the rating on the bonds outstanding, or (y) one of the three highest rating categories (without regard to gradation), by S&P and Moody's; with a maturity date of no longer than twenty four months from the date of the investment, provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation through the Bank Insurance Fund or Savings Association Insurance Fund;

(e) Commercial paper (having original maturities of not more than 270 days) rated at all times P-1 or A-1+ by Moody's and S&P, respectively;

(f) Investments in money market funds rated at all times in one of the two highest rating categories (without regard to gradation) by S&P and Moody's;

(g) Repurchase agreements, acceptable to the Bond Insurer, with a term not exceeding twenty four months with the Fiscal Agent or any bank with a capital and surplus of at least $100,000,000 and a bond or deposit rating at all times in the higher of (x) the rating on the bonds outstanding, or (y) one of the three highest rating categories of S&P and Moody's which bank is a member of the Federal Reserve System, or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, that are collateralized with Permitted Investments described in (i) or (ii) above, having a market value at the time of purchase (inclusive of accrued interest) at least equal to 102% of the full amount of the repurchase agreement and which Permitted Investments shall be held by a third party custodian which is a bank or trust company pursuant to a third party custodial agreement;

(h) Notes or bonds issued by any state or municipality with a maturity date no later than two years from the date of investment, rated in one of the two highest rating categories by Moody's and S&P (without regard to gradation); and

(i) Any other obligation approved in writing by the Bond Insurer, S&P and Moody's to the extent that either is rating the Bonds outstanding at the time and permitted under the Ordinance.

"*Authorized Officer*," with respect to the City, means the Director of Finance, the City Treasurer and any other individual authorized by the Director of Finance to perform the act or sign the document in question.

"Bond Committee Determination" means the Bond Committee Determination dated April 2, 2009.

"*Bond Purchase Agreement*" means the Bond Purchase Agreement between the City and Citigroup Global Markets Inc. dated April 2, 2009.

"Bond Insurer" means Assured Guaranty Corp., a Maryland-domiciled insurance company, or any successor thereto or assignee thereof.

"Bonds" when used in this section means the $45,715,000 in aggregate principal amount of the City's Airport Revenue Refunding Bonds, Series 2009A.

"*Business Day*" means any day other than (a) a Saturday or Sunday, (b) a City legal holiday or (c) any day which shall be in the city in which the Fiscal Agent or the Bond Insurer is located, a legal holiday or a day on which banks in any of such cities are required or authorized by law or other government action to close.

"*Counsel*" means nationally recognized municipal bond counsel acceptable to the Bond Insurer.

"Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due.

"*Issuance Date*" means the date upon which the Insurance Policy is issued.

"*Related Documents*" means the Bonds, the Ordinance, Bond Committee Determination, the Bond Purchase Agreement and any other transaction document or agreement contemplated by the Bonds or the Agreement.

Covenants

In the Agreement, the City represents and warrants to, and covenants with, the Bond Insurer that:

(a) The City is organized and is duly established and existing under the laws of the Commonwealth and has approved the issuance of the Bonds.

(b) The City has the full power and authority (corporate and other) to execute and deliver the Agreement and to enter into the transactions contemplated by the Agreement and the Related Documents. The execution and delivery of the Agreement and each of the Related Documents has been duly authorized by the City, and all necessary approvals for the execution, delivery and performance by the City of the Agreement and the Related Documents have been obtained.

(c) The execution and delivery of the Agreement and each of the Related Documents, the consummation of the transactions contemplated thereby and the fulfillment of or compliance with the terms and conditions of the Agreement and each Related Document by the City do not conflict with or result in any material breach or violation of any of the terms, conditions or provisions of any applicable laws, including regulations, or any material agreement or instrument to which the City is now a party or by which it is bound, or constitute a default under any of the foregoing which default would materially and adversely affect the consummation of the transactions contemplated hereby and by the terms of the Related Documents.

(d) The Agreement and each Related Document to which the City is a party, when executed and delivered by the City, assuming the due authorization, execution and delivery by the other parties thereto, will constitute the legal, valid and binding obligations of the City, enforceable against the City in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles.

(e) The City will furnish or cause to be furnished to the Bond Insurer:

(i) annual audited financial statements of the City prepared by the City Controller, who is an independent certified public accountant, within two hundred forty (240) days of the completion of the City's fiscal year;

(ii) prior to issuing additional parity obligations, any disclosure document or financing agreement pertaining to such additional debt, which disclosure document or financing agreement shall include, without limitation, the applicable maturity schedule, interest rate or rates, redemption and security provisions pertaining to any such additional debt;

(iii) immediate notice of any draw on the Sinking Fund Reserve Account;

(iv) within thirty (30) days following any litigation or investigation that may have a material adverse effect on the financial position of the City, notice of such litigation or investigation; and

(v) copies of all continuing disclosure filings with national recognized municipal securities repositories with respect to the City's Airport System.

(f) The City agrees that, with respect to the Bonds, Permitted Investments under the Ordinance must also be Assured Permitted Investments.

(g) The City covenants to maintain rates, fees and charges as required by the Ordinance.

(h) The City, in its discretion, with the prior written consent of the Bond Insurer, may satisfy any mandatory sinking fund requirements for the Bonds by purchasing Bonds in the open market at not more than par and presenting them to the Fiscal Agent in lieu of required deposits to the Sinking Fund.

(i) Without the prior written consent of the Bond Insurer, no Bonds may be purchased by the City in lieu of redemption unless such Bonds are redeemed, defeased or cancelled.

(j) The City covenants to comply with the Ordinance with respect to the requirements contained therein as such covenants apply to the Sinking Fund Reserve Account, additional indebtedness, permitted liens, interest rate exchange agreements, disposition of property, insurance coverage and operations.

(k) The City shall provide or cause to be provided to the Bond Insurer at or prior to the disbursement of the proceeds of the Bonds by the City (i) conformed copies of the Agreement and (ii) such opinions of legal counsel evidencing necessary or appropriate corporate action by the City, and other documents as may reasonably be requested by the Bond Insurer, including documents evidencing any required approvals of the transactions contemplated to be undertaken by the City under the Agreement.

The Fiscal Agent represents and warrants to, and covenants with, the Bond Insurer that:

(a) The Fiscal Agent is organized and is duly established and existing under the laws of the United States of America and is authorized under the laws of the Commonwealth to act as fiscal agent under the Ordinance.

(b) The Fiscal Agent has the full power and authority (corporate and other) to execute and deliver the Agreement and to enter into the transactions contemplated by the Agreement and the Related Documents to which it is a party. The execution and delivery of the Agreement and each of the Related Documents to which it is a party has been duly authorized by the Fiscal Agent, and all necessary approvals for the execution, delivery and performance by the Fiscal Agent of the Agreement and the Related Documents have been obtained.

(c) The Agreement and each Related Document to which the Fiscal Agent is a party, when executed and delivered by the Fiscal Agent, assuming the due authorization, execution and delivery by the other parties thereto, will constitute the legal, valid and binding obligations of the Fiscal Agent, enforceable against the Fiscal Agent in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equitable principles.

(d) The Fiscal Agent covenants and agrees to take such action or cause such action to be taken (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Pledged Amounts (excluding PFCs which are pledged under Section 4.02 of the Ordinance) under applicable law.

Provisions Relating to Bond Insurance

Any notice that is required to be given to holders of the Bonds, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Fiscal Agent pursuant to the Related Documents shall also be provided to the Bond Insurer, simultaneously with the sending of such notices. In addition, to the extent that the City has entered into a continuing disclosure agreement with respect to the Bonds, all information furnished pursuant to such agreement shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information.

With respect to amendments or supplements to the Related Documents which do not require the consent of the bondholders, the Bond Insurer must be given prior written notice of any such amendments or supplements. With respect to amendments or supplements to the Related Documents which do require the consent of the bondholders, the Bond Insurer 's prior written consent is required. Copies of any amendments or supplements to the Related Documents which are consented to by the Bond Insurer shall be sent to the rating agencies that have assigned a rating to the Bonds.

The maturity of Bonds insured by the Bond Insurer shall not be accelerated without the consent of the Bond Insurer and in the event the maturity of the Bonds is accelerated, the Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the City) and the Fiscal Agent shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer's obligations under the Insurance Policy with respect to such Bonds shall be fully discharged.

The Bond Insurer is explicitly recognized as being a third party beneficiary of the Related Documents and may enforce any such right, remedy or claim conferred, given or granted under the Related Documents.

So long as the Insurance Policy is in effect with respect to the Bonds and the Bond Insurer is not in payment default under the Insurance Policy, the Bond Insurer shall be deemed to be the holder of all of the Bonds for purposes of (a) exercising all remedies and directing the Fiscal Agent to take actions or for any other purposes following an Event of Default under the Ordinance, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Ordinance to be granted or taken by the holders of such Bonds.

Anything in the Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default under the Ordinance, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the bondholders (but only for the Bonds) or the Fiscal Agent for the benefit of the bondholders under the Agreement.

The City will pay or reimburse the Bond Insurer (A) all amounts paid by the Bond Insurer under the Insurance Policy and, to the extent permitted by law, (B) any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Insurance Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Related Documents, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City or any affiliate thereof) relating to the Agreement or any Related Document, any party to the Agreement or any other Related Document or the transaction contemplated by the Related Documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any Bonds under the Agreement or any other Related Document, or the pursuit of any remedies under the Agreement or any other Related Document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, the Agreement or any other Related Document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (ii) - (iv) above. In addition, the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Agreement or any other Related Document. The City will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JP Morgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus three percent (3%) per annum (the "Reimbursement Rate"). The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JPMorgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as the Bond Insurer shall specify.

At least two (2) Business Days prior to each payment date on the Bonds, the Fiscal Agent will determine whether there will be sufficient funds to pay all principal of and interest on the Bonds due on the related payment date and shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Fiscal Agent shall so notify the Bond Insurer or its designee.

Payments with respect to claims for interest on and principal of Bonds disbursed by the Fiscal Agent from proceeds of the Insurance Policy shall not be considered to discharge the obligation of the City with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

The Bond Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the City (as such terms are defined in the Insurance Policy) and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with the Agreement, whether or not the Bond Insurer has received a Notice (as defined in the Insurance Policy) of Nonpayment or a claim upon the Insurance Policy.

AIRLINE AGREEMENTS

Below is a summary of the Airline Agreements which the City has entered into with each of the Signatory Airlines accounting for substantially all of the landed weight at the Airport. This summary is in all respects subject to and qualified in its entirety by reference to the summarized agreement in its complete form.

Term

The Agreement commenced on July 1, 2007 and shall terminate on June 30, 2011.

Use of Airport

All of the gates are being leased on a preferential-use basis or a common use basis. The Agreement grants to the Signatory Airlines the use, in common with others, of the Airport and appurtenances, including the Terminal Buildings, the Ramp Area and the Airfield for the purpose of operating an Air Transportation Business and related facilities, equipment and improvements for the carriage of persons, property, baggage cargo and mail.

Each airline was provided with and agreed to Exhibits to the Agreement (Exhibits B and C) setting for the overall leased premises and the specific leased premises of each signatory airline.

The Signatory Airlines have the right to provide ground handling services.

Airline Requirements

The Signatory Airlines are required to meet certain insurance, environmental and security standards that are consistent with the provisions contained in large hub airport use and lease agreements across the country.

Accommodation of New Entrant Airlines

The Airline Agreement contains provisions obligating each Signatory Airline to accommodate the proposed operations of another airline at such Signatory Airline's preferential-use premises under certain circumstances. If the City cannot accommodate the existing or proposed operations of a requesting airline (either a Signatory Airline or Non-Signatory Airline) on a common-use gate and provided that the use by the requesting airline would not interfere with a Signatory Airline's operations, the Signatory Airline may be required to accommodate the requesting airline at the City's direction.

If the requesting airline's operations cannot be accommodated at a Signatory Airline's preferential-use premises, the Airline Agreement also provides for the reallocation of leased gates and other terminal areas to provide facilities for lease to a requesting airline or for additional common-use gates. The City may reallocate a portion of any Signatory Airline's leased premises according to specified procedures if such Signatory Airline does not maintain certain minimum use requirements. The minimum use requirement ranges between 4.25 departures per gate per day for a Signatory Airline leasing only one gate to 5.75 departures per gate per day for Signatory Airlines leasing four or more gates.

Cost Centers

For purposes of developing rentals, fees and charges under the Airline Agreement, the Airport System has been divided into the following cost centers to which all revenues, expenses, and debt service on Airport Revenue Bonds are allocated. Under the Airline Agreement, each Signatory Airline agrees that, pursuant to the Authorizing Legislation (as defined therein), which includes the General Ordinance, the City shall impose, charge and collect and the Signatory Airline agrees to pay such rental charges and fees as may be required pursuant to the Authorizing Legislation (including the Rate Covenant).

Effective July 1, 2007, all revenues derived from such cost centers are Project Revenues under the General Ordinance.

Terminal Area. Revenues from the Terminal Building consist of concession revenues, Terminal Rentals, International Common Use Area Revenues, and miscellaneous revenues.

Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport. Revenues from the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport consist of landing fees, site rentals, fuel flowage fees, concession fees and other direct charges.

Ramp Areas. Revenues from the Ramp Areas consist of charges for use of aircraft parking ramps.

Outside Terminal Area. Parking revenues and other revenues generated by or allocable to the Outside Terminal Area (OTA) cost center historically were excluded from Project Revenues. Effective July 1, 2007, all such revenues are pledged as Project Revenues. OTA revenues comprise net parking revenues, certain rental car revenues, certain ground transportation revenues, and revenues from a hotel.

Airport Services. Revenues from Airport Services consist of revenues not directly accounted for in the other Cost Centers. Expenses associated with Airport Services are allocated to the other Cost Centers based on the proportionate share of Operating Expenses and Non-Airline Revenues directly allocated to each such Cost Center.

Adjustment of Rentals, Fees, and Charges

The Airline Agreement provides for the periodic adjustment of Landing Fee Rates, Terminal Rentals, International Common Use Area Fees, Ramp Area Rentals, and other charges, normally in connection with the City's budgeting process to allow for variations in revenues, expenses, and fund requirements. Fund requirements include those amounts required to maintain balances in the Bond Redemption and Improvement Account and O&M Account.

Landing Fee Rates. Signatory Airline Landing Fees are calculated according to a multiple cost-center residual methodology to recover the net costs of the Airfield Area, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers. The Airfield Area Requirement is calculated by summing all estimated debt service requirements, operating expenses, and fund requirements allocable to the three cost centers and deducting (1) all estimated revenues for the three cost centers from sources other than Landing Fees, (2) any Airline Revenue Allocation, equal to 50% of any net revenues of the OTA cost center in excess of $7.0 million from the prior Fiscal Year, and (3) 2% of the operating costs of the Airfield Area included in Ramp Area Rentals. The residual amount is divided by the landed weight of the Signatory Airlines to derive the required airline Landing Fee rate per 1,000 pounds of landed weight.

Terminal Rentals and International Common Use Area Fees. Terminal Building Rentals are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Terminal Building are recovered according to a cost-center residual rate calculation methodology.

For use of the international terminal facilities, the City collects from the airlines Federal Inspection Services (FIS) Area charges, departure and arrival gate use fees, and space rentals for leased areas. The FIS Area includes space for customs, border protection, and immigration inspection offices; inbound baggage and international baggage claim facilities; and a pro rata share of public space. FIS Area charges are calculated by dividing the total cost of FIS space by the number of deplaning passengers using the FIS facilities.

Ramp Area Rentals. Ramp Area Rentals are calculated to ensure that all debt service requirements, operating expenses, and fund requirements allocable to the Ramp Area are recovered according to a modified cost-center residual rate calculation methodology. While no operating expenses are directly assigned to the Ramp Area, 2% of the operating expenses of the Airfield Area are included in the calculation of Ramp Area Rentals.

Non-Signatory Airline Rentals, Fees, and Charges. Non-Signatory Airlines are required to pay amounts equal to 115% of the calculated Signatory Airline Landing Fee Rate, Terminal Rentals, International Common Use Area Fees, and Domestic Common Use Area Fees.

Annual Adjustment. On the basis of the Aviation Operating Fund budget and applicable rate covenants prescribed in the General Ordinance, the City computes the rates and charges which it regards as necessary for the ensuing FY. Under the Airline Agreement, the City must provide such computations to the Signatory Airlines no less than 45 days, and hold a consultation meeting no less than 30 days, prior to implementation of the adjustment.

Mid-Year Adjustment. Additional provisions permit adjustments during any FY in the event the City estimates a substantial (10% or more) decrease in revenues or increase in expenses. Under the Airline Agreement, the City must hold a consultation meeting with the Signatory Airlines no less than 30 days prior to any such mid-year adjustment.

Majority-in-Interest Approval of Capital Expenditures

Under the Airline Agreement, Capital Expenditures are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest. For projects affecting Terminal Area rentals, fees, and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the preceding calendar year. For projects affecting Airfield Area fees and charges, Majority-in-Interest is defined as more than 50% plus one in number of the Signatory Airlines that together accounted for more than 50% of landed weight at the Airport during the preceding calendar year. Majority-in-Interest approval obligates the Signatory Airlines to pay rentals, fees, and charges as required to enable the City to comply with the Rate Covenant.

Default Provisions

The Agreement provides for an event of default if a Signatory Airline abandons its space for a period of fifteen days.

The Agreement provides for a ten day notice and cure period for monetary defaults and a thirty day notice period for non-monetary defaults.

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APPENDIX V

CERTAIN INFORMATION CONCERNING THE CITY OF PHILADELPHIA

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THE GOVERNMENT OF THE CITY OF PHILADELPHIA

General

The City of Philadelphia (the "City") was incorporated in 1789 by an Act of the General Assembly of the Commonwealth of Pennsylvania (the "Commonwealth") (predecessors of the City under charters granted by William Penn in his capacity as proprietor of the colony of Pennsylvania may date to as early as 1684). In 1854, the General Assembly, by an act commonly referred to as the Consolidation Act, made the City's boundaries coterminous with the boundaries of Philadelphia County (the same boundaries that exist today) (the "County"), abolished all governments within these boundaries other than the City and the County and consolidated the legislative functions of the City and the County. Article 9, Section 13 of the Pennsylvania Constitution abolished all county offices in the City and provides that the City performs all functions of county government and that laws applicable to counties apply to the City.

Since 1952, the City has been governed under a Home Rule Charter authorized by the General Assembly (First Class City Home Rule Act, Act of April 21, 1949, P.L. 665, Section 17) and adopted by the voters of the City. The Home Rule Charter, as amended and supplemented to this date, provides, among other things, for the election, organization, powers and duties of the legislative branch (the "City Council"); the election, organization, powers and duties of the executive and administrative branch; and the basic rules governing the City's fiscal and budgetary matters, contracts, procurement, property and records. The Home Rule Charter, as amended, now also provides for the governance of The School District of Philadelphia (the "School District") as a home rule school district. Certain other constitutional provisions and Commonwealth statutes continue to govern various aspects of the City's affairs, notwithstanding the broad grant of powers of local self-government in relation to municipal functions set forth in the First Class City Home Rule Act.

Under the Home Rule Charter, as currently in effect, there are two principal governmental entities in Philadelphia: (1) the City, which performs ordinary municipal functions as well as traditional county functions; and (2) the School District, which has boundaries coterminous with the City and has responsibility for all public primary and secondary education.

The court system in Philadelphia, consisting of Common Pleas, Municipal and Traffic Courts, is part of the Commonwealth of Pennsylvania judicial system. Although judges are paid by the Commonwealth, most other court costs are paid by the City, with partial reimbursement from the Commonwealth.

Elected and Appointed Officials

The Mayor is elected for a term of four years and is eligible to succeed himself for one term. Each of the seventeen members of the City Council is also elected for a four-year term which runs concurrently with that of the Mayor. There is no limitation on the number of terms that may be served by members of the City Council. Of the members of the City Council, ten are elected from districts and seven are elected at-large, with a minimum of two of the seven representing a party or parties other than the majority party. The District Attorney and the City Controller are elected at the mid-point of the terms of the Mayor and City Council.

The City Controller's responsibilities derive from the Home Rule Charter, various City ordinances and state and federal statutes, and contractual arrangements with auditees. The City Controller must follow GAGAS, Generally Accepted Government Auditing Standards established by the federal Government Accountability Office (formerly known as the General Accounting Office), and GAAS, Generally Accepted Auditing Standards promulgated by the American Institute of Certified Public

Accountants. As of March 1, 2009, the Office of the City Controller had 120 employees, including 76 auditors, 29 of whom were certified public accountants.

The City Controller post-audits and reports on the City's combined financial statements, federal assistance received by the City, the performance of City departments and the finances of the School District. The City Controller also conducts a pre-audit program of expenditure documents required to be submitted for approval, such as invoices, payment vouchers, purchase orders and contracts. Documents are selected for audit by category and statistical basis. The Pre-Audit Division verifies that expenditures are authorized and accurate in accordance with the Home Rule Charter and other pertinent legal and contractual requirements before any moneys are paid by the City Treasurer. The Pre-Audit Technical Unit, consisting of auditing and engineering staff, inspects and audits capital project design, construction and related expenditures. Other responsibilities of the City Controller include investigation of allegations of fraud, preparation of economic reports, certification of the City's debt capacity and the capital nature and useful life of the capital projects, and opining to the Pennsylvania Intergovernmental Cooperation Authority on the reasonableness of the assumptions and estimates in the City's five-year financial plans.

The principal officers of the City's government appointed by the Mayor are the Managing Director of the City (the "Managing Director"), the Director of Finance of the City (the "Director of Finance"), who is the chief financial and budget officer and is selected from three names submitted to the Mayor by a Finance Panel, the City Solicitor (the "City Solicitor"), who is head of the Law Department, the Deputy Mayor for Planning and Economic Development and Director of Commerce (the "Director of Commerce"). These officials, together with the Mayor and the other members of the Mayor's cabinet, constitute the major policy-making group in the City's government.

The Managing Director is responsible for supervising the operating departments and agencies of the City that render the City's various municipal services. The Director of Commerce is charged with the responsibility of promoting and developing commerce and industry.

The City Solicitor acts as legal advisor to the Mayor, the City Council, and all of the agencies of the City government. The City Solicitor is also responsible for all of the City's contracts and bonds, for assisting City Council, the Mayor, and City agencies in the preparation of ordinances for introduction in City Council, and for the conduct of litigation involving the City.

The Director of Finance is responsible for the financial functions of the City including development of the annual operating budget, the capital budget, and capital program; the City's program for temporary and long-term borrowing; supervision of the operating budget's execution; the collection of revenues through the Department of Revenue; and the oversight of pension administration as Chairperson of the Board of Pensions and Retirement. The Director of Finance is also responsible for the appointment and supervision of the City Treasurer, whose office serves as the disbursing agent for the distribution of checks and electronic payments from the City Treasury and the management of cash resources.

The following are brief biographies of Mayor Nutter, his chief of staff, his cabinet and the City Controller:

Michael A. Nutter, Mayor, was sworn in as Philadelphia's 98th Mayor on January 7, 2008. He won the Democratic nomination in a five-way primary election. Elected to Philadelphia City Council in 1992, the Mayor represented the City's Fourth Councilmanic District for nearly fifteen years. During his time in Council, he engineered groundbreaking ethics reform legislation, led successful efforts to pass a citywide smoking ban, worked to lower taxes for Philadelphians and to reform the City's tax structure, and labored to increase the number of Philadelphia police officers patrolling the streets and to create a Police Advisory Board to provide a forum for discussion between citizens and the Police Department.

Mayor Nutter received his B.A. from the Wharton School of Business at the University of Pennsylvania in 1979.

Clarence D. Armbrister, Chief of Staff, was appointed on January 7, 2008. Prior to his appointment, Mr. Armbrister was Executive Vice President and Chief Operating Officer of Temple University. Mr. Armbrister began his career at Temple in April 2003 when he was named Senior Vice President. He was elevated to the position of Executive Vice President and Chief Operating Officer in January 2007. Prior to joining Temple, Mr. Armbrister was a Director in the UBS Financial Services Municipal Securities Group in Philadelphia and had served as Managing Director of the School District of Philadelphia, Treasurer of the City of Philadelphia, and was a partner in the law firm of Saul Ewing LLP. Mr. Armbrister holds a J.D. from the University of Michigan Law School and a B.A. degree in political science and economics from the University of Pennsylvania.

Camille Cates Barnett, Ph.D., Managing Director, was appointed in January 2008. Dr. Barnett is a professional manager, having worked in the cities of Sunnyvale, California, Dallas, Houston and Austin, Texas and Washington, DC. Prior to her appointment as Managing Director, Dr. Barnett served as an advisor and consultant to public sector clients to improve governance, with the Public Strategies Group, and Public Financial Management. Dr. Barnett encourages collaborative approaches to growth, disaster recovery, economic strength, environmental sustainability and other issues that cross governmental jurisdictions and has written numerous articles on emerging networks in governing and transforming the public sector. Dr. Barnett has a Ph.D. in public administration from the University of Southern California and has taught at the University of Southern California and the University of Texas at Austin.

Rob Dubow, Director of Finance, was appointed on January 7, 2008. The Director of Finance is the Chief Financial Officer of the City. Prior to his appointment, Mr. Dubow was the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority (PICA), which is a financial oversight board established by the Commonwealth in 1991. He served as Chief Financial Officer of the Commonwealth of Pennsylvania from 2004 to 2005. From 2000 to 2004, he served as Budget Director for the City of Philadelphia, where he had also been a Deputy Budget Director and Assistant Budget Director. Before working for the City, Mr. Dubow was a Senior Financial Analyst for PICA. He also served as a Research Associate at the Pennsylvania Economy League and was a reporter for the Associated Press. Mr. Dubow earned a Masters in Business Administration degree from the Wharton School of Business and a Bachelor of Arts degree from the University of Pennsylvania.

Shelley R. Smith, City Solicitor, was appointed on January 7, 2008. The City Solicitor of the City of Philadelphia is the City's chief legal officer, the head of the City's Law Department, and a member of the Mayor's Cabinet. Prior to her appointment, Ms. Smith was the Associate General Counsel for Regulatory Affairs - East at Exelon Corporation. Prior to joining Exelon, Ms. Smith was with Ballard Spahr as Of Counsel in the Labor, Employment & Immigration Group. Ms. Smith also spent more than a decade with the City of Philadelphia's Law Department where she was trial attorney and supervisor in the Civil Rights Unit, Chief of the Affirmative Litigation and Labor and Employment Units, and, finally, Chair of the Corporate and Tax Group.

Everett A. Gillison, Deputy Mayor for Public Safety, was appointed on January 7, 2008. Mr. Gillison advises and assists the Mayor on all policies, planning and initiatives designed to promote the public safety and prevent crime. He will lead a collaborative effort with the Police Department and other agencies in the criminal justice system to provide a more holistic approach to the prevention and the enhancement of public safety throughout the City. Mr. Gillison previously served as a Senior Trial Lawyer for the Defender Association of Philadelphia where he worked for more than 30 years. Other experience also includes his time on the Board of Summerbridge of Greater Philadelphia, as well as a member of the American College of Trial Lawyers.

Dr. Donald Schwarz, Deputy Mayor for Health and Opportunity and Health Commissioner, was appointed in January 2008. Prior to entering government service, Dr. Schwarz was Vice Chairman of the Department of Pediatrics of the University of Pennsylvania School of Medicine and Craig-Dalsimer Division Chief for Adolescent Medicine at The Children's Hospital of Philadelphia. He was also Mary D. Ames Associate Professor of Child Advocacy in the Department of Pediatrics of the University of Pennsylvania School of Medicine at The Children's Hospital of Philadelphia. Dr. Schwarz is board certified in pediatrics and adolescent medicine. Dr. Schwarz was, for 22 years, an active researcher in the areas of adolescent risk behaviors and early childhood development.

Andrew Altman was appointed Deputy Mayor for Planning and Economic Development and Director of Commerce in March 2008. Prior to his appointment, Mr. Altman was the President of Altman Development LLC in New York City that was founded to lead large-scale, urban land development projects on behalf of private equity and development firms. Previously, Mr. Altman was the first President and Chief Executive Officer of the Anacostia Waterfront Corporation in Washington, D.C., that was established to guide the revitalization of over 2800 acres of waterfront. Mr. Altman served in former Washington, D.C. Mayor Anthony Williams' Cabinet, as head of the city's planning agency, from 1999-2004 and was previously the director of planning for the city of Oakland, California. Mr. Altman is a native of Philadelphia and graduate of Temple University. Mr. Altman holds a Masters in City Planning from the Massachusetts Institute of Technology.

Rina Cutler, Deputy Mayor for Transportation and Utilities was appointed in January 2008. Ms. Cutler will advise and assist the Mayor on and coordinate all policies, planning and initiatives relating to transportation, waste management, infrastructure and public utilities. She will collaborate with the Managing Director in coordinating the development of policy and the allocation of resources for the departments of Streets, Water and Aviation. Ms. Cutler will also serve as the Mayor's representative working with SEPTA, PGW, the Parking Authority and other organizations. Ms. Cutler previously served as Deputy Secretary of Administration for the Pennsylvania Department of Transportation in Harrisburg. Her experience includes time as Executive Director of the Philadelphia Parking Authority and Transportation Commissioner for the Transportation Department in Boston, Massachusetts, as well as the Executive Director of Parking and Traffic in San Francisco.

Melanie Johnson, City Representative, was appointed on January 7, 2008. The City Representative will promote and give wide publicity to items of interest reflecting the accomplishments of the City and its inhabitants and the growth and development of its commerce and industry. Ms. Johnson had served as the Director of Communications for the Nutter for Mayor Campaign since August of 2006. Prior experience includes her time as Press Secretary to Former Mayor Ed Rendell, Director of Communication for Multicultural Affairs Congress at Philadelphia Convention and Visitors Bureau, and Senior Account Executive at Beach Advertising.

Joan Markman is the City's first Chief Integrity Officer, and took office with the Nutter administration on January 7, 2008. Before that, Ms. Markman spent 20 years as a federal prosecutor in the United States Attorney's Office in Philadelphia, where she focused on the investigation and prosecution of fraud and public corruption cases. Ms. Markman has also served as an adjunct lecturer in Trial Advocacy at the University of Pennsylvania Law School, as an associate attorney in the firm Dechert Price and Rhoads, and as an Assistant District Attorney in Philadelphia. She is a 1979 graduate of Wesleyan University and a 1983 graduate of the University of Virginia School of Law.

Amy L. Kurland, Inspector General, was appointed on January 7, 2008. The Inspector General investigates fraud, corruption, and abuse in all City departments, agencies, commissions and boards, as well as in contracts with individuals or companies receiving City funds and doing business with the City. Prior to her appointment, Ms. Kurland was an Assistant United States Attorney and Senior Litigation

Counsel for the Eastern District of Pennsylvania for 24 years, specializing in public corruption and white collar fraud prosecutions. She is also an Adjunct Professor of Trial Advocacy at Rutgers University. Ms. Kurland received her B.A. from Reed College and her J.D. from Rutgers University.

Lori Shorr, Ph.D., Chief Education Advisor to the Mayor, was appointed in January 2008. Dr. Shorr previously served in Pennsylvania's Rendell administration as Special Assistant to the Secretary of Education for the Commonwealth of Pennsylvania and in that capacity led the administration's work in aligning academic expectations between high school and post-secondary education. Her work at the state included dual enrollment, transfer and articulation, the Governor's Commission on College and Career Success, and other initiatives. Dr. Shorr is currently Vice President of Policy and Planning at Philadelphia Youth Network, a nationally-recognized non-profit which manages $24 million of investments from government, industry and the foundations community to effect systems change and serve over 10,000 disenfranchised Philadelphia youth through direct programming. Before her service at the Commonwealth, she was in the Provost's and President's offices at Temple University where her work concentrated on local academic alignment issues. At Temple Dr. Shorr also was affiliated faculty in both Women's Studies and Urban Education departments, lecturing on both feminist film theory and educational equity. She continues to publish and speak nationally in the areas of education, equity, and public policy. Dr. Shorr earned her Ph.D. from the University of Pittsburgh in Critical and Cultural Studies.

Pauline Abernathy, Senior Advisor to the Mayor, was appointed in January 2008. Ms. Abernathy was previously Deputy Director of Health and Human Services Policy at The Pew Charitable Trusts where she initiated, designed and managed national initiatives related to child welfare policy, underage drinking prevention, retirement savings and student debt policy. Prior to working at Pew, Ms. Abernathy worked at The White House National Economic Council and Domestic Policy Council and at the U.S. Department of Education and as a legislative assistant for a U.S. Senator. She has a bachelor's degree in Art History from Yale University and a Masters in Public Policy from Harvard University's Kennedy School of Government.

Terry Gillen, Senior Advisor to the Mayor for Economic Development, was appointed on January 7, 2008. Prior to joining the Administration, Terry Gillen was the Chief Executive Officer of the Collegiate Consortium for Workforce and Economic Development. She also has served as the Director of Policy for the Pennsylvania Department of Community and Economic Development in Harrisburg under the Rendell Administration and as Chief Operating Office of National Community Capital Association – a national community development financing organization. From 1995 to 1998, Ms. Gillen was Senior Vice President of the Philadelphia Industrial Development Corporation, which is the City's leading economic development agency. At PIDC, Ms. Gillen managed the Office of Defense Conversion, which oversees the reuse of the City's former defense facilities – including the former Navy Yard. In 1992, Ms. Gillen was appointed by Mayor Rendell as Deputy Commerce Director for the City of Philadelphia.

Alan L. Butkovitz is serving his first term as Philadelphia's elected City Controller, an office independent of the Mayor. Prior to his election as City Controller, Mr. Butkovitz served 15 years in the Pennsylvania House of Representatives, representing the 174th Legislative District in Northeast Philadelphia where he served on the Veterans Affairs and Urban Affairs Committees as well as committees on Aging and Older Adults, Children and Youth and Insurance. Mr. Butkovitz was widely praised for leading the bi-partisan investigation into violence in Philadelphia public schools. He authored legislation creating the Office of the Safe Schools Advocate, the first of its kind in the nation. Mr. Butkovitz was born and raised in Philadelphia. He is an attorney and received his Juris Doctor degree from Temple University Law School in 1976 and a bachelor's degree from Temple University in 1973.

Government Services

Municipal services provided by the City include: police and fire protection; health care; certain welfare programs; construction and maintenance of local streets, highways, and bridges; trash collection, disposal and recycling; provision for recreational programs and facilities; maintenance and operation of the water and wastewater systems (the "Water and Wastewater Systems"); the acquisition and maintenance of City real and personal property, including vehicles; maintenance of building codes and regulation of licenses and permits; maintenance of records; collection of taxes and revenues; purchase of supplies and equipment; construction and maintenance of airport facilities; and maintenance of a prison system. The City owns the assets that comprise the Philadelphia Gas Works ("PGW" or the "Gas Works"). PGW serves residential, commercial, and industrial customers in the City. PGW is operated by Philadelphia Facilities Management Corporation ("PFMC"), a non-profit corporation specifically organized to manage and operate the PGW for the benefit of the City.

Local Government Agencies

There are a number of significant governmental authorities and quasi-governmental non-profit corporations that also provide services within the City.

The Southeastern Pennsylvania Transportation Authority ("SEPTA"), which is supported by transit revenues and Federal, Commonwealth, and local funds, is responsible for developing and operating a comprehensive and coordinated public transportation system in the southeastern Pennsylvania region.

The Philadelphia Parking Authority is responsible for the construction and operation of parking facilities in the City and at the Philadelphia International Airport and, by contract with the City, for enforcement of on-street parking regulations.

The Philadelphia Municipal Authority (formerly The Equipment Leasing Authority of Philadelphia) ("PMA") was originally established for the purpose of buying equipment and vehicles to be leased to the City. PMA's powers have been expanded to include, without limitation, the construction and leasing of municipal solid waste disposal facilities, correctional facilities, and other municipal buildings.

The Redevelopment Authority of the City of Philadelphia (the "Redevelopment Authority") and the Philadelphia Housing Authority develop and/or administer low and moderate income rental units and housing in the City. The Redevelopment Authority, supported by Federal funds through the City's Community Development Block Grant Fund and by Commonwealth and local funds, is responsible for the redevelopment of the City's blighted areas.

The Hospitals and Higher Education Facilities Authority of Philadelphia (the "Hospitals Authority") assists non-profit hospitals by financing hospital construction projects. The City does not own or operate any hospitals. The powers of the Hospitals Authority have been expanded to permit the financing of construction of buildings and facilities for certain colleges and universities and other health care facilities and nursing homes.

The Philadelphia Industrial Development Corporation ("PIDC") and its affiliate, the Philadelphia Authority for Industrial Development ("PAID"), coordinate the City's efforts to maintain an attractive business environment and to attract new businesses to the City and retain existing ones.

The Pennsylvania Convention Center Authority (the "Convention Center Authority") constructed and maintains, manages, and operates the Pennsylvania Convention Center, which opened on June 25,

1993. The Convention Center Authority is currently undertaking an expansion of the Pennsylvania Convention Center.

School District

The School District was established by the Educational Supplement to the City's Home Rule Charter to provide free public education to the City's residents. Under the Home Rule Charter, its board is appointed by the Mayor and must submit a lump sum statement of expenditures to the City annually. Such statement is used by City Council in making its determination to authorize the levy of taxes on behalf of the School District. Certain financial information regarding the School District is included in the City's Comprehensive Annual Financial Report. It has no independent taxing powers and may levy only the taxes authorized on its behalf by the City and the Commonwealth. Under the Home Rule Charter, the School District is managed by a nine-member Board of Education appointed by the Mayor from a list supplied by an Educational Nominating Panel that is chosen by the Mayor. In some matters, including the incurrence of short-term and long-term debt, both the City and the School District are governed primarily by the laws of the Commonwealth. The School District is a separate political subdivision of the Commonwealth and the City has no property interest in or claim on any revenues or property of the School District.

The School District was declared distressed by the Secretary of Education of the Commonwealth pursuant to Section 691(c) of the Public School Code of 1949, as amended (the "School Code"), effective December 22, 2001. During a period of distress under Section 691(c) of the School Code, all of the powers and duties of the Board of Education granted under the School Code or any other law are suspended and all of such powers and duties are vested in the School Reform Commission (the "School Reform Commission") provided for under the School Code. The School Reform Commission is responsible for the operation, management and educational program of the School District during such period. It is also responsible for financial matters related to the School District. The School Code provides that the members of the Board of Education continue to serve during the time the School District is governed by the School Reform Commission, and that the establishment of the School Reform Commission shall not interfere with the regular selection of the members of the Board of Education. During the tenure of the School Reform Commission, the Board of Education will perform those duties delegated to it by the School Reform Commission. As of the date hereof, the School Reform Commission has not delegated any duties to the Board.

PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

General

The Pennsylvania Intergovernmental Cooperation Authority ("PICA") was created on June 5, 1991 by the Pennsylvania Intergovernmental Cooperation Authority Act for Cities of the First Class (the "PICA Act"). PICA was established to provide financial assistance to cities of the first class. The City is the only city of the first class in the Commonwealth. The PICA Act provides that, upon request by the City to PICA for financial assistance and for so long as any bonds issued by PICA remain outstanding, PICA shall have certain financial and oversight functions. Under the PICA Act, PICA no longer has the authority to issue bonds for new money purposes, but may refund bonds previously issued by it. PICA has the power, in its oversight capacity, to exercise certain advisory and review procedures with respect to the City's financial affairs, including the power to review and approve five-year financial plans prepared at least annually by the City, and to certify non-compliance by the City with the then-existing five-year plan adopted by the City pursuant to the PICA Act. Under the PICA Act, such certification would require the Secretary of the Budget of the Commonwealth to withhold payments due to the City from the Commonwealth or any of its agencies (including, with certain exceptions, all grants, loans, entitlements and payment of the portion of the PICA Tax, hereinafter described, otherwise payable to the City). See "Source of Payment of PICA Bonds" below.

On June 16, 1992, PICA, at the request of the City, issued $474,555,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1992 (the "1992 PICA Bonds"). The proceeds of the 1992 PICA Bonds were used (i) to make grants to the City to fund the Fiscal Year 1991 General Fund cumulative deficit ($153.5 million) and the then-projected Fiscal Year 1992 General Fund deficit ($71.4 million); (ii) to make grants to the City to pay the costs of certain capital projects to be undertaken by the City; and (iii) to make a grant to the City to provide it with financial assistance to enhance productivity in the operation of City government. It had been anticipated that the proceeds of the 1992 PICA Bonds would also be used to fund the City's projected Fiscal Year 1993 General Fund deficit; however, because no deficit occurred, a grant from PICA for this purpose was not required. These proceeds, in the amount equal to $23.5 million, were instead used to provide funds for other City purposes.

On July 29, 1993, PICA, at the request of the City, issued $643,430,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program), Series of 1993 (the "1993 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City and to make a grant to the City to provide for the defeasance of certain outstanding general obligation bonds of the City in the aggregate amount of $336,225,000.

On September 14, 1993, PICA issued $178,675,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1993A (the "1993A PICA Bonds"), the proceeds of which were used to advance refund $136,670,000 principal amount of the 1992 PICA Bonds.

On December 15, 1994, PICA, at the request of the City, issued $122,020,000 Special Tax Revenue Bonds (City of Philadelphia Funding Program) Series of 1994 (the "1994 PICA Bonds"), the proceeds of which were used to make grants to the City to pay the costs of certain capital projects to be undertaken by the City.

On May 30, 1996, PICA issued $343,030,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1996 (the "1996 PICA Bonds"), the proceeds of which were used to advance refund $304,160,000 principal amount of the 1992 PICA Bonds and $120,180,000 principal amount of the 1994 PICA Bonds.

On April 15, 1999, PICA issued $610,005,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 1999, the proceeds of which were used to advance refund $610,730,000 principal amount of the 1993 PICA Bonds.

On June 16, 2003, PICA issued $165,550,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program), Series of 2003, the proceeds of which were used to refund $163,185,000 principal amount of the 1993A PICA Bonds.

On June 15, 2006, PICA issued $89,950,000 Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program) Series of 2006 (Auction Rate Securities), the proceeds of which were used to refund $89,960,000 principal amount of the 1996 PICA Bonds.

On May 15, 2008, PICA issued $133,740,000 Series 2008A and $80,825,000 Series 2008B Special Tax Revenue Refunding Bonds (City of Philadelphia Funding Program). The proceeds of the Series 2008A bonds were used to refund $142,085,000 principal amount of the 2003 PICA Bonds; the proceeds of the Series 2008B bonds together with other available funds of the Authority were used to refund $85,500,000 principal amount of the 2006 PICA Bonds.

As of the close of business on June 30, 2008, the principal amount of PICA bonds outstanding was $572,095,000.

Source of Payment of PICA Bonds

The PICA Act authorized the City to impose a tax for the sole and exclusive purposes of PICA. In connection with the adoption of the Fiscal Year 1992 budget and the adoption of the first Five-Year Plan, the City reduced the wage, earnings, and net profits tax on City residents by 1.5% and enacted a PICA Tax of 1.5% tax on wages, earnings and net profits of City residents (the "PICA Tax"). Proceeds of the PICA Tax are solely the property of PICA. The PICA Tax, collected by the City's Department of Revenue, is deposited in the "Pennsylvania Intergovernmental Cooperation Authority Tax Fund" (the "PICA Tax Fund") of which the State Treasurer is custodian. The PICA Tax Fund is not subject to appropriation by City Council or the General Assembly of the Commonwealth.

The PICA Act authorizes PICA to pledge the PICA Tax to secure its bonds and prohibits the Commonwealth and the City from repealing the PICA Tax or reducing the rate of the PICA Tax while any bonds secured by the PICA Tax are outstanding.

The PICA Act requires that proceeds of the PICA Tax in excess of amounts required for (i) debt service, (ii) replenishment of any debt service reserve fund for bonds issued by PICA, and (iii) certain PICA operating expenses, be deposited in a trust fund established pursuant to the PICA Act exclusively for the benefit of the City and designated the "City Account." Amounts in the City Account are required to be remitted to the City not less often than monthly, but are subject to withholding if PICA certifies the City's non-compliance with the then-current five-year plan.

The PICA Act establishes a "Bond Payment Account" for PICA as a trust fund for the benefit of PICA bondholders and authorizes the creation of a debt service reserve fund for bonds issued by PICA. Since PICA has issued bonds secured by the PICA Tax, the PICA Act requires that the State Treasurer pay the proceeds of the PICA Tax held in the PICA Tax Fund directly to the Bond Payment Account, the debt service reserve fund created for bonds issued by PICA and the City Account.

The total amount of PICA Tax remitted to PICA by the State Treasurer (which is net of the costs of the State Treasurer in collecting the PICA Tax) for each of the Fiscal Years 1999 through 2008, the current estimate for Fiscal Year 2009 and the budgeted amount for Fiscal Year 2010, are set forth below:

Year	Amount
1999	$ 245.8 million
2000	256.6 million
2001	273.6 million
2002	278.0 million
2003	281.5 million
2004	285.0 million
2005	300.2 million
2006	309.9 million
2007	327.9 million
2008	341.8 million
2009 (Estimate)	352.1 million
2010 (Proposed Budget)	360.9 million

PICA bonds are payable from the PICA revenues, including the PICA Tax, pledged to secure PICA's bonds, the Bond Payment Account and any debt service reserve fund established for such bonds and have no claim on any revenues of the Commonwealth or the City.

Five-Year Plans of the City

One of the conditions precedent to the issuance of bonds by PICA was the development by the City and approval by PICA of a five-year financial plan. The original five-year plan, which covered Fiscal Years 1992 through 1996, was prepared by the Mayor, approved by City Council on April 29, 1992 and by PICA on May 18, 1992. In each subsequent year, the City updated the previous year's five-year plan, each of which was adopted by City Council, signed by the Mayor and approved by PICA.

The Mayor presented the Seventeenth Five-Year Plan (the "Plan") to City Council on February 14, 2008. City Council approved the Fiscal Year 2009 Budget and the revised Fiscal Years 2009-2013 Five Year Plan on May 22, 2008. The Mayor signed the budget into law on May 22, 2008. The Plan was approved by PICA on June 17, 2008.

The Mayor presented the Eighteenth Five-Year Plan (the "Plan") to City Council on March 19, 2009. City council will begin review of the FY2010 Operating Budget and Five Year Plan on March 25, 2009.

CITY FINANCIAL PROCEDURES

Except as otherwise noted, the financial statements, tables, statistics, and other information shown below have been prepared by the Office of the Director of Finance and can be reconciled to the financial statements in the City's Comprehensive Annual Financial Report and Notes therein.

Independent Audit and Opinion of the City Controller

The City Controller has examined and expressed opinions on the basic financial statements of the City of Philadelphia contained in the City's Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2008 (the "Fiscal Year 2008 Comprehensive Annual Financial Report").

The City Controller has not participated in the preparation of this Official Statement nor in the preparation of the budget estimates and projections and cash flow statements and forecasts set forth in various tables contained in this Official Statement. Consequently, the City Controller expresses no opinion with respect to any of the data contained in this Official Statement other than what is contained in the Fiscal Year 2008 Comprehensive Annual Financial Report.

Principal Operations

The major operations of the City are conducted through the General Fund. In addition to the General Fund, operations of the City are conducted through two other major governmental funds and 12 minor governmental funds. The two major governmental funds and three of the minor governmental funds are financed solely through grants from the Commonwealth and Federal government. The City's Debt Service Fund and Capital Projects Fund are also included with the minor governmental funds.

Fund Accounting

Funds are groupings of activities that enable the City to maintain control over resources that have been segregated for particular purposes or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. The governmental funds are used to account for the financial activity of the City's basic services, such as: general government; economic and neighborhood development; public health, welfare and safety; cultural and recreational; and streets, highways and sanitation. The fund financial activities focus on a short-term view of the inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. The financial information presented for the governmental funds is useful in evaluating the City's short term financing requirements.

The City maintains twenty-three individual governmental funds. The City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2008), presents data separately for the General Fund, Grants Revenue Fund and Health Choices Behavioral Health Fund, which are considered to be major funds. Data for the remaining eighteen funds are combined into a single aggregated presentation.

Proprietary Funds. The proprietary funds are used to account for the financial activity of the City's operations for which customers are charged a user fee; they provide both a long and short-term view of financial information. The City maintains three enterprise funds that are a type of proprietary funds - airport, water and wastewater operations, and industrial land bank.

Fiduciary Funds. The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for PGW's employees' retirement reserve assets. Both of these fiduciary activities are reported in the City's Comprehensive Annual Financial Report (including for the City's fiscal year ended June 30, 2008), as separate financial statements of fiduciary net assets and changes in fiduciary net assets.

Basis of Accounting and Measurement Focus

Governmental funds account for their activities using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as in the case of full accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due; however, those expenditures may be accrued if they are to be liquidated with available resources.

Imposed non-exchange revenues, such as real estate taxes, are recognized when the enforceable legal claim arises and the resources are available. Derived tax revenues, such as wage, business privilege, net profits and earnings taxes, are recognized when the underlying exchange transaction has occurred and the resources are available. Grant revenues are recognized when all the applicable eligibility requirements have been met and the resources are available. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue that is considered to be program revenue includes: (1) charges to customers or applicants for goods received, services rendered or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program specific revenues; therefore, all taxes are considered general revenues.

The City's financial statements reflect the following three funds as major Governmental Funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Health Choices Behavioral Health Fund accounts for resources received from the Commonwealth. These resources are restricted to providing managed behavioral health care to residents of the City.

The Grants Revenue Fund accounts for the resources received from various federal, state and private grantor agencies. The resources are restricted to accomplishing the various objectives of the grantor agencies.

The City also reports on Permanent Funds, which are used to account for resources legally held in trust for use by the park and library systems of the City. There are legal restrictions on the resources of the funds that require the principal to remain intact, while only the earnings may be used for the programs.

The City reports on the following Fiduciary Funds:

The Municipal Pension Fund accumulates resources to provide pension benefit payments to qualified employees of the City and certain other quasi-governmental organizations.

The Philadelphia Gas Works Retirement Reserve Fund accounts for contributions made by PGW to provide pension benefit payments to its qualified employees under its noncontributory pension plan.

The City reports on the following major Proprietary Funds:

The Water Fund accounts for the activities related to the operation of the City's water delivery and sewage systems.

The Aviation Fund accounts for the activities of the City's airports.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Water Fund are charges for water and sewer service. The principal operating revenue of the Aviation Fund is charges for the use of the airport. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Legal Compliance

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). In accordance with the Home Rule Charter, the City has formally established budgetary accounting control for its operating and capital improvement funds.

The operating funds of the City, consisting of the General Fund, ten Special Revenue Funds (County Liquid Fuels Tax, Special Gasoline Tax, Health Choices Behavioral Health, Hotel Room Rental Tax, Grants Revenue, Community Development, Car Rental Tax, Wage Tax Reduction, Acute Care Hospital Assessment and Housing Trust Funds) and two Enterprise Funds (Water and Aviation Funds), are subject to annual operating budgets adopted by City Council. Included with the Water Fund is the Water Residual Fund. These budgets appropriate funds for all City departments, boards and commissions by major class of expenditure within each department. Major classes are defined as: personal services; purchase of services; materials and supplies; equipment; contributions, indemnities and taxes; debt service; payments to other funds; and advances and other miscellaneous payments. The appropriation amounts for each fund are supported by revenue estimates and take into account the elimination of accumulated deficits and the re-appropriation of accumulated surpluses to the extent necessary. All transfers between major classes (except for materials and supplies and equipment, which are appropriated together) must have councilmanic approval. Appropriations that are not expended or encumbered at year-end are lapsed.

The City's capital budget is adopted annually by City Council. The capital budget is appropriated by project for each department. Requests to transfer appropriations between projects must be approved by City Council. Any appropriations that are not obligated at year-end are either lapsed or carried forward to the next fiscal year.

Schedules prepared on the legally enacted basis differ from the generally accepted accounting principles (GAAP) basis in that both expenditures and encumbrances are applied against the current budget, adjustments affecting activity budgeted in prior years are accounted for through fund balance or as reduction of expenditures and certain interfund transfers and reimbursements are budgeted as revenues and expenditures.

Budget Procedure

At least ninety days before the end of the Fiscal Year the operating budget for the next Fiscal Year is prepared by the Mayor and must be submitted to City Council for adoption. The budget, as adopted, must be balanced and provide for discharging any estimated deficit from the current Fiscal Year and make appropriations for all items to be funded with City revenues. The Mayor's budgetary estimates of revenues for the ensuing Fiscal Year and projection of surplus or deficit for the current Fiscal Year may not be altered by City Council. Not later than the passage of the operating budget ordinance, City Council must enact such revenue measures as will, in the opinion of the Mayor, yield sufficient revenues to balance the budget.

At least thirty days before the end of each Fiscal Year, City Council must adopt by ordinance an operating budget and a capital budget for the ensuing Fiscal Year and a capital program for the six ensuing years. If the Mayor disapproves the bill, he must return it to City Council with the reasons for his disapproval at the first meeting thereof held not less than ten days after he receives it. If the Mayor does not return the ordinance within the time required, it becomes law without his approval. If City Council passes the bill by a vote of two-thirds of all of its members within seven days after the bill has been returned with the Mayor's disapproval, it becomes law without his approval. The capital program is prepared annually by the City Planning Commission to present the capital expenditures planned for each of the six ensuing Fiscal Years, including the estimated total cost of each project and the sources of funding (local, state, Federal, and private) estimated to be required to finance each project. The capital program is reviewed by the Mayor and transmitted to City Council for adoption with his recommendation thereon. See Table A-11 for a summary of the City's capital improvement program for the Fiscal Years 2009 through 2014.

The capital budget ordinance, authorizing in detail the capital expenditures to be made or incurred in the ensuing Fiscal Year from funds that City Council appropriates, is adopted by City Council concurrently with the capital program. The capital budget must be in full conformity with that part of the capital program applicable to the Fiscal Year that it covers.

Awards

For the twenty-eighth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded its prestigious Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. The City received this recognition by publishing a report that was well organized and readable and satisfied both generally accepted accounting principles and applicable legal requirements.

CITY CASH MANAGEMENT AND INVESTMENT POLICIES

Consolidated Cash

The Act of the General Assembly of the Commonwealth of June 25, 1919, P.L. 581, Art. XVII, § 6, gives the City the authority to make temporary inter-fund loans between operating and capital funds.

The Consolidated Cash Account provides for the physical commingling of the cash of all City Funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of PGW, the Water Fund, the Aviation Fund and certain other restricted purpose funds). A separate accounting is maintained for the equity of each member fund in the Consolidated Cash Account. The City manages the Consolidated Cash Account pursuant to the following procedures:

To the extent that any member fund temporarily experiences the equivalent of a cash deficiency, the required advance is made from the Consolidated Cash Account, in the amount necessary to result in a zero balance in the cash equivalent account of the borrowing fund. All subsequent net receipts of a borrowing fund are applied in repayment of the advance.

All advances are made within the budgetary constraints of the borrowing funds. Within the General Fund, this system of inter-fund advances has historically resulted in the temporary use of tax revenues or other operating revenues for capital purposes and the temporary use of capital funds for operating purposes.

Procedures governing the City's cash management operations require the General Fund-related operating fund to borrow initially from the General Fund-related capital fund, and only to the extent there is a deficiency in such fund may the General Fund-related operating fund borrow money from any other funds in the Consolidated Cash Account.

Investment Practices

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the Home Rule Charter, the City Treasurer is the City Official for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional money managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to Revenue Bonds for Water and Sewer and the Airport are directly deposited and held separately in trust. A Fiscal Agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy. In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with Federal or State reporting.

Investment guidelines for the City are embodied in legislation approved by City Council appearing in the Philadelphia City Code, Chapter 19. In furtherance of the City, State, and Federal legislative guidelines, the Director of Finance adopted a written Investment Policy (the "Policy") that first went into effect in August 1994 and most recently was revised in April 2001. This Policy supplements other legal requirements and establishes a comprehensive investment policy for the overall administration and effective management of all monetary funds (except the Municipal Pension Fund and PGW Retirement Reserve Fund).

The Policy delineates the authorized investments as approved by City Council Ordinance and the funds to which the Policy applies. The authorized investments include U.S. Government Securities, U.S. Treasuries, U.S. Agencies, Collateralized Certificates of Deposit, Bankers Acceptance Notes, Eurodollar Deposits, Euro Certificates of Deposit, Commercial Paper, Corporate Bonds, Money Market Mutual Funds, Repurchase Agreements and Commonwealth of Pennsylvania securities, all of investment grade rating or better. Each category of instruments, excluding U.S. Government Treasury and Agency securities which carry no limitation, is limited to investment of no more than 25% of the total portfolio, and no more than 10% of the total portfolio per institutional or corporate issuer. The Policy also restricts investments to those having a maximum maturity of two years. Daily liquidity is maintained through the use of SEC-registered money market mutual funds with the balance of funds invested by the City or money managers in accordance with the Policy.

The Policy provides for an ad hoc Investment Committee consisting of the Director of Finance, the City Treasurer and the Deputy City Treasurer with ex-officio membership of a representative of each of the principal operating and capital funds, i.e., Water Fund, Aviation Fund, Philadelphia Gas Works and Philadelphia Municipal Authority. The Investment Committee meets quarterly with each of the investment managers to review each manager's performance to date and to plan for the next quarter. Investment managers are given any changes in investment instructions at these meetings. The Investment Committee approves all modifications to the Policy.

The Policy expressly forbids the use of any derivative investment product whose yield or market value does not follow the normal swings in interest rates. Investment in derivatives such as "inverse floaters," leveraged variable rate debt and interest-only or principal-only Collateralized Mortgage Obligations are specifically forbidden. The use of any other derivative investment products is restricted to identified "core cash" in any fund but never to exceed 25% of any fund's balance at the time of purchase.

General Fund Cash Flow

Because the receipts of General Fund revenues lag behind expenditures during most of each fiscal year, the City issues notes in anticipation of General Fund revenues and makes payments from the Consolidated Cash Account to finance its on-going operations. The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each issue was repaid when due, prior to the end of the fiscal year.

The timing imbalance referred to above results from a number of factors, principally the following: (1) real property, business privilege tax and certain other taxes are not due until the latter part of the fiscal year; (2) the City makes the majority of the employer's contribution to the Municipal Pension Fund in the early part of each Fiscal Year; and (3) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

DISCUSSION OF FINANCIAL OPERATIONS

Fiscal Year 2008 Actual

Results for Fiscal Year 2008 reflect revenues of $3.72 billion, obligations of $3.92 billion and a Fiscal Year 2008 fund balance of $119.5 million on a legally enacted basis (modified accruals), an increase of $35.1 million over the fund balance estimated in the adopted budget, but a decrease of $178.4 million from the Fiscal Year 2007 ending fund balance. The decrease was caused in large part by one-time payments to the City's four unions as part of collective bargaining agreement settlements and reduction in business privilege and real estate transfer tax collections. This increase over the estimate in the adopted budget is largely due to the fact that the Fiscal Year 2007 fund balance was $126 million higher than anticipated when the budget was adopted. The estimate is also $54 million lower than the Fiscal Year 2008 fund balance estimated in the Approved Five Year Plan. This decrease is mainly the result of the lower than expected business privilege tax receipts, and lower state reimbursements.

Fiscal Year 2009 Adopted Budget

The City's Fiscal Year 2009 budget was approved by City Council on May 22, 2008 and signed into law that day. The budget projects estimated revenues of $3.9 billion, obligations of $4.03 billion and an ending fund balance of $62.5 million on the legally enacted basis. This budget was adopted by the City in conjunction with the Seventeenth Five-Year Plan which was approved by PICA on June 17, 2008.

Fiscal Year 2009 Current Estimate

The City's Fiscal Year 2009 current estimate projects revenues of $3.75 billion and obligations of $3.95 billion on a legally enacted basis. Tax revenues are now projected to be $179 million below budget levels. The real estate transfer tax and business privilege tax account for more than $152 million of the reduction. Total general fund revenue is projected to be $138.5 million below budget. Obligations are now projected to be $78.4 million below budgeted levels as the administration took quick action to reduce obligations and reduce the projected deficit. The Fiscal Year 2009 fund balance is projected to be ($60) million.

Effect of Economic Crisis on City Budget

Like other local governments across the country, the City is experiencing declines in tax collections and expected increases in pension costs. On November 6, 2008, Mayor Nutter announced the City's budget-balancing plan to address what would be, unless compensatory action was taken, an estimated $1 billion deficit over the next five years and a $108 million fund balance deficit, out of a $4 billion budget, in Fiscal Year 2009.

The Mayor's plan included, among other things, curtailment of certain nonessential services, suspension of City-funded business and wage tax reductions until fiscal 2015, closing some outdoor pools, eliminating 800 positions either through layoffs or not filling vacancies, and reducing employee overtime costs. On December 4, 2008, City Council approved revenue enhancement legislation which was part of the Mayor's budget-balancing plan. This legislation included halting reductions of City-funded wage and business privilege tax rates until fiscal year 2015. In addition, the legislation included increases to certain fees, including some licensing and inspection fees, false burglar alarm fees and some health related fees. The budget-balancing plan was expected to result in $148 million in savings for Fiscal Year 2009, which, based upon then current revenue estimates, would have resulted in a Fiscal 2009 ending fund balance of $41 million.

However during November and December the city continued to experience declining receipts and further erosion in pension fund earnings performance. On January 15, 2009, Mayor Nutter announced that despite previous actions taken which are described above, the city again faced a five year deficit of over $1 billion and an Fiscal Year 2009 fund balance estimate of ($60) million.

On January 16, 2009, the administration issued a budget call that included budget reductions of 10, 20 and 30 percent from every department. The administration reviewed these responses, engaged in community outreach programs and town hall meetings and conducted citizen and employee surveys to solicit input on the array of options available to balance the budget and Plan. The administration has proposed a 2010 budget and 2010-2014 Five Year Plan that includes staff reductions, anticipated benefit and pension savings and workrule changes, increased fees and temporary increases in the Real Estate and Sales Tax.

Fiscal Year 2010 Proposed Budget

The City's Fiscal Year 2010 budget was presented to City Council on March 19, 2009 and is currently under review. The budget projects estimated revenues of $3.968 billion, obligations of $3.836 billion and an ending fund balance of $96.8 million after discharging the FY2009 fund balance deficit on the legally enacted basis. The budget includes a 1 percent Sales Tax increase and a 16 mill increase in the Real Estate Tax. The Sales Tax increase and several of the assumed changes to the pension system will require State authorization. The administration has developed alternate budget balancing scenarios in the event State authorization does not materialize.

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Table A-1
City of Philadelphia General Fund
Summary of Operations
(Legal Basis) (Amounts In Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Proposed Budget 2010
REVENUES							
Real Property Taxes	377.7	392.7	395.8	397.5	402.8	412.8	574.2
Wage and Earnings Tax	1,049.6	1,073.6	1,111.2	1,167.4	1,184.8	1,127.3	1,146.0
Net Profits Tax	13.0	13.7	14.6	15.3	12.5	11.8	12.4
Business Privilege Tax	309.2	379.5	415.5	436.4	398.8	365.7	348.7
Sales Tax	108.0	119.9	127.8	132.6	137.3	128.0	234.7
Other Taxes[a]	202.2	250.9	304.1	286.7	260.3	200.9	177.3
Total Taxes	2,059.7	2,230.3	2,369.0	2,435.9	2,396.5	2,246.5	2,493.3
Locally Generated Non-Tax Revenue	207.4	200.9	235.9	247.9	265.8	275.6	276.0
Revenue from Other Governments	801.1	1,054.6	924.5	1,032.9	1,033.4	1,091.2	1,171.1
Receipts from Other City Funds	24.7	26.3	24.9	27.4	27.2	136.0	28.1
Total Revenue	3,092.9	3,512.1	3,554.3	3,744.1	3,722.8	3,749.3	3,968.5
OBLIGATIONS/APPROPRIATIONS							
Personnel Services	1,278.3	1,243.5	1,250.2	1,327.6	1,390.7	1,420.8	1,355.3
Purchase of Services	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,188.8	1,148.1
Materials, Supplies and Equipment	70.6	71.5	82.1	89.1	92.1	87.2	78.3
Employee Benefits	598.9	704.7	760.2	890.3	983.0	965.2	960.2
Indemnities, Contributions and Grants	95.1	113.5	110.9	119.0	120.9	130.3	117.4
City Debt Service	93.7	89.7	82.9	89.1	87.2	108.3	121.9
Other	32.0	36.7	38.6	31.2	32.3	22.7	25.0
Payments to Other City Funds	29.1	36.6	35.4	38.7	24.8	30.0	30.0
Total Obligations/Appropriations	3,248.0	3,386.3	3,426.0	3,736.6	3,919.8	3,953.3	3,836.2
Operating Surplus (Deficit) for the Year	(155.4)	125.8	128.2	7.5	(197.0)	(204.0)	132.3
Net Adjustments – Prior Year	17.3	17.2	30.1	35.9	18.6	24.5	24.5
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance Prior Year	91.3	(46.8)	96.2	254.5	297.9	119.5	(60.0)
Cumulative Adjusted Year End Fund Balance (Deficit)	(46.8)	96.2	254.5	297.9	119.5	(60.0)	96.8

(a) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
FIGURES MAY NOT ADD DUE TO ROUNDING.

Table A-2
City of Philadelphia
Principal Operating Funds (Debt Related)
Summary of Operations (Legal Basis)
(Amounts in Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Proposed Budget 2010
REVENUES							
General Fund	3,092.8	3,512.1	3,554.3	3,744.1	3,722.8	3,749.3	3,968.5
Water Fund[(a)]	438.3	451.4	490.3	519.7	589.7	561.3	613.6
Aviation Fund[(b)]	241.4	249.0	271.5	268.6	287.9	329.6	364.8
Other Operating Funds[(c)]	39.0	38.6	41.9	44.9	113.2	45.6	49.2
Total Revenue	3,811.5	4,251.1	4,358.0	4,577.3	4,713.6	4,685.8	4,996.1
OBLIGATIONS/APPROPRIATIONS							
Personnel Services	1,444.7	1,409.0	1,412.9	1,498.2	1,568.9	1,605.8	1,539.5
Purchase of Services	1,197.0	1,250.0	1,233.5	1,328.5	1,441.4	1,415.3	1,398.3
Materials, Supplies and Equipment	119.2	121.9	136.2	145.9	151.1	151.3	163.6
Employee Benefits	662.1	784.9	845.3	990.1	1,095.8	1,076.3	1,081.9
Indemnities, Contributions and Taxes	99.7	117.3	116.5	122.6	127.1	141.3	129.9
Debt Service[(d)]	344.6	336.8	337.6	348.8	346.7	395.3	429.7
Other	32.0	36.7	38.6	31.2	32.3	22.6	25.0
Payments to Other City Funds	95.5	97.0	119.4	144.9	154.7	114.3	123.6
Total Obligations/Appropriations	3,994.8	4,153.6	4,240.0	4,610.2	4,917.9	4,922.2	4,891.5
Operating Surplus (Deficit) for the Year	(183.4)	97.5	118.0	(32.8)	(204.3)	(236.4)	104.6
Net Adjustments Prior Year	41.0	45.8	60.6	69.6	51.0	52.7	56.7
Funding for Contingencies	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cumulative Fund Balance (Deficit) Prior Year End	132.0	(10.4)	132.9	311.5	348.3	195.0	11.3
Cumulative Adjusted Year End Fund Balance (Deficit)	(10.4)	132.9	311.5	348.3	195.0	11.3	172.6

(a) Revenues of the Water Fund are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied, and then only to the extent of $4,994,000 per year, provided certain further conditions are satisfied. From Fiscal Year 1991 to Fiscal Year 2003, the maximum transfer, per administrative agreement, was $4,138,000. For Fiscal Year 2004, the budgeted transfer was not made. For Fiscal Year 2005, the transferred amount was $4,401,000. For Fiscal Year 2006, 2007 and 2008, the transferred amount was $4,994,000.

(b) Airport revenues are not available for other City purposes.

(c) Includes County Liquid Fuels Tax Fund, Special Gasoline Tax Fund and Water Residual Fund.

(d) Excludes PICA bonds.

FIGURES MAY NOT ADD DUE TO ROUNDING.

Quarterly Reporting to PICA

On November 16, 1992, the City submitted the first of its quarterly reports to PICA. This reporting is required under the PICA Act so that PICA may determine whether the City is in compliance with the then-current Five-Year Plan. Under the PICA Act, a "variance" is deemed to have occurred as of the end of a reporting period if (i) a net adverse change in the fund balance of a covered fund of more than 1% of the revenues budgeted for such fund for that fiscal year is reasonably projected to occur, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year, or (ii) the actual net cash flows of the City for a covered fund are reasonably projected to be less than 95% of the net cash flows of the City for such covered fund for that fiscal year originally forecast at the time of adoption of the budget, such projection to be calculated from the beginning of the fiscal year for the entire fiscal year. The Mayor is required to provide a report to PICA that describes actual or current estimates of revenues, expenditures, and cash flows by covered funds compared to budgeted revenues, expenditures, and cash flows by covered funds for such previous quarterly or monthly period and for the year-to-date period from the beginning of the then-current fiscal year of the City to the last day of the fiscal quarter or month, as the case may be, just ended. Each such report is required to explain any variance existing as of such last day.

PICA may not take any action with respect to the City for variances if the City (i) provides a written explanation of the variance that PICA deems reasonable; (ii) proposes remedial action that PICA believes will restore overall compliance with the then-current Five-Year Plan; (iii) provides information in the immediately succeeding quarterly financial report demonstrating to the reasonable satisfaction of PICA that the City is taking remedial action and otherwise complying with the then-current Five-Year Plan; and (iv) submits monthly supplemental reports as required by the PICA Act.

On February 20, 2009 based on results as reported in the December 31, 2008 Quarterly City Managers Report for December 31, 2008, PICA informed the City that a variance had been declared as defined in Section 4.10(a) of the Intergovernmental Cooperation Agreement. The City is providing monthly information to PICA as requested. PICA has agreed to accept the submission of the Eighteenth Five Year Plan proposal (FY2010-FY2014) as the City's proposed remedial action to address the variance.

REVENUES OF THE CITY

General

In 1932, the Pennsylvania General Assembly adopted an act (commonly referred to as the Sterling Act) under which the City was permitted to levy any tax that was not specifically pre-empted by the Commonwealth. Prior to 1939, the City relied heavily upon the real property tax as the mainstay of its revenue system. Acting under the Sterling Act and other legislation, the City has taken various steps over the years to reduce its reliance on real property taxes as a source of income, including: (1) enacting the wage, earnings, and net profits tax in 1939; (2) introducing a sewer service charge to make the sewage treatment system self-sustaining after 1945; (3) requiring under the Home Rule Charter that the water, sewer, and other utility systems be fully self-sustaining; and (4) enacting in 1952 the Mercantile License Tax (a gross receipts tax on business done within the City), which was replaced as of the commencement of Fiscal Year 1985 by the Business Privilege Tax.

Major Revenue Sources

The City derives its revenues primarily from various taxes, non-tax revenues, and receipts from other governments. See Table A-3 for revenues by major source for Fiscal Years 1999-2009 and Table A-4 for General Fund tax revenues for Fiscal Years 2004-2009. The following description does not take into account revenues in the Non-Debt Related Funds. The tax rates for Fiscal Years 1997 through 2007 are contained in the Fiscal Year 2008 Comprehensive Annual Financial Report.

Wage, Earnings, and Net Profits Taxes — These taxes are levied on the wages, earnings, and net profits of all residents of the City and all non-residents employed within the City. The rate for both residents and non-residents was 4.3125% from Fiscal Year 1977 through Fiscal Year 1983. For Fiscal Years 1984 through 1991 the wage and earnings tax rate was 4.96% for residents and 4.3125% for non-residents and the net profits tax rate was 4.96% for both residents and non-residents.

In Fiscal Year 1992, the City reduced the City wage, earnings, and net profits tax on City residents by 1.5% and imposed the PICA Tax on wages, earnings and net profits at the rate of 1.5% on City residents. The table below sets forth the resident and non-resident wage and earnings tax rates for Fiscal Years 1999-2008, and the annual wage and earnings tax receipts in Fiscal Years 1999-2008 and the estimated receipts in Fiscal Year 2009 and budgeted receipts in Fiscal Year 2010.

Fiscal Year	Resident Wage and Earnings Tax Rates*	Non-Resident Wage and Earnings Tax Rates	Annual Wage and Earnings Tax Receipts (including PICA Tax) (Amounts in Millions)
1999	4.6869%	4.0750%	$1,195.6
2000	4.6135	4.0112	1,242.3
2001	4.5635	3.9672	1,332.6
2002	4.5385	3.9462	1,297.3
2003	4.5000	3.9127	1,306.6
2004	4.4625	3.8801	1,347.6
2005	4.3310	3.8197	1,387.5
2006	4.3010	3.7716	1,435.6
2007	4.2600	3.7557	1,510.6
2008	4.2190	3.7242	1,527.5
2009 (Current Estimate)**	3.98 (July 1) 3.93 (January 1)	3.5392 (July 1) 3.50 (January 1)	1,488.7
2010 (Proposed Budget)	3.9296	3.4997	1,516.2

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* Includes PICA Tax.
** There are two rate decreases during Fiscal Year 2009.

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in this tax rate for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the wage tax from its current level of 4.2190% for residents and 3.7242% for non-residents to 3.60% for residents and 3.25% for non-residents by Fiscal Year 2013. These reduced rates include rate reductions funded through tax reduction funding provided by the Commonwealth of Pennsylvania from gaming proceeds. In Fiscal Year 2009 there have been two rate reductions: one that took effect July 1, 2008 and the other that took effect January 1, 2009. Each approved Five-Year Plan since the one covering Fiscal Years 1996-2000 has included reductions in this tax rate for each of its fiscal years.

For a discussion of legislation approved by City Council that halts the reduction of City-funded wage tax rates until fiscal year 2015, see "DISCUSSION OF FINANCIAL OPERATIONS-Effect of Economic Crisis on City Budget" in this Appendix A.

Business Privilege Tax — In May 1984, the City enacted an ordinance substituting the Business Privilege Tax for the Mercantile License Tax. The Business Privilege Tax has been levied since January 1985 on every entity engaging in business in the City.

The Business Privilege Tax is a composite tax. Tax rates vary according to business classification (regulated, non-regulated, persons registered under the Pennsylvania Securities Act of 1972, manufacturing, wholesale, or retail) and method of tax computation employed. The various methods of tax computation are as follows: effective Fiscal Year 1989, all regulated industries, banks, trust companies, insurance companies, and public utilities, among others, were taxed at an annual rate of 3.25 mills on annual receipts not to exceed 6.5% of their net income. The tax on annual receipts and net income of all businesses, other than regulated industries, was levied at 3.25 mills and 6.5%, respectively, provided that persons registered under the Pennsylvania Securities Act of 1972 shall in no event pay a tax of less than 5.711 mills on all taxable receipts plus the lesser of 4.302% of net income or 4.302 mills on gross taxable receipts.

Non-regulated industry manufacturers can opt for a lower 5.395% rate on receipts from sales after deducting the applicable cost of goods. Non-regulated wholesalers may choose a gross receipts tax on wholesale transactions at a lower rate of 7.55% after deducting applicable product and labor costs. Non-regulated retailers have the option of choosing the lower rate of 2.1% on receipts from retail sales after deducting applicable product and labor costs.

All persons subject to both the Business Privilege Tax and the Net Profits Tax are entitled to apply a credit of 60% of their Business Privilege Tax liability against what is due on the Net Profits Tax, which credit may be carried back or forward for up to three years.

In Fiscal Year 1996, the City began a program of reducing the gross receipts portion of the Business Privilege Tax from its previous level of 3.25 mills. The tax rates for tax years 1999-2009 are set forth below.

Tax Year	**Business Privilege Tax/Gross Receipts**
1999	2.775 mills
2000	2.650 mills
2001	2.525 mills
2002	2.400 mills
2003	2.300 mills
2004	2.100 mills
2005	1.900 mills
2006	1.665 mills
2007	1.540 mills
2008	1.415 mills
2009	1.415 mills

In the Seventeenth Five-Year Plan, the Mayor approved further reductions in the gross receipts portion of the Business Privilege Tax for each of the Fiscal Years 2009-2013. The Seventeenth Five-Year Plan approved reducing the gross receipts portion of the tax from its current rate of 0.1415% to 0.10% in Fiscal Year 2013. In addition, the Mayor approved reducing the percentage of net income portion of the

Business Privilege tax to 6.25% in Fiscal Year 2013 from 6.5% in Fiscal Year 2008. The Fiscal Year 2009 rate was reduced to 6.45%.

For a discussion of legislation approved by City Council that halts the reduction of City-funded business privilege tax rates until fiscal year 2015, see "DISCUSSION OF FINANCIAL OPERATIONS-Effect of Economic Crisis on City Budget" in this Appendix A.

All business activity is also assessed a one-time $200 licensing fee administered by the Department of Licenses and Inspections.

Real Property Taxes — A real estate tax on all taxable real property is levied on the assessed value of residential and commercial property located within the City's boundaries. From Fiscal Year 2003 through Fiscal Year 2007 the City's portion of the rate was 34.74 mills and the School District's portion was 47.90 mills. In Fiscal Year 2008, City Council shifted 1.69 mills of City tax to the School District. In Fiscal Year 2008, the City's portion of the rate is 33.05 mills and the School District's portion is 49.59 mills. The Fiscal Year 2010 proposed budget assumes a 16 mill increase in the city portion of the real estate tax taking the city rate to 49.05 mills. This increase is assumed to decline to 12 mills (45.05 mills) in Fiscal Year 2011 and to sunset in Fiscal Year 2012.

Sales and Use Tax — In connection with the adoption of the Fiscal Year 1992 Budget, the City adopted a 1% sales and use tax (the "City Sales Tax") for City general revenue purposes. The Commonwealth authorized the levy of this tax under the PICA Act. Vendors are required to pay this sales tax to the Commonwealth Department of Revenue together with the similar Commonwealth sales and use tax. The State Treasurer deposits the collections of this tax in a special fund and disburses the collections, including any investment income earned thereon, less administrative fees of the Commonwealth Department of Revenue, to the City on a monthly basis.

The City Sales Tax is imposed in addition to, and on the same basis as, the Commonwealth's sales and use tax. The City Sales Tax became effective September 28, 1991 and is collected for the City by the Commonwealth Department of Revenue. The Fiscal Year 2010 budget assumes an increase to 2 percent from the current 1 percent rate. This increase requires Commonwealth authorization. The Plan assumes this temporary increase will sunset on June 30, 2012. The table below sets forth the City Sales Tax collected in Fiscal Years 1999 through 2008, estimated collections for Fiscal Year 2009 and budgeted collections for Fiscal Year 2010.

Fiscal Year	City Sales Tax Collections
1999	$101.4 million
2000	103.7 million
2001	111.3 million
2002	108.1 million
2003	108.0 million
2004	108.0 million
2005	119.9 million
2006	127.8 million
2007	132.6 million
2008	137.3 million
2009 (Current Estimate)	128.0 million
2010 (Proposed Budget)	234.7 million

Other Taxes — The City also collects real property transfer taxes, parking lot taxes, and other miscellaneous taxes such as the Amusement Tax.

Other Locally Generated Non-Tax Revenues — These revenues include license fees and permit sales, traffic fines and parking meter receipts, court related fees, stadium revenues, interest earnings and other miscellaneous charges and revenues of the City.

Revenue from Other Governments — The City's Fiscal Year 2009 General Fund current estimate projects that approximately 28.5% of General Fund revenues will be received from other governmental jurisdictions, including: (1) $537 million from the Commonwealth for health, welfare, court, and various other specified purposes; (2) $200 million from the Federal government; and (3) $68.6 million from other governments, in which revenues are primarily rental and loan repayments from the Philadelphia Gas Works and the Convention Center Service Fee offset. In addition, the projected net collections of the PICA Tax of $281.6 million are included in "Revenue from Other Governments." These amounts do not include the substantial amounts of revenues from other governments received by the Grants Revenue Fund, Community Development Fund, and other operating and capital funds of the City.

Revenues from City-Owned Systems

In addition to taxes, the City realizes revenues through the operation of various City-owned systems such as the Water and Wastewater Systems and PGW. The City has issued revenue bonds with respect to the Water and Wastewater Systems and PGW to be paid solely from and secured by a pledge of the respective revenues of these systems. The revenues of the Water and Wastewater Systems and PGW are not legally available for payment of other obligations of the City until, on an annual basis, all revenue bond debt service requirements and covenants relating to those bonds have been satisfied and then, in a limited amount and upon satisfaction of certain other conditions.

Effective June 1991, the revenues of the Water Department were required to be segregated from other funds of the City. Under the City's Restated General Water and Wastewater Revenue Bond Ordinance of 1989 (the "Water Ordinance"), an annual transfer may be made from the Water Fund to the City's General Fund in an amount not to exceed the lesser of (a) all Net Reserve Earnings, as defined below, or (b) $4,994,000. Net Reserve Earnings means the amount of interest earnings during the fiscal year on amounts in the Debt Reserve Account and Subordinated Bond Fund, as defined in the Water Ordinance. Commencing in Fiscal Year 1991, the $4,994,000 amount was reduced to $4,138,000 by administrative agreement that remained in effect through Fiscal Year 2003. No such transfer was made in Fiscal Year 1992; however, the transfer was made in each subsequent year through Fiscal Year 2003. For Fiscal Year 2004, the transfer was to have increased to $4,994,000 but no payment was made. For Fiscal Year 2005, the transferred amount was $4,401,000; for Fiscal Year 2006, the transferred amount was $4,994,000; and for Fiscal Years 2007 and Fiscal Year 2008, the transferred amount was $4,994,000. The revenues of PGW are segregated from other funds of the City. Payments for debt service on Gas Works Revenue Bonds are made directly by PGW. In previous years, PGW has also made an annual payment of $18,000,000 to the City's General Fund. For Fiscal Year 2005 the City agreed to forgo the $18,000,000 payment and for Fiscal Year 2006 and 2007 the City budgeted the receipt of the $18,000,000 payment and the grant back of such amount to PGW. The City's Seventeenth Five-Year Plan assumes that the $18,000,000 payment will be made in each of Fiscal Years 2008 through 2013 and that the City will grant back such payment to PGW in each such Fiscal Year.

Philadelphia Parking Authority

The Philadelphia Parking Authority ("PPA") was established by City ordinance pursuant to the Pennsylvania Parking Authority Law, P.L. 458, No. 208 (June 5, 1947). Various statutes, ordinances, and contracts authorized PPA to plan, design, acquire, hold, construct, improve, maintain and operate, own or lease land and facilities for parking in the City, including such facilities at Philadelphia International Airport (the "Airport"), and to administer the City's on-street parking program through an Agreement of Cooperation ("Agreement of Cooperation") with the City.

Revenues under the Lease Agreement with PPA – PPA owns and operates five parking garages at the Airport, as well as operating a number of surface parking lots at the Airport. The land on which these garages and surface lots are located is leased from the City, acting through the Department of Commerce, Division of Aviation, pursuant to a lease expiring in 2030 (the "Lease Agreement"). The Lease Agreement provides for payment of rent to the City, which is equal to gross receipts less operating expense, debt service on PPA's bonds issued to finance improvements at the Airport and reimbursement to PPA for capital expenditures and prior year operating deficits relating to its Airport operations, if any. The City received transfers of rental payments in Fiscal Years 2003 through 2008 that totaled $11,629,311, $14,539,053, $27,239,000, $30,186,642, $33,184,918, and $33,570,037, respectively. The Fiscal Year 2009 budgeted transfer amount is $35,000,000.

One component of the operating expenses is PPA's administrative costs. In 1999, at the request of the Federal Aviation Administration ("FAA"), PPA and the City entered into a letter agreement (the "FAA Letter Agreement") which contained a formula for calculating PPA's administrative costs and capped such administrative costs at 28% of PPA's total administrative costs for all of its cost centers. PPA owns and/or operates parking facilities at a number of non-Airport locations in the City. These parking facilities are revenue centers for purposes of the FAA Letter Agreement.

Assessment and Collection of Real and Personal Property Taxes

The Board of Revision of Taxes (the "Board") appoints real estate assessors who annually assess all real estate located within the City. The assessors return assessments for each parcel of real estate to the Board. The Board may increase or decrease the property valuations contained in the returns of the assessors in order that such valuations conform with law. After the Board gives proper notice of all changes in property assessments, and after it has heard all assessment appeals, it then makes assessments and certifies the results to the Department of Revenue.

Real estate taxes, if paid by February 28, are discounted by 1%. If the tax is paid during the month of March, the gross amount of tax is due. If the tax is not paid by the last day of March, tax additions of 1.5% per month are added to the tax for each month that the tax remains unpaid through the end of the calendar year. Beginning in January of the succeeding year, the 15% tax additions that accumulated during the last ten months of the preceding years are capitalized and the tax is registered delinquent. Interest is then computed on the new tax base at a rate of 0.5% per month until the real estate tax is fully paid. Commencing in February of the second year, an additional 1% per month penalty is assessed for a maximum of seven months. See the Fiscal Year 2008 Comprehensive Annual Financial Report for assessed and market values of taxable realty in the City and for levies and rates of collections.

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During Fiscal Year 1997 and subsequent to the adoption of the Fiscal Year 1998 budget, the City decided to abandon the collection of the Personal Property Tax due to uncertainty as to the outcome of litigation challenging specific aspects of the tax then pending in other jurisdictions of the Commonwealth. As a result, the City realized no Personal Property Tax revenues in Fiscal Year 1998 or in subsequent years. The Personal Property Tax had been levied on the value of certain personal property of the residents of the City.

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Table A-3
City of Philadelphia
Summary of
Principal Operating Funds (Debt Related)
Revenues by Major Source
Fiscal Years 1999-2010 (Legal Basis)
(Amounts in Millions of USD)

Fiscal Year	Real Property Taxes[(a)]	Wage Earnings & Net Profits Taxes[(a)]	Business Privilege Tax[(a)]	Sales and Use	Other Taxes[(b)]	Total Taxes	Water & Wastewater Charges	Airport Charges	Other Locally Generated Charges	Total Local Revenue	Revenue from Other Govts	Revenue from Other City	Total Revenues
1999	342.6	949.8[(c)]	254.5	101.4	118.3	1,766.6	290.5	143.2	259.9	2,460.2	639.9	103.1	3,203.2
2000	353.6	985.7[(c)]	290.1	103.7	123.5	1,856.6	296.1	149.4	258.0	2,560.1	708.3	79.9	3,348.3
2001	363.4	1,059.0[(d)]	314.0[(d)]	111.3	130.0[(d)]	1,977.7	285.8	175.7	251.3	2,690.5	781.7	90.5	3,562.7
2002	376.8	1,019.3	295.8	108.1	148.6	1,945.4	302.8	181.7	257.9	2,687.8	722.5	80.8	3,491.1
2003	361.1	1,025.1	286.1	108.0	156.3	1,936.6	329.6	219.4	327.4	2,813.0	909.7	62.8	3,785.5
2004	377.7	1,062.6	309.2	108.0	202.2	2,059.7	383.1	235.0	207.4	2,885.2	834.2	92.1	3,811.5
2005	392.7	1,087.3	379.5	119.9	250.9	2,230.3	419.7	246.3	200.8	3,097.1	1,082.4	71.6	4,251.1
2006	395.8	1,125.8	415.5	127.8	304.1	2,369.0	460.4	269.4	236.2	3,335.0	953.1	69.9	4,358.0
2007	397.5	1,182.7	436.4	132.6	286.7	2,435.9	486.9	266.0	248.3	3,437.1	1,063.3	77.0	4,577.4
2008	402.8	1,197.3	398.8	137.3	260.3	2,396.5	555.0	275.3	267.5	3,494.3	1,066.2	153.1	4,713.6
2009 (Current Estimate)	412.8	1,127.3	365.7	128.0	212.7	2,246.5.	487.3	325.1	285.7	3,334.6	1,125.8	225.4	4,685.8
2010 (ProposedBudget)	574.2	1,146.0	348.7	234.7	189.7	2,493.3	528.4	355.0	275.8	3,652.5	1,212.7	130.9	4,996.1

(a) See Table 7 in the Fiscal Year 2008 Comprehensive Annual Financial Report for Tax Rates.
(b) Includes Real Estate Transfer Tax, Parking Tax, Amusement Tax, and Other Taxes.
(c) In Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Taxes from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on the PICA bonds and PICA's expenses.
(d) Accounting accrual changes required by GASB #33 resulted in additional one-time tax revenue accruals in Fiscal Year 2001. (Wage Tax, $50.4 million; Business Privilege, $5.2 million; Other Taxes, $4.3 million).

FIGURES MAY NOT ADD DUE TO ROUNDING.

Table A-4
City of Philadelphia General Fund
Tax Revenues (a)
Fiscal Years 2004-2010
(Amounts in Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Proposed Budget 2010
REAL PROPERTY TAXES							
Current	332.6	353.2	354.1	367.2	366.5	370.8	532.2
Prior	45.1	39.5	41.7	30.3	36.3	42.0	42.0
Total	377.7	392.7	395.8	397.5	402.8	412.8	574.2
WAGE AND EARNINGS TAX[b]							
Current	1,034.5	1,066.0	1,104.0	1,162.4	1,176.5	1,115.3	1,134.0
Delinquent	15.1	7.6	7.2	5.1	8.3	12.0	12.0
Total	1,049.6	1,073.6	1,111.2	1,167.5	1,184.8	1,127.3	1,146.0
BUSINESS TAXES							
Business Privilege							
Current	269.9	326.7	390.5	401.9	376.1	340.7	323.7
Delinquent	39.2	52.8	25.0	34.5	22.7	25.0	25.0
Sub-Total Business Privilege	309.1	379.5	415.5	436.4	398.8	365.7	348.7
Net Profits Tax							
Current	11.3	12.0	11.8	10.9	9.1	8.3	8.4
Delinquent	1.7	1.7	2.8	4.3	3.4	3.5	4.0
Sub-Total Net Profits Tax	13.0	13.7	14.6	15.3	12.5	11.8	12.4
Total Business Taxes	322.1	393.2	430.1	451.6	411.3	377.5	361.1
OTHER TAXES							
Sales and Use Tax	108.0	119.9	127.8	132.6	137.3	128.0	234.7
Amusement Tax	18.3	13.5	17.0	16.4	18.0	18.4	18.9
Real Property Transfer Tax	141.3	192.3	236.4	217.3	184.0	110.6	84.7
Parking Taxes	42.5	45.0	48.4	50.3	55.5	69.0	70.7
Other Taxes	0.1	0.1	2.3	2.6	2.8	2.9	3.0
Sub-Total Other Taxes	310.2	370.8	431.9	419.2	397.6	328.9	412.0
TOTAL TAXES	2,059.6	2,230.3	2,369.0	2,435.9	2,396.5	2,246.5	2,493.3

(a) See Table 7 in the Fiscal Year 2008 Comprehensive Annual Financial Report for Tax Rates.
(b) Beginning in Fiscal Year 1992, the City reduced the resident Wage and Earnings and Net Profits Tax from 4.96% to 3.46% and levied the PICA Tax at a rate of 1.50%, the proceeds of which are remitted to PICA for payment of debt service on PICA bonds and the PICA expenses. After paying debt service and expenses, net proceeds from the tax are remitted to the City as Revenue from Other Governments.

FIGURES MAY NOT ADD DUE TO ROUNDING

Table A-5
Ten Largest Certified Market and Assessment Values
of Tax-Abated Properties
Certified Values for 2008

	Location	2008 Certified Market Value	Total Assessment	Total Taxable Assessment	Total Exempt Assessment
1	2201 Park Towne Place	$48,000,000	$15,360,000	$13,452,400	$ 1,907,600
2	819-41 Chestnut Street	$45,200,000	$14,464,000	$ 5,440,000	$ 9,024,000
3	1600-18 Arch Street	$37,661,200	$12,051,584	$ 2,550,400	$ 9,501,184
4	1825-51 North 10th Street	$33,200,000	$10,624,000	$ 0	$10,624,000
5	3118-98 Chestnut Street	$29,861,000	$ 9,555,520	$ 656,075	$ 8,899,445
6	801 Market Street	$30,000,000	$ 9,600,000	$ 1,544,000	$ 8,056,000
7	1915-19 Chestnut Street	$29,264,100	$ 9,364,512	$ 8,956,800	$ 407,712
8	200 West Washington Square	$30,572,000	$ 9,783,040	$ 640,000	$ 9,143,040
9	11000 East Roosevelt Blvd.	$24,277,400	$ 7,768,768	$ 3,680,000	$ 4,088,768
10	3175 John F. Kennedy Blvd.	$26,400,000	$ 8,448,000	$ 2,400,000	$ 6,048,000

Source: City of Philadelphia, Board of Revision of Taxes

EXPENDITURES OF THE CITY

The major City expenditures are for personal services, employee benefits, purchase of services (including payments to SEPTA), and debt service.

Personal Services (Personnel)

As of June 30, 2008, the City employed 27,753 full-time employees with the salaries of 23,111 employees paid from the General Fund. Additional employment is supported by other funds, including the Water Fund and the Aviation Fund.

Additional operating funds for employing personnel are contributed by other governments, primarily for categorical grants, as well as for the conduct of the community development program. These activities are not undertaken if funding is not received.

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The following table sets forth the number of filled full-time positions of the City as of the dates indicated.

Table A-6
City of Philadelphia
Filled, Full Time Positions — All Operating Funds
at June 30 Actual

	2004	2005	2006	2007	2008	2009*	2010**
General Fund							
Police	7,668	7,368	7,287	7,424	7,367	7,478	7,478
Streets	1,946	1,788	1,858	1,814	1,839	1,888	1,797
Fire	2,337	2,248	2,270	2,399	2,326	2,357	2,328
Health	745	667	662	664	665	746	739
Courts	2,046	2,004	1,936	1,928	1,970	1,945	1,965
Prisons	2,033	2,152	2,225	2,176	2,131	2,400	2,360
Human Services	1,815	1,743	1,703	1,721	1,784	1,858	1,858
All Other	5,170	4,995	4,878	4,941	5,029	5,216	4,982
Total General Fund	23,760	22,965	22,819	23,067	23,111	23,888	23,507
Other Funds	4,659	4,649	4,616	4,598	4,642	5,044	5,044
TOTAL	28,419	27,614	27,435	27,665	27,753	28,932	28,551

*Estimated 2009 includes vacant positions.

** Proposed Budget

Labor Agreements

Four major bargaining units represent City employees for collective bargaining purposes. District Councils 33 and 47 of the American Federation of State, County and Municipal Employees, AFL-CIO represents approximately 15,000 non-uniformed employees. The bargaining units for uniformed employees are the Fraternal Order of Police, Lodge 5 (the "FOP") and the Philadelphia Fire Fighters Association, Local 22, International Association of Fire Fighters AFL-CIO ("IAFF Local 22"), which together represent approximately 9,400 employees. The non-uniformed employees bargain under Act 195 of 1972, which allows for the limited right to strike over collective bargaining impasses. The uniformed employees bargain under Pennsylvania Act 111 of 1968, which provides for final and binding interest arbitration to resolve collective bargaining impasses. All contract expiration dates are June 30 unless otherwise noted.

In September 2004, a collective bargaining agreement was reached with District Council 47. This four-year contract includes a $750 payment to each member with no general wage increase in Fiscal Year 2005 and wage increases of 2, 3 and 4 percent effective July 1 of each succeeding year, respectively. In December 2004, a collective bargaining agreement was reached with District Council 33, which mirrored the agreement previously reached with District Council 47. Each of the collective bargaining agreements included a health benefit reopener provision for the final two years of the agreement. The City concluded negotiations with District Councils 33 and 47 and agreed to increase the per member per month contributions to the unions by fourteen percent in Fiscal Year 2007 and an additional fourteen percent in Fiscal Year 2008.

On June 28, 2006, an arbitration panel issued a 3-year award to the IAFF Local 22. The award granted wage increases of 3.0% effective July 1, 2005, 3.0% effective July 1, 2006, and 4.0% effective July 1, 2007. In addition, the panel granted Local 22 health medical increases of 11.3% effective July 1, 2005, 14.1% effective July 1, 2006, and 14.0% effective July 1, 2007. The arbitration panel also addressed management issues believed by the City to be outside its jurisdiction. On August 24, 2007, the Commonwealth Court issued an opinion affirming in part and revising in part. The Court upheld the medical increases granted by the arbitrator's and revised the decision that limited the City's management rights.

The FOP contract contained a 3% increase in wages effective July 1, 2004, 3% effective July 1, 2005, 3% effective July 1, 2006 and a 4% increase effective July 1, 2007. The award also called for a re-opener for health medical coverage for Fiscal Year 2006 and Fiscal Year 2007.

At the re-opener in August of Fiscal Year 2006, the arbitrators ordered the City to increase FOP healthcare contributions by 15.7 percent and 10 percent in Fiscal Year 2006 and Fiscal Year 2007, respectively. After a City appeal, the Court of Common Pleas remanded the ruling back to arbitration, but the panel reissued its original ruling with no change. The City appealed the ruling to Common Pleas Court on February 13, 2006, and lost. The City has appealed that ruling in Commonwealth Court which ruled in favor of the City. The FOP petitioned the Pennsylvania Supreme Court asking the Court to review the matter, which the Court declined to do. The Mayor and the FOP reached a settlement in which the City agreed to pay the amounts awarded by the arbitrator. Accordingly, the matter has been withdrawn as moot.

On July 10, 2008 the arbitration panel awarded a one-year contract to the FOP effective July 1, 2008. The award calls for a 2 percent wage increase effective July 1, 2008, a 2 percent wage increase effective January 1, 2009 and a 1 percent increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,303 per member to $1,165 per member.

On October 17, 2008, an arbitration panel awarded a one-year contract to the IAFF effective July 1, 2008. The award calls for a 2 percent wage increase effective July 1, 2008, a 2 percent wage increase effective January 1, 2009, and a 1 percent increase in longevity pay effective January 1, 2009. In addition, the panel reduced the per member per month health medical payment from the current monthly rate of $1,444 per member to $1,270 per member.

The City has also reached a one year agreement with District Council 33 and District Council 47, which was effective July 1, 2008. The agreement calls for a lump sum bonus of $1,100 per member. The agreement also calls for no increase in the current per member per month health benefit payment. The union memberships have ratified the agreements.

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The following table presents employee wage increases for the Fiscal Years 1998 through 2009.

Table A-7
City of Philadelphia
Employee Wage Increases
Fiscal Years 1998-2009

Fiscal Year	District Council No. 33	District Council No. 47	Fraternal Order of Police	International Association of Fire Fighters
1998	3.0% (a)	3.0% (a)	4.0% (b)	4.0% (c)
1999	3.0% (a)	3.0% (a)	3.0% (b)	3.0% (c)
2000	4.0% (d)	4.0% (d)	4.0% (e)	4.0% (f)
2001	No increase	No increase	3.0%	3.0%
2002	3.0% (h)	3.0% (h)	4.0%	4.0%
2003	3.0% (i)	3.0% (i)	3.0%	3.0%
2004	3.0%	3.0%	3.5%	3.5%
2005	No increase (j)	No increase (j)	3.0%	3.0%
2006	2.0%	2.0%	3.0%	3.0%
2007	3.0% (k)	3.0% (k)	3.0%	3.0%
2008	4.0% (l)	4.0% (l)	4.0%	4.0%
2009	No increase (m)	No increase (m)	4.0% (n)	4.0% (n)

(a) Third year of a four year contract: 3% effective December 15, 1998.
(b) First year of a two year contract: 3% effective September 15, 1998.
(c) Third year of a four year contract: 3% effective September 15, 1998.
(d) Fourth year of a four year contract: 4% effective March 15, 2000.
(e) Second year of a two year contract: 4% effective September 15, 1999.
(f) Fourth year of a four year contract: 4% effective September 15, 1999.
(g) First year of a four year contract: cash bonus of $1,500 paid in August 2000.
(h) Second year of a four year contract: 3% effective December 15, 2001.
(i) Third year of a four year contract: 3% effective December 15, 2002.
(j) First year of a four year contract: cash bonus of $750 paid in October 2004 to District Council 47 members and in December 2004 to District Council 33 members.
(k) Third year of a four year contract: 3% effective July 1, 2006.
(l) Fourth year of a four year contract: 4% effective July 1, 2007.
(m) Cash bonus of $1,100 paid 15 days after ratification.
(n) One year contract: 2% effective July 1, 2008 and 2% effective January 1, 2009.

Employee Benefits

The City provides various pension, life insurance, health, and medical benefits for its employees. General Fund employee benefit expenditures for Fiscal Years 2004 through 2010 are shown in the following table.

Table A-8
City of Philadelphia
General Fund Employee Benefit Expenditures
Fiscal Years 2004-2010
(Amounts in Millions of USD)

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Current Estimate 2009	Proposed Budget 2010
Pension Contribution*	229.4	315.5	346.5	436.8	430.8	461.1	479.1
Health/Medical/Dental	253.7	285.9	291.8	331.5	421.0	368.8	368.8
Social Security	60.6	59.9	60.8	64.1	69.7	69.2	69.2
Other	55.2	43.4	61.1	57.9	61.5	66.1	43.1
Total	598.9	704.7	760.2	890.3	983.0	965.2	960.2

* The Pension Contribution amount includes debt service on the Pension Obligation Bonds, Series 1999.

Municipal Pension Fund (Related to All Funds)

The City is required by the Home Rule Charter to maintain an actuarially sound pension and retirement system covering all officers and employees of the City. Court decisions have interpreted this requirement to mean that the City must make contributions to the Municipal Pension Fund sufficient to fund:

A. Accrued actuarially determined normal costs.

B. Amortization of the unfunded actuarial accrued liability ("UAAL") determined as of July 1, 1985. The portion of that liability attributable to a class action lawsuit by pension fund beneficiaries is amortized in level installments, including interest, over 40 years through June 30, 2009. The remainder of the liability is amortized over 34 years with increasing payments expected to be level as a percentage of each year's aggregate payroll.

C. Amortization in level percent of pay of the changes in the July 1, 1985 liability due to: nonactive member's benefit modifications (10 years); experience gains and losses (15 years); changes in actuarial assumptions (20 years); and active members' benefit modifications (20 years).

The pension fund was actuarially valued every two years through 1984, and beginning with the July 1, 1985 valuation report, is required to be actuarially valued each year.

The July 1, 1980 unfunded liability, as amended by subsequent reports, will be amortized over 38 years through annual contributions which will closely approximate a level percent of payroll. The Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act, enacted December 18, 1984 adopted changes in funding of municipal pensions that have been reflected in the valuation report for July 1, 1985. In particular, this act generally requires that unfunded actuarial accrued liability be funded in annual level dollar payments. The City is permitted to amortize the July 1, 1985 UAAL over 40 years as a level percentage of pay of each year's aggregate payroll ending in 2025.

A July 2004 amendment to Act 205 allowed for 2001 and 2002 calendar year investment losses to be amortized over 30 years, rather than the usual 15.

Based on the City's most recent actuarial report dated as of July 1, 2007, the unfunded accrued liability was $3.77 billion which equals a funding ratio of 53.9%.

Non-uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, non-uniformed employees may receive up to 80% of their average final compensation depending upon their years of credited service. Uniformed employees become vested in the Municipal Pension Plan upon the completion of ten years of service. Upon retirement, uniformed employees may receive up to 100% of their average final compensation depending upon their years of credited service. The retirement age differs for Plan 67 (age 55) and Plan 87 (age 60).

Effective January 1, 1987 the City adopted a new plan ("Plan 87") to cover employees hired after January 8, 1987, as well as members in the previous Plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provides for enhanced benefits, with participating elected officials required to pay for the additional normal cost. Police and Fire personnel became eligible for Plan 87 on July 1, 1988. Because of Court challenges, members of District Council 33 and Locals 2186 and 2187 of District Council 47 were not eligible for Plan 87 until October 2, 1992.

A comprehensive statement of operations of the City Municipal Pension Fund for Fiscal Years 1998 through 2007 is contained in the Fiscal Year 2008 Comprehensive Annual Financial Report.

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Purchase of Services

The City accounts for a number of expenditures as purchase of services. The following table presents major purchases of services in the General Fund in Fiscal Years 2004 through 2010.

TABLE A-9
CITY OF PHILADELPHIA
PURCHASE OF SERVICE IN THE GENERAL FUND
FISCAL YEARS 2004-2010
(AMOUNTS IN MILLIONS OF USD)

	Actual				Actual	Current Estimate	Proposed Budget
	2004	2005	2006	2007	2008	2009	2010
Human Services (a)	493.7	511.8	467.9	495.3	515.3	498.9	487.2
Public Health	69.1	60.7	61.1	65.5	65.1	71.1	68.6
Public Property (b)	132.4	133.3	137.6	156.3	139.5	142.3	146.1
Streets (c)	53.9	54.6	54.8	58.3	58.4	52.0	45.6
Sinking Fund-Lease Debt (d)	70.8	70.7	77.0	84.3	85.1	91.6	93.7
Legal Services (e)	33.4	33.5	33.6	35.4	37.3	37.3	35.9
First Judicial District	23.0	28.3	24.4	24.8	25.6	22.1	20.9
Licenses & Inspections (f)	6.0	3.1	11.5	11.4	11.9	9.9	8.5
Emergency (g)	12.0	22.1	28.6	31.3	33.9	32.5	31.7
Prisons	80.8	84.9	82.8	87.5	93.6	111.1	116.7
All Other	75.2	87.1	86.4	101.5	123.0	120.0	93.2
Total	1,050.3	1,090.1	1,065.7	1,151.6	1,188.7	1,188.8	1,148.1

(a) Includes payments for care of dependent and delinquent children.
(b) Includes payments for SEPTA, space rentals, utilities, and telecommunications. In Fiscal Year 2008, the telecommunications division was transferred to the Mayor's Office of Information Services (M.O.I.S.). Services purchased for MOIS appear in the table under the category "All Other". In FY2010 telecommunications is budgeted in Public Property.

(c) Includes solid waste disposal costs.
(d) Includes, among other things, Justice Center, Neighborhood Transformation Initiative and Stadium lease debt.
(e) Includes payments to the Defender Association to provide legal representation for indigents.
(f) Includes payments for demolition in Fiscal Year 2006, Fiscal Year 2007, Fiscal Year 2008 and Fiscal Year 2009.
(g) Includes homeless shelter and boarding home payments.

FIGURES MAY NOT ADD DUE TO ROUNDING

City Payments to School District

In each fiscal year since Fiscal Year 1996, the City has made an annual grant of $15 million to the School District. Pursuant to negotiations with the Commonwealth to address the School District's current and future educational and fiscal situation, the Mayor and City Council agreed to provide the School District with an additional annual $20 million beginning in Fiscal Year 2002. In Fiscal Year 2008, the Mayor and City Council agreed to provide an additional $2 million, bringing the total contribution to $37 million. The Fiscal Year 2009 budget includes a $38.5 million contribution.

City Loan to PGW

The City made a loan of $45 million to PGW during Fiscal Year 2001 to assist PGW in meeting its cash flow requirements. This loan was scheduled to mature in Fiscal Year 2007; however, PGW did not make the $45 million payment. PGW repaid $2 million to the City on August 31, 2007. PGW remitted a payment for $20.5 million before December 28, 2007; and PGW remitted a payment for the balance of $22.5 million on August 29, 2008. In addition, in order to assist PGW, (i) the City agreed to forgo the $18 million annual rental payment in Fiscal Year 2005, (ii) for Fiscal Years 2006 and 2007 the City made a grant to PGW equal to the annual rental payment received from PGW in such fiscal years, and (iii) the City's Eighteenth Five-Year Plan contemplates that in each of the Fiscal Years 2009 through 2014, the City will make a grant to PGW equal to the annual rental payment received from PGW in such Fiscal Years.

City Payments to SEPTA

The City's Fiscal Year 2008 operating subsidy payment to SEPTA was $61.3 million. The Fiscal Year 2010 budget projects operating subsidy payments to SEPTA of $64.2 million. The Eighteenth Five-Year Plan provides that the City's contribution to SEPTA will increase to $70.9 million by Fiscal Year 2014.

DEBT OF THE CITY

The Constitution of the Commonwealth provides that the authorized debt of the City "may be increased in such amount that the total debt of said City shall not exceed 13.5% of the average of the annual assessed valuations of the taxable realty therein, during the ten years immediately preceding the year in which such increase is made, but said City shall not increase its indebtedness to an amount exceeding 3.0% upon such average assessed valuation of realty, without the consent of the electors thereof at a public election held in such manner as shall be provided by law." It has been judicially determined that bond authorizations once approved by the voters will not be reduced as a result of a subsequent decline in the average assessed value of City property.

The Constitution of the Commonwealth further provides that there shall be excluded from the computation of debt for purposes of the Constitutional debt limit, debt (herein called "self-supporting debt") incurred for revenue-producing capital improvements that may reasonably be expected to yield revenue in excess of operating expenses sufficient to pay interest and sinking fund charges thereon. In the case of general obligation debt, the amount of such self-supporting debt to be so excluded must be determined by the Court of Common Pleas of Philadelphia County upon petition by the City. Self-supporting debt is general obligation debt of the City, with the only distinction from tax-supported debt being that it is not used in the calculation of the Constitutional debt limit. Self-supporting debt has no lien on any particular revenues.

As of June 30, 2008, the Constitutional debt limitation for tax-supported general obligation debt was approximately $1,417,996,300 (based upon a formula of 13.5% of the assessed value of taxable real estate within the City on a 10 year rolling average). As of June 30, 2008, the City's total amount of authorized general obligation debt was $1,688,913,000, which includes approximately $359,651,000 of self-supporting debt, which does not count against the Constitutional debt limit. As of June 30, 2008, $1,329,262,000 of general obligation debt subject to the constitutional debt limit was authorized, and of this authorized amount, $1,144,477,000 was issued and outstanding. As of June 30, 2008, a balance of $184,785,000 remained authorized and unissued, and after legally authorized deductions for appropriations of approximately $30,855,700 for fiscal year 2009 maturing serial bonds, there remains a balance of $119,590,000 available for future authorization and issuance.

One Hundred and Sixty Five Million Dollars ($165,000,000) of authorized general obligation debt subject to the Constitutional debt limit was utilized by the issuance on the General Obligation Bonds, Series 2008B and $19,785,000 remains authorized and unissued.

The City is also authorized to issue revenue bonds pursuant to The First Class City Revenue Bond Act of 1972. Currently, the City issues revenue bonds to support the Division of Aviation, the Water Department and PGW. Bonds so issued are excluded for purposes of the calculation of the Constitutional debt limit.

Short-Term Debt

The City has issued notes in anticipation of the receipt of income by the General Fund in each fiscal year since Fiscal Year 1972 (with a single exception). Each note issue was repaid when due prior to the end of the fiscal year of issuance. The City issued $350 million of Tax and Revenue Anticipation Notes in November 2008. These notes are scheduled to be repaid on June 30, 2009.

Long-Term Debt

Table A-10 presents a synopsis of the bonded debt of the City and its component units at the close of Fiscal Year 2008. In addition, for tables setting forth a ten year historical summary of tax-supported debt of the City and School District and the debt service requirements to maturity of the City's outstanding bonded indebtedness as of June 30, 2008, see the Fiscal Year 2008 Comprehensive Annual Financial Report.

Of the total balance of City tax-supported general obligation bonds issued and outstanding at June 30, 2008, approximately 15% is scheduled to mature within 5 years and approximately 34% is scheduled to mature within 10 years.

Other Long-Term Debt Related Obligations

The City has entered into other contracts and leases to support the issuance of debt by public authorities related to the City pursuant to which the City is required to budget and appropriate tax or other general revenues to satisfy such obligations. As of June 30, 2008, the principal amounts of the outstanding bonds of each of these authorities relating to the City's contract and lease obligations were as follows:

PMA	$ 185.9 million
PAID*	$ 1,987.1 million
Parking Authority	$ 16.9million
Redevelopment Authority	$ 265.6million
Convention Center Authority	$ 215.3 million

Source: Office of the Director of Finance

* This includes 100% of Pension Bonds, only 86% applicable to the general fund.

The bonds of the Parking Authority included in the previous table are payable from project revenues, and by the City only if and to the extent that net revenues are inadequate for this purpose. The City paid $2.3 million in Fiscal Year 2006, $1.2 million in Fiscal Year 2007, and $2.0 million in Fiscal Year 2008 toward the repayment of these bonds. See "Revenues of the City – Philadelphia Parking Authority."

The Hospitals Authority and the State Public School Building Authority have issued bonds on behalf of the Community College of Philadelphia ("CCP"). Under the Community College Act, each community college must have a local sponsor, which for CCP is the City. As the local sponsor, the City is obligated to pay up to 50% of the annual capital expenses of the college, which includes debt service. The remaining 50% is paid by the Commonwealth. Additionally, the City annually appropriates funds for a portion of CCP's operating costs (less tuition and less the Commonwealth's payment). The total payment to CCP in fiscal year 2008 was $24,467,924. The current estimate in Fiscal Year 2009 is $26,467,924. This amount represents the portion of operating costs (less student tuition and the Commonwealth payment) and up to half of the annual capital expenses for the year.

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Recent and Upcoming Financings

On April 16, 2008, the City priced $195,170,000 of its General Obligation Refunding Bonds, Series 2008A. The 2008A Bonds, proceeds of which were used to refund all of the City's Series 2003B-1 and B-2 General Obligation Bonds, closed on May 1, 2008.

The City, in conjunction with PAID, replaced the Financial Guaranty Insurance Company ("FGIC") insurance policy on the Philadelphia Authority for Industrial Development Multi-Modal Lease Revenue Refunding Bonds, 2007 Series B with a direct pay letter of credit from J.P. Morgan and Bank of New York. The remarketing of the bonds took place on April 30 and the restructuring closed on May 1, 2008.

On June 9, 2008, the City purchased a Letter of Credit from Wachovia Bank, N.A. related to the Sinking Fund Reserve Account for the 1998B Airport Revenue Bonds. The surety policy was originally provided by FGIC, but because FGIC was downgraded below the 'AA' category, the surety policy no longer met the rating requirements of the General Airport Revenue Bond Ordinance ("GARBO"). The Wachovia Letter of Credit in an amount of $33.1 million meets the requirements of the bond ordinance and replaced the FGIC policy.

The City restructured $78.5 million outstanding Water and Wastewater Revenue Bonds, Series 1997B. The Ambac Assurance Corporation ("Ambac") insurance policy was replaced by a Letter of Credit from Bank of America N.A. The transaction closed on September 10, 2008.

On November 18, 2008, the City priced $350 million of Tax and Revenue Anticipation Notes. The transaction closed on November 25, 2008.

The City restructured $178.6 million in outstanding Airport Revenue Bonds Series 2005C and the sinking fund reserve account in the approximate amount of $18.7 million. The City replaced the MBIA insurance policy and the surety policy for the sinking fund reserve account for the Series 2005C Bonds with a letter of credit for both the Series 2005C Bonds and the reserve account provided by TD Bank. The City closed this transaction on December 23, 2008.

On December 15, 2008 the City priced $165 million of General Obligation Bonds, Series 2008B. These bonds will be used to fund the cost of certain capital projects. The transaction closed on January 6, 2009.

The City's Airport Revenue Bonds, Series 2005B are insured by MBIA Insurance Corporation ("MBIA"). Because of concerns about MBIA's credit quality, interest rates increased and all the bonds are owned by the bank. In addition, the City's Airport Revenue Bonds Series 2005A and 2005B currently have MBIA surety policies for the Sinking Fund Reserve Account in the following approximate amounts: $8.3 million, and $4.0 million, respectively. Because MBIA was downgraded below the 'AA' category, the surety policies no longer meet the requirements of the GARBO. The City together with the Airport is working on refunding the Series 2005B Bonds as well as the reserve account surety policy for the 2005B bonds. The City anticipates closing this transaction in April 2009. The City plans to cash fund the 2005A sinking fund reserve account before the closing of the 2009A Bonds.

The City and the Water Department are working on restructuring the Water and Wastewater Revenue Refunding Bonds, Series 2005B. The City will replace the Financial Security Assurance ("FSA") insurance policy with a letter of credit from Bank of America N.A. The City anticipates this transaction to close in May 2009.

In 2009, the City, in conjunction with PMA, plans to issue about $97 million of General Fund supported debt for a new Youth Center Facility.

The City also has outstanding variable rate debt that is insured by FSA which has more recently experienced problems in the market. As of March 5, 2009, $16.4 million of the $313.5 million of General Obligation Bonds, Series 2007B insured by FSA with Dexia as the liquidity provider, were bank bonds. Also, $55.1 million of the Variable Rate Series 2003 Water and Wastewater Revenue Refunding Bonds with FSA insurance and Dexia liquidity were bank bonds. Lastly, the PGW 6th Series Revenue Bonds are insured by FSA and had liquidity provided by J.P. Morgan, Wachovia Bank N.A., and Scotia Bank. The liquidity expired in January 2009. All of the 6th Series bonds are owned by the bank. The City, along with the Water Department and PGW, is currently evaluating options to best handle potentially restructuring or refunding these bonds.

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Table A-10
City of Philadelphia
City-related Bond Indebtedness
June 30, 2008
(Amounts in Thousands of USD)

	Governmental Fund Types				Enterprise Funds			
	General Fund	Municipal Authority Fund	PICA	Total	Water Fund	Aviation Fund	Total	All Funds Total
Bonded Debt Outstanding, July 1, 2007	1,166,400	195,400	622,500	1,984,300	1,762,300	1,161,400	2,923,700	4,908,000
Increases:								
PAR Value of Bonds Issued:								
General Obligation	697,600	-	214,600	912,200	-	-	-	912,200
Revenue	-	-	-	-	217,500	255,400	255,400	255,400
Total Bonds Sold	697,600	-	214,600	912,200	-	255,400	255,400	1,167,600
Decreases								
Matured Bonds:								
General Obligation	34,200	9,500	37,400	81,100	1,200	-	1,200	82,300
General Obligation Refunded	682,800	-	227,600	910,400	-	-	-	910,400
Revenue	-	-	-	-	91,300	32,600	123,900	123,900
Revenue Refunded	-	-	-	-	-	81,400	81,400	81,400
Total Decrease	717,000	9,500	265,000	991,500	92,500	114,000	206,500	1,198,000
Bonded Debt Outstanding, June 30, 2008	1,147,000	185,900	572,100	1,905,000	1,669,800	1,302,800	2,972,600	4,877,600

Source: Office of Director of Finance

CITY CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program for Fiscal Years 2009-2014 contemplates a total budget of $7,353,134,000 of which $2,255,793,000 is to be provided from Federal, Commonwealth, and other sources and the remainder through City funding. The following table shows the amounts budgeted each year from various sources of funds for capital projects. City Council adopted the Capital Improvement Program for Fiscal Years 2009-2014 on May 22, 2008.

Table A-11
City of Philadelphia
Fiscal Years 2009-2014
Capital Improvement Program
(Amounts in Thousands of USD)

CITY FUNDS – TAX SUPPORTED	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2009-2014**
Carried-forward Loans	205,360	0	0	0	0	0	205,360
Operating Revenue	60,907	28,472	28,472	28,472	22,472	22,472	191,267
New Loans	51,763	58,078	54,156	54,071	53,660	54,910	326,638
Pre-financed Loans	38,073	1,000	1,000	1,000	1,000	1,000	43,073
PICA Pre-financed Loans	40,334	0	0	0	0	0	40,334
Tax-supported Subtotal	396,437	87,550	83,628	83,543	77,132	78,382	806,672
CITY FUNDS - SELF-SUSTAINING							
Carried-forward Loans	852,694	0	0	0	0	0	852,694
Operating	113,150	39,088	40,450	42,819	43,196	43,580	322,283
New Loans	325,240	436,660	413,177	545,006	510,336	859,273	3,089,692
Self-Sustaining Subtotal	1,291,084	475,748	453,627	587,825	553,532	902,853	4,264,669
REVOLVING FUNDS	26,000	0	0	0	0	0	26,000
OTHER THAN CITY FUNDS							
Federal	449,248	66,024	72,630	59,768	53,686	59,782	761,138
Federal Off Budget	143,011	189,688	124,800	125,871	108,464	104,000	795,834
State	95,816	10,224	8,284	9,382	7,079	7,225	138,010
State Off Budget	46,831	57,188	38,566	39,273	40,964	44,867	267,689
Other Governments	81,268	500	0	0	0	0	81,768
Other Governments/Off Budget	712	1,513	1,430	1,448	1,086	1,100	7,289
Private	120,955	1,030	21,020	21,020	20,020	20,020	204,065
Other Than City Funds Subtotal	937,841	326,167	266,730	256,762	231,299	236,994	2,255,793
TOTAL	2,651,362	889,465	803,985	928,130	861,963	1,218,229	7,353,134

LITIGATION

Generally, judgments and settlements on claims against the City are payable from the General Fund, except for claims against the Water Department, the Aviation Division, and the Gas Works. Claims against the Water Department are paid first from the Water Fund and only secondarily from the General Fund. Claims against the Aviation Division, to the extent not covered by insurance, are paid first from the Aviation Fund and only secondarily from the General Fund. Claims against the Gas Works, to the extent not covered by insurance, are paid first from Gas Works revenues and only secondarily from the General Fund.

The Act of October 5, 1980, P.L. 693, No. 142, known as the "Political Subdivision Tort Claims Act," (the "Tort Claims Act") establishes a $500,000 aggregate limitation on damages for injury to a person or property arising from the same cause of action or transaction or occurrence or series of causes of action, transactions or occurrences with respect to governmental units in the Commonwealth such as the City. The constitutionality of that aggregate limitation has been repeatedly upheld by the Pennsylvania Supreme Court. In February 1987, an appeal of a decision upholding such constitutionality to the United States Supreme Court was dismissed for want of jurisdiction. However, under Pennsylvania Rule of Civil Procedure 238, delay damages in State Court cases are not subject to the $500,000 limitation. Moreover, the limit on damages is inapplicable to any suit against the City which does not arise under state tort law such as claims made against the City under Federal civil rights laws.

The aggregate loss resulting from general and special litigation claims was $30.2 million for Fiscal Year 2001, $30.0 million for Fiscal Year 2002, $24.1 million for Fiscal Year 2003, $24.5 million for Fiscal Year 2004, $27.5 million for Fiscal Year 2005, $23.0 million for Fiscal Year 2006, $26.6 million for Fiscal Year 2007 and $30.0 million for Fiscal Year 2008. Estimates of settlements and judgments from the General Fund are $38.1 million, $24.5 million, $24.5 million, $24.5 million, and $24.5 million for Fiscal Years 2009 through 2013, respectively. In budgeting for settlements and judgments in the annual Operating Budget and projecting settlements and judgments for each Five-Year Plan, the City bases its estimates on past experience and on an analysis of estimated potential liabilities and the timing of outcomes, to the extent a proceeding is sufficiently advanced to permit a projection of the timing of a result. General and special litigation claims are budgeted separately from back-pay awards and similar settlements relating to labor disputes. Usually, some of the costs arising from labor litigation are reported as part of current payroll expenses. For Fiscal Year 2008, payments for claims arising from labor settlements in the General Fund were $1.11 million of which $0.85 million was paid from the Indemnities account, and $0.26 million from the Operating budgets of the affected departments. Actual claims paid out from the General Fund for settlements and judgments averaged $26.3 million per year over the five years from Fiscal Year 2004 through Fiscal Year 2008.

In addition to routine litigation incidental to performance of the City's governmental functions and litigation arising in the ordinary course relating to contract and tort claims and alleged violations of law, certain special litigation matters are currently being litigated and/or appealed and adverse final outcomes of such litigation could have a substantial or long-term adverse effect on the City's General Fund. These proceedings involve: environmental-related actions and proceedings in which it has been or may be alleged that the City is liable for damages, including but not limited to property damage and bodily injury, or that the City should pay fines or penalties or the costs of response or remediation, because of the alleged generation, transport, or disposal of toxic or otherwise hazardous substances by the City, or the alleged disposal of such substances on or to City-owned property; a class action suit alleging that the City failed to properly oversee management of funds in the deferred compensation plan of City employees; civil rights claims; a pay dispute with former and current paramedics; and a federal lawsuit filed by twenty-four homeowners in the Osage-Pine neighborhood whose homes were destroyed in the MOVE altercation of 1985.

The ultimate outcome and fiscal impact, if any, on the City's General Fund of the claims and proceedings described in the preceding paragraph are not currently predictable. Various claims in addition to the lawsuits described above have been asserted against the Water Department and in some cases lawsuits have been instituted. Many of these Water Department claims have been reduced to judgment or otherwise settled in a manner requiring payment by the Water Department. The aggregate loss for Fiscal Year 2003 which resulted from these claims and lawsuits was $3.9 million, $2.9 million for Fiscal Year 2004, $2.4 million for Fiscal Year 2005 $4.2 million for Fiscal Year 2006, $2.5 million in Fiscal Year 2007 and $4.6 million in Fiscal Year 2008. The Water Department's budget for Fiscal Year 2009 contains an appropriation for Water Department claims in the amount of $6.5 million, although the current estimate, based on the average of the last three fiscal years' expenditures, is for only $4 million. The Water Fund is the first source of payment for any of the claims against the Water Department.

ADDITIONAL INFORMATION

Current City Practices

It is the City's practice to file its Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, with a Repository as soon as practicable after delivery of such report. The CAFR for the City's fiscal year ended June 30, 2008 was deposited with a Repository on February 24, 2009. The CAFR is prepared by the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' audit guide, Audits of State and Local Government Units. Upon written request to the Office of the Director of Finance and payment of the costs of duplication and mailing, the City will make available copies of the CAFR for the Fiscal Year ended June 30, 2008. Such a request should be addressed to: Office of the Director of Finance, Municipal Services Building, Suite 1300, 1401 John F. Kennedy Boulevard, Philadelphia, PA 19102. The CAFR is also available online at www.phila.gov/investor, the City's website ("City Website" or "Website"). The City also expects to provide financial and other information from time to time to Moody's Investors Service, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and Fitch Ratings, in connection with the securities ratings assigned by those rating agencies to bonds or notes of the City.

The foregoing statement as to filing or furnishing of additional information reflects the City's current practices, but is not a contractual obligation to the holders of the City's bonds or notes.

The City Website contains information in addition to that set forth in the CAFR. The "Terms of Use" statement of the City Website, incorporated herein by this reference, provides, among other things, that the information contained therein is provided for the convenience of the user, that the City is not obligated to update such information, and that the information may not provide all information that may be of interest to investors.

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CITY SOCIOECONOMIC INFORMATION

Introduction

The City includes within its boundaries an area of approximately 130 square miles and a resident population of approximately 1.45 million according to the U.S. Census Bureau, 2006 Population Estimates. The City is in the heart of a nine-county metropolitan area with approximately 5.1 million residents. Air, rail, highway, and water routes provide easy access to the City.

The City is strategically located on the east coast with easy access to markets, resources, government centers, and transportation. The City's metropolitan area is the nation's fourth largest in the retail market with over 2,400 retail stores.

Quality of Life

The City is rich in history, art, architecture, and entertainment. World-class cultural and historic attractions include the Philadelphia Museum of Art (which houses the third largest art collection in the United States), the Philadelphia Orchestra, Academy of Music, Pennsylvania Ballet, the Constitution Center, the Kimmel Center (which had over 1 million people in attendance in 2007), Pennsylvania Academy of Fine Arts, Franklin Institute, Mann Music Center, Opera Company of Philadelphia, and the Rodin Museum. The South Philadelphia sports complex, currently consisting of Lincoln Financial Field, Citizens Bank Park, the Wachovia Spectrum and the Wachovia Center, is home to the Philadelphia 76ers, Flyers, Phillies and Eagles. The City also offers its residents and visitors America's most historic square mile, which includes Independence Hall and the Liberty Bell, as well as Fairmount Park, which spans 8,000 acres and includes Pennypack Park and the country's first zoo.

The City is a center for health, education, and science facilities with the nation's largest concentration of healthcare resources within a 100-mile radius. There are presently more than 30 hospitals, seven medical schools, two dental schools, two pharmacy schools, as well as schools of optometry, podiatry and veterinary medicine, and the Philadelphia Center for Health Care Sciences in West Philadelphia. The City is one of the largest health care and health care education centers in the world, and a number of the nation's largest pharmaceutical companies are located in the Philadelphia area.

The City has the second largest concentration of students on the East Coast with eighty degree granting institutions of higher education and a total enrollment of over 300,000 students. Included among these institutions are the University of Pennsylvania, Temple University, Drexel University, St. Joseph's University, and LaSalle University. Within a short drive from the City are such schools as Villanova University, Bryn Mawr College, Haverford College, Swarthmore College, Lincoln University, and the Camden Campus of Rutgers University. The undergraduate and graduate programs at these institutions help provide a well-educated and trained work force to the Philadelphia community.

Hospitals and Medical Centers

The City also has major research facilities, including those located at its universities, the medical schools, the Wistar Institute, the Fox Chase Cancer Center, and the University City Science Center. The Children's Hospital of Philadelphia (ranked number one in U.S. children's hospitals) has recently completed the construction of a new $100 million biomedical research facility located within the Philadelphia Center for Health Care Sciences in West Philadelphia. A Comprehensive Cancer Center is also located at the University of Pennsylvania.

Hospitals and Medical Centers: The following table presents the most recent published data regarding hospitals and medical centers in Philadelphia. Due to mergers, consolidations and closures that have occurred or may occur in the future, this table is accurate only as of its publication date.

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Table A-12
City of Philadelphia
Hospitals and Medical Centers

(As of October 2008)

Institution	Beds
Albert Einstein	424
Chestnut Hill	143
Frankford (1)	477
Jeane (3)	176
Kensington	35
Mercy Hospital of Philadelphia	180
Methodist Hospital Division, TJUH	202
Nazareth	195
Northeastern Temple East	187
Pennsylvania	410
Presbyterian	223
Roxborough Memorial	137
St. Joseph's	146
Veteran's Affairs Medical Ctr Phila	137
Hahnemann University	497
Hosp of the Univ of Pennsylvania	743
Temple (2)	746
Thomas Jefferson	694
Children's (4)	431
Fox Chase Cancer Center	100
Girard	106
Kindred - Philadelphia	52
Shriner's	35
St. Agnes Continuing Care	58
St. Christopher's	124
Belmont	147
Fairmount BHS	180
Friends	192
Magee Rehabilitation	96
MossRehab	166

Source: Delaware Valley Healthcare Council of HAP, Monthly Utilization Report-Summary Stats, October 2008

(1) Frankford includes data for all three divisions — Frankford, Torresdale and Bucks County
(2) Temple includes data for Episcopal Hospital.
(3) Jeanes Hospital Closed NICU Unit as of April 30, 2007 and OB as of May 31, 2007
(4) Children's Seashore House is now consolidated into CHOP's data

Children's Hospital Expansion. The Children's Hospital of Philadelphia is expanding its research facilities in West Philadelphia. The $150 million first phase of the new complex will be completed shortly; while the $235 million second phase is expected to open in 2009.

University of Pennsylvania. A major new $232 million cancer research and treatment center is under construction at the University of Pennsylvania and is expected to be complete by 2009.

The Fox Chase Cancer Center. The Center is a non-profit institution, which is expanding its campus in the northeast section of the City. The Center's 25-year Master Plan is over $1 billion, providing over 2.7 million square feet of space dedicated to research and patient care.

Demographics

During the ten-year period between 1990 and 2000, the population of the City decreased from 1,585,577 to 1,517,550. During the same period, the population of Pennsylvania increased by 3.4%, less than one-third the national rate of increase.

Table A-13
Population
City, Pennsylvania & Nation

	1990	2000	2007 (est.)	% Change 1990-2000	% Change 2000-2007
Philadelphia	1,585,577	1,517,550	1,449,634	-4.3%	-4.5%
Pennsylvania	11,881,643	12,281,054	12,432,792	3.4%	1.2%
United States	248,709,873	281,421,906	301,621,157	13.2%	7.2%

Source: U.S. Census Bureau, 2007 Population Estimates, Census 2000, 1990 Census.

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Table A-13
Population Age Distribution

Philadelphia

Age	1990	% of Total	2000	% of Total	2006 (est)	% of Total
0-24	563,816	35.6	551,308	36.3	525,846	36.3
25-44	490,224	30.9	444,774	29.3	393,440	27.2
45-64	290,803	18.3	307,746	20.2	340,675	23.5
65-84	217,913	13.7	186,383	12.3	159,246	11
85 & up	22,801	1.4	27,339	1.8	29,187	2
Total	1,585,577	100	1,517,550	100	1,448,394	100

Pennsylvania

Age	1990	% of Total	2000	% of Total	2006 (est)	% of Total
0-24	4,021,585	33.8	4,016,670	32.6	4,008,762	32.2
25-44	3,657,323	30.8	3,508,562	28.6	3,216,804	25.9
45-64	2,373,629	20	2,836,657	23.1	3,331,821	26.8
65-84	1,657,270	13.9	1,681,598	13.7	1,611,325	13
85 & up	171,836	1.4	237,567	1.9	271,909	2.2
Total	11,881,643	100	12,281,054	100	12,440,621	100

United States

Age	1990	% of Total	2000	% of Total	2006 (est)	% of Total
0-24	90,342,198	36.3	99,437,266	35.3	103,465,661	34.6
25-44	80,754,835	32.5	85,040,251	30.2	83,798,230	28
45-64	46,371,009	18.6	61,952,636	22	74,943,590	25
65-84	28,161,666	11.3	30,752,166	11	32,184,226	10.7
85 & up	3,080,165	1.2	4,239,587	1.5	5,006,778	1.7
Total	248,709,873	100	281,421,906	100	299,398,485	100

Source: U.S. Dept. of Commerce, Bureau of the Census.

The Economy

Philadelphia's economy is composed of diverse industries, with virtually all classes of industrial and commercial businesses represented. The City is a major business and personal service center with strengths in insurance, law, finance, health, education, and utilities.

The cost of living in Philadelphia is relatively moderate compared to other major metropolitan areas. The City, as one of the country's education centers, offers the business community a large, diverse, and industrious labor pool.

Table A-14
Office Rental Rates in Cities
Throughout the United States

(In $ Per Square Foot)

	January 2004	January 2005	May 2006	November 2006	May 2007	May 2008	November 2008
Atlanta	23.09	21.92	20.08	20.56	20.16	21.76	21.23
Chicago	29.97	28.47	23.77	22.97	22.44	24.75	24.78
Dallas	20.58	19.71	17.43	16.47	17.20	22.96	23.72
Denver	17.84	17.24	19.03	20.37	22.17	27.15	27.55
Houston	19.29	18.21	19.15	19.52	21.53	28.92	26.83
Los Angeles	25.56	26.55	23.12	22.59	23.74	30.52	30.51
New York	45.51	45.16	55.15	62.07	69.44	103.43	98.08
Philadelphia	23.24	21.97	22.42	22.96	22.60	24.35	25.26
Phoenix	20.38	19.39	24.29	26.19	27.32	29.14	29.17
Portland	20.59	19.65	21.58	22.41	23.00	25.85	27.62
San Francisco	27.15	27.75	30.62	31.11	35.81	49.71	48.57
St. Louis	20.52	19.91	21.12	21.75	21.21	22.82	22.42
Tampa	19.23	18.01	20.54	21.13	22.46	25.30	26.11
Washington, D.C.	31.05	35.95	42.74	43.58	44.00	51.05	51.26

Source: CB Richard Ellis, Global Market Rents Report; Global MarketView: Office Occupancy Costs Report.

Employment

The employment and unemployment rates and the total number of jobs within the City are reflected in Tables A-15 and A-16, respectively.

The employment changes within the City principally have been due to declines in the manufacturing sector and the relatively stronger performance of the service economy. The City's and region's economies are diversified, with strong representation in the health care, government, and education sectors but without the domination of any single employer or industry.

In March 2000, the Philadelphia Authority for Industrial Development ("PAID") took ownership of more than 1,000 acres at the site of the former Philadelphia Navy Shipyard, Naval Station. Naval Hospital and Defense Supply Center and has begun to implement aggressive redevelopment activities. To date, at least 47 companies have leased or purchased in excess of 2 million square feet of facilities at the complex, now known as the Philadelphia Naval Business Center ("PNBC"). In addition to this employment, the Navy has retained more than 2 million square feet of facilities. Together, the private and Navy facilities employ more than 7,000 people. Long term plans call for more than 10 million square feet of industrial and commercial space at PNBC, with employment targeted between 15,000-20,000.

Table A-15
Labor Force Data Annual Average
Based on Residency (not seasonally adjusted)

	2002	2003	2004	2005	2006	2007	2008
Philadelphia (000)*							
Labor Force	635.2	622.6	619.1	617.7	615.4	614.7	627.2
Employment	588.5	575.7	573.9	576.2	577.3	577.8	582.3
Unemployment	46.6	46.9	45.2	41.4	38.1	37.0	44.9
Unemployment Rate (%)	7.3	7.5	7.3	6.7	6.2	6.0	7.2
Philadelphia PMSA (000)**							
Labor Force	2,898.4	2,879.2	2,893.1	2,924.8	2,954.5	2,948.2	2,986.2
Employment	2,743.1	2,722.4	2,746.1	2,786.6	2,821.7	2,822.8	2,826.3
Unemployment	155.2	156.8	147.1	138.2	132.7	125.4	159.9
Unemployment Rate (%)	5.4	5.4	5.1	4.7	4.5	4.3	5.4
Pennsylvania (000)							
Labor Force	6,218.0	6,145.0	6,205.0	6,257.0	6,290.0	6,287.0	6,395.0
Employment	5,869.0	5,796.0	5,868.0	5,946.0	6,003.0	6,013.0	6,051.0
Unemployment	349.0	349.0	338.0	311.0	287.0	274.0	344.0
Unemployment Rate (%)	5.6	5.7	5.4	5.0	4.6	4.4	5.4
United States (000,000)							
Labor Force	144.9	146.5	147.4	149.3	151.4	153.1	154.3
Employment	136.5	137.7	139.3	141.7	144.4	146.0	145.4
Unemployment	8.4	8.8	8.1	7.6	7.0	7.1	8.9
Unemployment Rate (%)	5.8	6.0	5.5	5.1	4.6	4.6	5.8

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2009.

* Philadelphia County

** The Philadelphia PMSA includes Philadelphia-Camden-Wilmington, PA, NJ, DE, MD Metro Stat Area.

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Table A-16
Philadelphia County
Total Monthly Employment and Monthly Unemployment Rates
Based on Residency
2002 – 2008

	Total Employment in 000's							Unemployment Rate %						
Month	2002	2003	2004	2005	2006	2007	2008	2002	2003	2004	2005	2006	2007	2008
January	589.9	580.5	574.5	576.0	576.4	580.7	582.1	6.9	7.5	7.5	6.9	6.2	6.1	6.7
February	591.3	580.3	574.2	574.3	576.9	580.0	576.6	7.1	7.5	7.3	7.2	6.4	5.9	6.8
March	589.5	579.7	572.8	573.1	577.2	579.4	576.3	7.2	7.3	7.7	7.0	6.3	5.8	6.7
April	589.9	578.9	573.4	575.7	578.0	577.4	580.1	7.4	7.5	7.4	6.8	6.4	5.9	6.8
May	591.2	576.1	570.7	577.5	577.8	576.1	582.2	7.3	7.5	7.5	6.7	6.2	6.0	7.0
June	590.6	575.9	571.5	575.5	578.4	578.2	580.2	7.3	7.7	7.5	6.6	6.2	6.0	7.0
July	588.3	573.4	574.3	577.8	576.0	578.5	577.0	7.5	7.6	7.4	6.4	6.3	6.0	7.0
August	589.2	573.7	573.6	576.6	577.5	578.0	577.7	7.4	7.6	7.3	6.5	6.3	6.0	7.9
September	590.4	573.1	574.6	577.5	577.3	577.2	578.6	7.3	7.7	7.1	6.6	6.1	6.1	7.5
October	586.8	573.1	574.9	576.9	578.7	576.3	579.4	7.4	7.6	7.1	6.5	5.9	6.1	7.7
November	583.5	573.3	576.3	576.5	577.3	577.7	573.6	7.6	7.5	6.9	6.7	6.0	6.0	8.0
December	582.0	570.7	576.0	577.9	576.7	574.0	572.6	7.6	7.4	6.9	6.5	6.0	6.3	8.6

Source: Center for Workforce Information and Analysis, PA Dept of Labor and Industry, 2009 (monthly Seasonally Adjusted Labor Force), Philadelphia County.

Table A-17
Philadelphia City
Non-Farm Payroll Employment*

(Amounts in Thousands)

	2002	2003	2004	2005	2006	2007	2008**
Total Non-Farm	683.5	671.3	657.9	660.3	662.5	662.4	660.9
Natural Resources, Construction & Mining	12.9	12.3	11.4	12.0	12.4	11.8	11.2
Manufacturing	37.7	34.0	32.6	31.2	29.9	28.3	26.5
Trade, Transportation & Utilities	98.5	95.8	90.9	90.0	88.5	88.0	88.4
Information	17.0	15.9	13.6	13.2	12.8	12.9	12.9
Financial Activities	52.3	50.7	49.0	48.2	47.7	47.1	46.1
Professional &Business Services	82.9	80.9	80.3	82.4	84.2	85.3	84.0
Education & Health Services	181.0	185.3	184.1	186.8	192.2	196.4	202.9
Leisure & Hospitality	54.2	52.9	54.6	56.6	58.0	58.4	57.4
Other Services	29.9	29.0	28.5	28.5	28.2	28.2	28.3
Government	117.1	114.7	113.0	111.4	108.6	105.9	103.2

Source: Bureau of Labor Statistics, 2009.

* Includes persons employed within the City, without regard to residency.
** Preliminary, December 2008.

Table A-18
City of Philadelphia
Largest Employers in Philadelphia
June 30, 2008
(Listed Alphabetically)

Albert Einstein Medical
Children's Hospital of Philadelphia
City of Philadelphia
School District of Philadelphia
Southeastern Pennsylvania Transportation Authority
Temple University
Thomas Jefferson University Hospitals
United States Postal Service
University of Pennsylvania
University of Pennsylvania Hospital

Source: Philadelphia Department of Revenue

Table A-19
Fortune 500
Largest Corporations
With Headquarters in Philadelphia, 2008

Corporation	Type of Industry	Ranking	Revenues ($ Millions)
Sunoco	Petroleum Refining	56	$42,101.0
Comcast	Telecommunications	79	$30,895.0
Cigna	Health Care/Insurance	141	$17,623.0
ARAMARK	Diversified Outsourcing Services	216	$12,384.3
Rohm & Haas	Chemical	295	$8,911.0
Crown Holdings	Metal Products	325	$7,727.0
Sovereign Bancorp	Financial	469	$5,010.7

Source: Fortune Magazine website, May 2008.

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Income

The following table presents data relating to per-capita income for the City, the PMSA, and the United States. It illustrates that, for the past few years, real per-capita income has generally outpaced the urban cost of living index, suggesting that on average, the newly created service jobs have generated positive real income growth for City wage earners.

TABLE A-20
CONSUMER PRICE INDICES AND MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

	1990	2000	2002	2003	2004	2005	2006	2007	2008
CPLLl United States [(a)]	130.7	172.2	179.9	184.0	188.9	195.3	201.6	207.3	215.3
CPL U Philadelphia PMSA[(a)]	135.8	176.5	184.9	188.8	196.5	204.2	212.1	216.7	224.1
Buying Income[(b)]									
Philadelphia	$24,880	$31,621	$29,995	$28,015	$28,150	$29,269	$30,748	$31,292	$30,746
Philadelphia Metro Area*	$33,277	$47,152	$43,800	$41,820	$42,852	$44,060	$45,395	$46,413	$46,900
United States	$27,912	$37,233	$38,365	$38,035	$38,201	$39,324	$39,324	$40,710	$41,792

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* Statistic is a measure of the Philadelphia, Camden & Wilmington Metropolitan Area.

Source: (a) Consumer Price Index - All Urban Consumers. U.S. Bureau of Labor Statistics.
(b) Sales & Marketing Management's 2007 Survey of Buying Power.

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Table A-21
Number of Households by Income Range in Philadelphia County

Income	Number of Households*			Percentage of Households*		
	1990	2000	2006 (est)	1990	2000	2006 (est)
Under $ 9,999	136,335	109,237	95,227	22.6	18.5	17.2
$10,000-14,999	59,331	49,035	49,864	9.9	8.3	9.0
$15,000-24,999	108,405	89,059	73,887	18.1	15.0	13.3
$25,000-49,999	190,237	171,215	145,764	31.7	29.0	26.3
$50,000 and over	106,432	171,737	189,306	17.6	29.1	34.2
Total	600,740	590,283	554,048	100.0	100.0	100.0

Source: U.S. Department of Commerce, Bureau of the Census.
* A household includes all the persons who occupy a housing unit.

Number of Households by Income Range in United States

Income	Number of Households (000's)			Percentage of Households		
	1990	2000	2006 (est)	1990	2000	2006 (est)
Under $ 9,999	14,214	10,067	8,898	15.5	9.5	8.0
$10,000-14,999	8,133	6,657	6,639	8.8	6.3	5.9
$15,000-24,999	16,124	13,536	12,721	17.5	12.8	11.3
$25,000-49,999	31,003	30,965	28,959	33.7	29.3	26.0
$50,000 and over	22,519	44,312	54,398	24.5	42.1	48.8
Total	91,994	105,537	111,615	100.0%	100.0%	100.0%

Source: U.S. Department of Commerce, Economics and Statistics Administration, 2000 Census of Population. Figures may not add due to rounding.

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Retail Sales

The following table reflects taxable sales for Philadelphia from fiscal years 1997 to 2007.

Table A-22
Philadelphia
Taxable Retail Sales 1997-2007
($000's)

Fiscal Year	Taxable Sales
1997	9,637,833
1998	8,276,083
1999	9,604,970
2000	10,432,800
2001	11,107,100
2002	10,980,914
2003	10,933,524
2004	11,172,231
2005	12,001,439
2006	12,839,137
2007	13,643,582

Source: Figures determined by dividing the Philadelphia local sales tax reported by the Pennsylvania Department of Revenue by the local sales tax rate of 0.01.

Transportation

The residents of the City and surrounding counties are served by a commuter transportation system operated by SEPTA. This system includes two subway lines, a network of buses and trolleys, and a commuter rail network joining Center City and other areas of the City to the airport and to the surrounding counties. A high speed train line runs from southern New Jersey to Center City and is operated by the Delaware River Port Authority. An important addition to the area's transportation system was the opening of the airport high speed line between Center City and the Philadelphia International Airport in 1985. The line places the airport less than 25 minutes from the Center City business district and connects directly with the commuter rail network and the Convention Center, which opened in June 1993. The opening of the commuter rail tunnel in 1984 provided a unified City transportation system linking the commuter rail system, the SEPTA bus, trolley, and subway lines, the high speed line to New Jersey, and the airport high speed line.

Amtrak, SEPTA, Norfolk Southern, CSX Transportation, Conrail and the Canadian Pacific provide inter-city commuter and freight rail services connecting Philadelphia to the other major cities and markets in the United States. More than 100 truck lines serve the Philadelphia area.

The City now has one of the most accessible downtown areas in the nation with respect to highway transportation by virtue of I 95; the Vine Street Expressway (I 676), running east-to-west through the Central Business District between I 76 and I 95; and the "Blue Route" (I 476) in suburban Delaware and Montgomery Counties which connects the Pennsylvania Turnpike and I 95 and thereby feeds into the Schuylkill Expressway (I 76) and thus into Center City Philadelphia.

The Philadelphia International Airport (PHL) and Northeast Philadelphia Airport (PNE) comprise the Philadelphia Airport System (the "Airport System"). The Airport System is owned by the City of Philadelphia and is operated by the Department of Commerce's Division of Aviation. PHL is located 7.2 miles southwest of Center City; and PNE, a smaller reliever airport, is located 10 miles northeast of

Center City. PHL is accessible from major highways within the City and from surrounding communities and SEPTA's Airport rail line. PHL provides its passengers with service on 11 domestic carriers, two of which also provide international service, and 13 regional carriers, while five foreign flag carriers also provide international service. In addition, there are four all-cargo carriers. PHL serves as a key connecting hub for US Airways.

Water and Wastewater Systems

The water and wastewater systems of Philadelphia are owned by the City and operated by the City's Water Department. The water system provides water to the City (130 square mile service area), to Aqua Pennsylvania, Inc., formerly Philadelphia Suburban Water Company, and to the Bucks County Water and Sewer Authority. The City obtains approximately 58 percent of its water from the Delaware River and the balance from the Schuylkill River. The water system serves approximately 47,000 accounts through 3,000 miles of mains, three water treatment plants, 15 pumping stations and provides fire protection through more than 25,000 fire hydrants.

The wastewater system services a total of 360 square miles of which 130 square miles are within the City and 230 square miles are in suburban areas. The total number of accounts is approximately 470,000. The wastewater and stormwater systems contain three water pollution control plants, a biosolids processing facility, 16 pumping stations, and approximately 3, 500 miles of sewers. Based on its current NPDES discharge permit, the City is required to achieve effluent limitations that are considered more stringent than those required to achieve secondary treatment levels as defined in the Federal Water Pollution Control Act, as amended.

Municipal Solid Waste Disposal

The City is responsible for collecting solid waste, including recycling, from residential households and some commercial establishments. On average, approximately 3,000 tons of solid waste per day is collected by the City. Municipal solid waste is disposed of through a combination of recycling processing facilities, private and City transfer stations within the City limits, and at various landfills operated outside the City limits. The City significantly reduced its waste disposal costs over the last decade. The current disposal contract, which began July 1, 2005, continues this trend. With three one-year City options, the contract can be extended through Fiscal Year 2012. Disposal rates escalate at a relatively low rate of approximately three percent per year over the contract term, and multiple vendors maximize operational flexibility and efficiencies.

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Housing

While the City's housing market has remained relatively stable, recently home values have gone up, as shown on the table below:

Table A-23
Characteristics of Housing Units

	1990	2000	2006 (est)
Total Housing Units			
Philadelphia County	674,899	661,958	660,389
Pennsylvania	4,938,140	5,249,750	5,453,647
Percent Owner-Occupied			
Philadelphia County	62.0%	59.3%	58.2%
Pennsylvania	70.6%	71.3%	71.7%
Median Value of Owner-Occupied Housing			
Philadelphia County	$49,400	$59,700	$115,500
Pennsylvania	$69,700	$97,000	$145,200
Number/Average Persons per Housing Unit			
Philadelphia County	2.56	2.65	2.69
Pennsylvania	2.72	2.62	2.62

Source: U.S. Department of Commerce, Bureau of the Census.

Promoting Economic Development

Mission

The goal of the City's economic development strategy is to create, maintain, and develop: (1) jobs by fostering an improved business environment; (2) increases in population; and (3) enhanced quality of life within the City of Philadelphia—all in order to grow the City's tax base.

Background

In response to the national recession, in 2009 the City is poised to launch several reforms aimed at enhancing its competitive position. By reorienting economic development services to provide transparency and better address customer service needs, Philadelphia will strive to become the business location of choice. This new business climate, coupled with recent cultural additions, neighborhood reinvestment and a renewed sense of civic pride, is designed to enhance Philadelphia's position as a world-class city.

Philadelphia's Competitive Advantages

Philadelphia's competitive advantages as a business location are based on size, strategic location, relative affordability, cultural and recreational amenities, and its growing strength in key knowledge industries. The City of Philadelphia, the fifth-largest city in the nation with the third largest downtown population, is at the center of the sixth largest metropolitan region. Our region includes the fourth largest retail sales market in the nation, as well as a diverse network of business suppliers and complementary industries.

Accessibility

Philadelphia is in a key position to access regional and international markets, due to the transportation infrastructure centered here, including Philadelphia International Airport, AMTRAK's Northeast Corridor service, major interstate highway access, regional SEPTA service and the port. The capacity of Philadelphia's transportation infrastructure is demonstrated by its median commuting time, which is 19 percent lower than the national metropolitan average. Recent analysis has shown that employees also benefit: Commuters to suburban firms, nearly all of whom drive to work, spend over $6,200 per year in vehicle expenses. By contrast, 70 percent of downtown office workers use public transit to get to work, and the annual cost of a SEPTA regional rail pass is just $2,172. In addition, 37 percent of downtown residents walk to work, the highest percentage of any major American city.

Culture

As a major urban center with a rich historical legacy, Philadelphia is increasingly gaining national recognition for its cultural and recreational advantages, which include the many tourism assets concentrated within city limits. Independence National Historical Park, the Philadelphia Art Museum, and the Franklin Institute, as well as recent developments, such as the construction of the stunning Kimmel Center for the Performing Arts and the National Constitution Center, are increasingly drawing national attention. The development of new first-class sports facilities, as well as continued access and development along the City's Delaware and Schuylkill River waterfronts, adds to this array.

Affordability

Philadelphia remains affordable when compared to its peers, as noted in the chart below.

Cost of Living 2008 (Third Quarter)

Index	Philadelphia, PA	Washington-Arlington – Arlington, DC-VA	Boston, MA	New York (Manhattan), NY	National Average
Composite (100%)	124.1	137.7	133.7	220.3	100.0

Source: Council for Community and Economic Research ACCRA Cost of Living Index

The Council for Community and Economic Research determines "Cost of Living" by weighing various living expenses including: cost of groceries, housing, utilities, transportation and health. The national average cost for each index area is set at "100", and the indices for each place are then calculated based upon their relation to that average. With lower composite indices indicating lower cost of living, Philadelphia's composite index of 124.1 is an indication of how our region matches up to other east coast peer metropolitan regions.

Educational Attainment

Philadelphia captures a significant portion of the region's educational employment and enrollment because of its major colleges and universities. The City houses 40 percent of all students during their studies, and the Philadelphia region retains a strong share of its graduates (55 percent) and an even greater share of graduates who are originally from the region (82 percent). The region retains 26 percent of non-native graduates, based on a survey of the class of 2005. On average, the region's workforce over age 25 is better educated (with four-year college degrees) than those in other metropolitan areas across the U.S. (32 percent, compared to 27 percent). At the same time, the City has one of the lowest educational attainment rates in the nation, with only 20.7 percent of its 25-years-or-older population possessing a bachelor's degree or higher in 2006.

Real Estate Market

Despite challenges in the national economy, Philadelphia's central business district (CBD), encompassing 41.9 million rentable square feet, shows stable office market conditions. In January 2008 Grubb & Ellis ranked Philadelphia 6th in both office and retail for top markets to invest in this year, the city's first-ever appearance on the list. The Center City office market has seen positive results in recent years, with 1 million square feet of net absorption in 2006, 992,000 square feet in 2007 and approximately 876,000 square feet of positive net absorption in 2008. This third year in a row of positive absorption since 2005 has left the Center City direct vacancy rate at approximately 8.8 percent through the fourth quarter of 2008, down from vacancy rates of 9.01 percent for 2007 and 10.4 percent in 2006. The CBD's overall vacancy rate is 10.0%, compared to the national average of 10.6 percent. As building owners make substantial capital investments and 'trophy' locations are in demand, Class A asking rental rates in the CBD have risen from $25.85 in 2006 to $27.43 per square foot in 2008. A concerted attraction and retention campaign involving the combined efforts of the City, the Philadelphia Industrial Development Corporation (PIDC), the Center City District, the Greater Philadelphia Chamber of Commerce, and the Commonwealth has sustained these market conditions.

Amidst the national slowdown in real estate, Philadelphia's single-family property market remains consistent but is showing some signs of strain due to threats of increased foreclosures and a stagnant buyers market. However, the rental real estate market continues to be positioned favorably. Unburdened by a glut of speculative multifamily projects outstripping tenant demand, Philadelphia has maintained a low apartment vacancy rate and has fared well when compared to other regions. In addition, according to a January, 2008 assessment of U.S. property markets by Moody's Investor Service, in 2007 Philadelphia's multifamily sector improved the most of the 60 monitored metro areas.

Major Industry Sectors

When compared to the average sector concentration in Pennsylvania counties, Philadelphia has a higher concentration of employment in six sectors, as noted in the chart below.

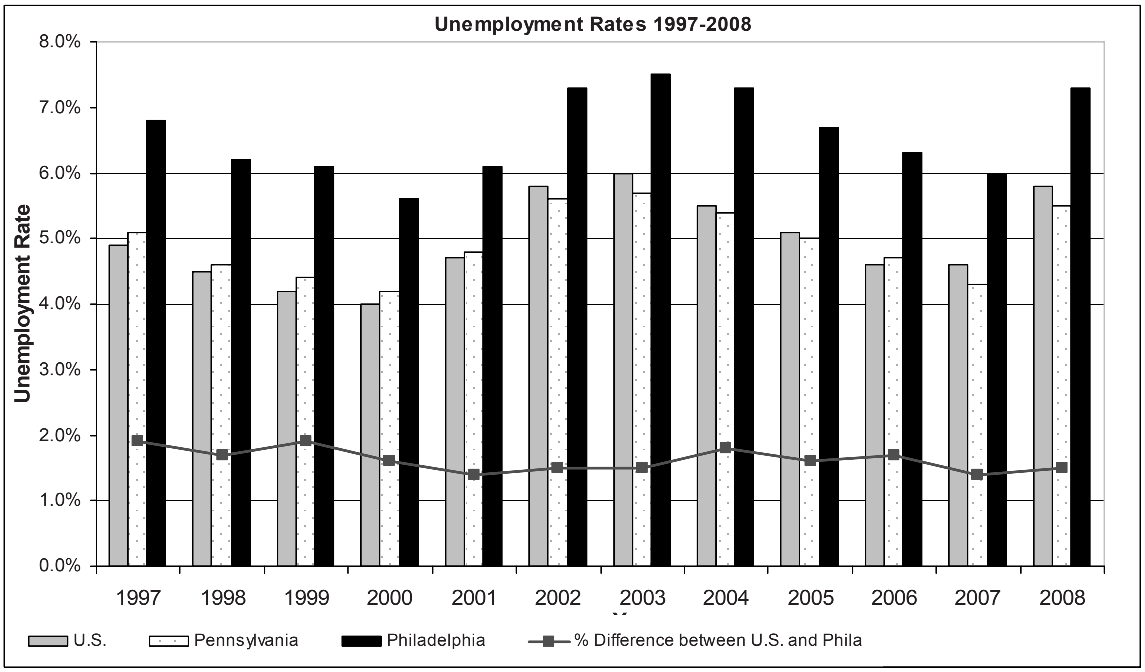
Philadelphia Industry Concentrations Compared to Pennsylvania

Industry	Pennsylvania	Philadelphia County
Education and Health Services	1.34	2.27
Financial Activities	0.97	1.22
Other Services	0.98	1.06
Professional and Business Services	0.91	0.99
Leisure and Hospitality	0.87	0.94
Information	0.82	0.90
Trade, Transportation, and Utilities	0.99	0.69
Manufacturing	1.10	0.44
Construction	0.80	0.33
Unclassified	0.01	0.02
Natural Resources and Mining	0.55	0.00

Source BLS: 2007 Location Quotient, 2006 Quarterly Census of Employment and Wages Data. Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

Philadelphia has maintained an above-average concentration of employment in Education and Health Services, Financial Activities, Other Services, Professional Business Services, Leisure and Hospitality as well as Information Services. The employment base has undergone a gradual shift over the last decade, most notably marked by growth in leisure/hospitality and education/health services sector employment.

Despite a continued rise in unemployment over the past year, the overall gap between local and national unemployment has shrunk considerably due to deteriorating market conditions brought on by the nation's financial crisis.



Source: Bureau of Labor Statistics, 2008 (2008 data based on preliminary 12 month averages (Jan. – Dec.)

As indicated in the chart below, until this year's economic downturn the City has consistently had an unemployment rate between 1.4 to 1.9 percent higher than the national average.

Year	U.S.	Pennsylvania	Philadelphia	% Difference between U.S. and Phila
1997	4.9%	5.1%	6.8%	1.9%
1998	4.5%	4.6%	6.2%	1.7%
1999	4.2%	4.4%	6.1%	1.9%
2000	4.0%	4.2%	5.6%	1.6%
2001	4.7%	4.8%	6.1%	1.4%
2002	5.8%	5.6%	7.3%	1.5%
2003	6.0%	5.7%	7.5%	1.5%
2004	5.5%	5.4%	7.3%	1.8%
2005	5.1%	5.0%	6.7%	1.6%
2006	4.6%	4.7%	6.3%	1.7%
2007	4.6%	4.4%	6.0%	1.4%
2008*	5.8%	5.5%	7.3%	1.5%

Source: Bureau of Labor Statistics (BLS).2008.
**2008 Preliminary estimate based on 12 month average (Jan. – Dec.)*

The jobs report is mixed. As shown in the chart below, the local economy has reflected a trend toward growth in particular sectors. Overall job growth in the City has decreased slightly in 2008 and continues to be sluggish.

Cluster Employment Data: City of Philadelphia
2003-2008 (in thousands)

Sector	2003	2004	2005	2006	2007	2008*	% Change from 2003-2008	Avg Annual % Change
Construction & Mining	12.3	11.4	12	12.6	11.8	11.9	-3.3%	-0.6%
Manufacturing	34	32.6	31.2	30	28.3	27.3	-19.7%	-3.3%
Trade, Transportation, & Utilities	95.8	90.9	90	88.6	88.0	87.2	-9.0%	-1.5%
Information	15.9	13.6	13.2	12.7	12.9	13.1	-17.6%	-2.9%
Financial Activities	50.7	49	48.2	47.6	47.1	46.5	-8.3%	-1.4%
Professional & Business Services	80.9	80.3	82.4	84.1	85.3	85.5	5.7%	1.0%
Education & Health Services	185.3	184.1	186.8	192	196.4	199.4	7.6%	1.3%
Leisure & Hospitality	52.9	54.6	56.6	57.6	58.4	58.0	9.6%	1.6%
Other Services	29	28.5	28.5	28.2	28.2	28.3	-2.4%	-0.4%
Government	114.7	113	111.4	108.4	105.9	104.2	-9.2%	-1.5%
Total	671.5	658	660.3	661.8	662.4	661.4	-1.5%	-0.3%

Source: Bureau of Labor Statistics.
Note: All years have been restated based on current BLS data, retrieved 2.18.2008 from data.bls.gov.
* 2008 Preliminary estimates based on 12 month average (Jan. – Dec.)

From 2003 to 2008, employment in Philadelphia's Education and Health Services sector increased by 7.6 percent. In addition, the Leisure and Hospitality sector captured growth of 9.6 percent, and a 5.7 percent growth rate occurred in Professional & Businesses Services. As the country rebounds from recessionary conditions, the City anticipates continued growth in these three sectors, all of which will continue to play a large role in Philadelphia's future.

One sector of the economy that shows great promise is the "knowledge industry," also referred to as the "knowledge economy." In the knowledge industry, which relies on the supply of new college graduates, companies apply emerging technologies to deliver high-quality, knowledge-based services. The knowledge industry includes sectors as diverse as financial services, engineering, health care, insurance, law, life sciences, printing, publishing, and academia. A January 2002 report by the Philadelphia Federal Reserve Bank found that Philadelphia ranked first among a comparison group of 14 major metropolitan areas in its concentration of Education sector employment, and third in life, physical, social sciences, and healthcare professionals. These advantages equip Philadelphia to continue to build its knowledge industries. The Education sector not only provides stable support to the local economy, but also generates a steady supply of potential knowledge workers.

While Philadelphia has a strong core of knowledge-based industries, the City must capitalize on these advantages to ensure future growth and dynamism. Within the knowledge economy is another sector of great importance to Philadelphia and the region, the life sciences, which includes health care, research, biotechnology, and pharmaceuticals. Philadelphia is capitalizing on the region's opportunity to become an incubator for research generated by life sciences and educational institutions. Several sites now foster incubator opportunities, including the Philadelphia Navy Yard, the Science Center in West Philadelphia, and the west bank of the Schuylkill River bordered by the University of Pennsylvania, Children's Hospital of Pennsylvania and Drexel University.

Philadelphia's economy enjoys a large market share of for-profit creative industry companies which are technology-driven, known as businesses representing the "creative economy." A subset of the knowledge industry, the sector includes architecture, communications, design and merchandising, digital media, engineering, fashion design, graphic arts, information technology, interior and industrial design, marketing, music, film and video production, multimedia design, photography, planning product design and software development. Philadelphia supports several initiatives with the goal of increasing employment in this sector and fostering population growth in the City as a result.

Philadelphia International Airport

Philadelphia International Airport served 31.8 million passengers, including 4.0 million international travelers, in calendar year 2008. In 2007, PHL ranked seventeenth in the nation in terms of total passengers and is presently the tenth busiest in the world for aircraft operations, according to data reported by Airports Council International North America. The regional economic impact of the Airport is $14 billion annually PHL opened a new commuter terminal in 2001, a new international terminal in May 2003, and recently completed the extension of Runway 17-35 to increase airfield capacity.

In 2005, the Airport issued three series of Airport Revenue Bonds which included $125 million in fixed-rate Series 2005A bonds, $41 million in variable-rate Series 2005B bonds and $189.5 million in variable-rate Series 2005C bonds. Proceeds of the 2005A and B bonds have enabled the Airport to undertake critical infrastructure projects, such as expansion of Terminals D and E, improvements to Terminal A East, expansion of security checkpoints at Terminals B and C, and resurfacing of Runway 9R-27L. Proceeds of the 2005C bonds were used to refund the Airport's Series 1995A revenue bonds.

In August of 2007, the City issued the 2007A Bonds and the 2007B Bonds. Proceeds from the 2007A Bonds provide funding for several new capital projects including international terminal gate expansion, design work for the expansion of Terminal F, design of a new in-line baggage system for Terminal B/C, and an infrastructure improvement program. The 2007B Bonds refunded the Series 1997B Airport Revenue Bonds.

Philadelphia Industrial Development Corporation

Philadelphia Industrial Development Corporation (PIDC) is a private, not-for-profit Pennsylvania corporation, founded in 1958 by the City of Philadelphia and the Greater Philadelphia Chamber of Commerce to promote economic development throughout the City. The many programs provided by PIDC include (i) direct mortgage funding in a subordinate position at reduced interest rates for fixed asset improvement to companies who intend to build or expand in Philadelphia; (ii) tax-exempt bond financing to eligible borrowers through the Philadelphia Authority for Industrial Development (PAID); (iii) offering of fully improved parcels of land for sale in more than a dozen designated industrial parks and districts across the City; and (iv) offering of development assistance and project management to a range of Philadelphia's development and non-profit corporations.

Financing Programs

PIDC offers a variety of Financing Programs to assist economic development for all segments of the Philadelphia market. Primary categories include:

PIDC Loan Programs: Largely funded by federal, state, and local government sources, PIDC loan programs generally offer subordinated financing and below-market rates which encourage investment in Philadelphia. Specific terms and uses vary and may cover infrastructure costs, land acquisition, building construction, machinery/equipment purchase, or working capital. During 2008, PIDC settled 37 loan transactions and provided approximately $55 million of funding to projects valued at $237 million.

PAID Bond Program: PIDC also manages the Philadelphia Authority for Industrial Development (PAID). PAID issues, as a conduit, tax-exempt bonds for qualified manufacturing and not-for-profit and other projects. PAID is also a conduit for taxable issues. During calendar year 2008, PAID settled 25 bond issues for $389.8 million in financing and total project costs of $419.3 million.

Real Estate Services

On behalf of the City of Philadelphia, PIDC is responsible for acquiring, improving and selling industrial and commercial land in strategic locations throughout the City. Over the years, PIDC has successfully leveraged economic development on more than 2,000 acres of such land.

- Industrial Land: PIDC parcels are competitively priced, zoned for immediate development, environmentally clean, and fully improved with roads and utilities. Many of these sites are located in established Northeast, West, and Southwest Philadelphia industrial park settings with excellent access to transportation and workforce. Others are situated in redeveloping commercial neighborhood corridors.

- Most of PIDC's properties are in designated incentive areas, which include specific entitlements to tax abatements, low interest loans and other benefits. Of particular note are the Keystone Opportunity Zones (KOZs), which abate business taxes for varying terms.

- Public Property Sales: In 2005, PIDC entered into an agreement with the City's Department of Public Property to market the City's surplus real estate throughout Philadelphia. During 2008, PIDC completed 8 different transactions with a combined sale price of $5.996 million. Since this effort began, PIDC has completed the sale of 27 properties resulting in approximately $14 million for the City's General Fund.

- Developer Selection: When demand is present, PIDC also manages developer selection and sales of key real estate assets utilizing conventional RFQ/RFP methodology. Currently, PIDC is developing a handful of RFQ/RFP documents for sites that are likely to be in demand when the real estate market rebounds.

- In summary, PIDC closed 12 land sales, totaling 44.3 acres in 2008. This level of activity is consistent with 2008 and represents the impacts of the overall slowdown in the national and regional economy. In Fiscal Year 2009, PIDC working along with the City of Philadelphia's Commerce Department and the City Planning Commission will complete a study of Philadelphia's industrial land inventory, characteristics, and projected demand to develop a new industrial land policy to serve as a guide for the nature, location and scale of industrial land acquisition and development for the foreseeable future.

The Navy Yard

During the past decade, the United States Department of Defense has downsized significantly in the Philadelphia area, resulting in substantial excess real estate in the city. PIDC is responsible for converting these former military properties to civilian use, and many of the dispositions realized during 2003-2006 included development sites from this portfolio.

Located on the Delaware River at the south end of Broad Street, The Navy Yard is the largest former Defense Department asset, with 1,000 acres and 6.5 million square feet of existing industrial and office space. Since the ownership transfer in March 2000, PIDC has been responsible for planning, operations and development of this massive property.

Initial emphasis was on upgrading roads and utilities systems with over $25 million of infrastructure investment. Development of the Aker Philadelphia Shipyard, a $300 million state-of-the-art facility, was funded by federal, state, and local sources. Successful leasing and development efforts have resulted in more than 80 companies and three Navy operations occupying more than 4.5 million square feet of space and employing more than 7,000 people. In September 2004, PIDC and the City released an updated Navy Yard Master Plan, which focuses on mixed use development on 400 acres east of Broad Street and envisions over $2 billion of private investment in office, research, retail, residential, and recreational projects. To date, major progress was achieved in implementation of the Master Plan:

- Industrial Anchors: The Navy Yard continues to be a vital industrial and manufacturing center, with the Aker Philadelphia Shipyard as a major anchor activity. Aker employs 1,300 in its commercial shipbuilding operation and is in the midst of $2 billion worth of ship orders. This robust activity also supports a number of supplier and related industrial and manufacturing companies located at The Navy Yard. The US Navy also retains significant industrial facilities to support its foundry and propeller shop with nearly 800 employees. Building on the skilled workforce and range of industrial supplier companies located at The Navy Yard, an affiliate of Boston Ship repair leased a dry-dock, pier and related facilities in 2007 and will commence commercial and military ship repair functions in 2008. Also in 2007, Tasty Baking Company announced plans for, and began construction on, a new 350,000 SF bakery and distribution center at The Navy Yard. This facility will be operational in 2009. This facility, along with an additional 200,000 SF of speculative flex and industrial space, is being developed in the Navy Yard Commerce Center by Liberty Property Trust and Synterra Partners.

- Navy Yard Corporate Center: In 2003, PIDC selected a team led by Liberty Property Trust and Synterra Partners to develop 72 acres with 1.4 million square feet of Class A office space. Liberty/Synterra has developed three buildings, (i) a 77,000-square-foot, multi-tenant speculative building which is now 100 percent leased, (ii) a 47,000 square foot build-to-suit headquarters for Unique Industries and (iii) a 95,000 square foot office building currently under construction. The third building will be a multi-tenant building to include Tasty Baking Company's corporate headquarters as the anchor tenant and will open in 2009 with more than 70% of the space now leased..

- Additional Corporate Office Activity: The Navy Yard's shift from a federal, industrial property to a private sector business park with corporate/research future has defined itself in recent years with a combination of headquarters relocations by Vitetta Architects and Engineers, Unique Industries, and Barthco International. In 2006, Urban Outfitters, a major retailer of clothing, furnishings and accessories completed its $115 million corporate campus, an award-winning historic conversion of approximately 300,000 SF of former industrial facilities now housing more than 900 employees.

- Research and Development: In addition to the development of general corporate office facilities, The Navy Yard has established an important market segment in technology and R&D activity. This activity is anchored by the Naval Ship Systems Engineering Station, an

1,800 person federal research lab that houses the Navy's premier research organization focusing on power, energy, fuel cells, propulsion, IT and systems integration. In order to complement and expand this research base, the Commonwealth designated the Navy Yard as a Keystone Innovation Zone (KIZ), providing access to variety of state incentives for technology development. The KIZ team led by PIDC includes the U.S. Navy, Penn State University, the Delaware Valley Industrial Resource Center (DVIRC), the City of Philadelphia and the Ben Franklin Technology Partners of Southeastern Pennsylvania. Early initiatives of the KIZ have resulted in Penn State establishing a Navy Yard location for its graduate level engineering program; the relocation of Ben Franklin Technology Partners' Corporate Office to The Navy Yard; the development of the Building 100 Innovation Center by Ben Franklin, DVIRC and PIDC to house early stage technology companies focused on power and energy related research; and a cadre of 12 KIZ related companies with offices at The Navy Yard. PIDC and Penn State have also prepared initial plans for a $70 million, 120,000 SF Energy Engineering and Technology Innovation Center that will provide Penn State with a major research presence at The Navy Yard.

The Navy Yard also supports a significant and growing life sciences community. In 2004, AppTec Laboratory Services, a Minneapolis based provider of contract testing and manufacturing services to the pharmaceutical sector, developed a new, 75,000 SF office and lab facility at The Navy Yard. Established with approximately 40 employees initially, AppTec now has more than 260 employees at The Navy Yard. In 2008, WuXi Pharmaceuticals acquired AppTec and now houses its North American contract testing operation at The Navy Yard. Phoenix IP Ventures, an intellectual property Merchant Bank focused in the life sciences area, established its corporate headquarters at The Navy Yard, where it also houses operations for its growing base of companies.

Additional Projects under Construction

The following table lists additional projects currently under construction in the City for the City/Public sector.

Table A-25

Projects under Construction

Project	Estimated Cost
City Hall Exterior Renovation Project	$90,000,000
Presidents House	$8,400,000
Robin Hood Dell Restoration	$5,500,000
Emergency Standby Generators	$4,600,000
Herron & Gambrel Playground Improvements	$2,600,000
Philadelphia Industrial Correctional Center Security Upgrade Project	$ 2,100,000
Fire Point Source Capture	$ 11,000,000
Waterworks Dredging Enhancement	$1,000,000

Source: Office of Budget and Program Evaluation, January 2009

APPENDIX VI

FORM OF APPROVING OPINION OF BOND COUNSEL

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[FORM OF EACH CO-BOND COUNSEL OPINION]

___________, 2009

CITY OF PHILADELPHIA, PENNSYLVANIA
$45,715,000 AIRPORT REVENUE REFUNDING BONDS, SERIES 2009A (Non-AMT)

To the Purchasers of the Within-Described Bonds:

We have acted as Co-Bond Counsel in connection with the authorization, issuance and sale by the City of Philadelphia, Pennsylvania (the "City") of its $45,715,000 Airport Revenue Refunding Bonds, Series 2009A (the "Bonds"). The Bonds are being issued under and pursuant to the First Class City Revenue Bond Act of the Commonwealth of Pennsylvania, Act No. 234 of October 18, 1972, P.L. 955, as amended (the "Act"), and the Amended and Restated General Airport Revenue Bond Ordinance approved June 16, 1995, as supplemented and amended (the "Existing Ordinance"), including by the Ninth Supplemental Ordinance approved on July 2, 2008 (the "Ninth Supplemental Ordinance," together with the Existing Ordinance, the "Ordinance"). The proceeds of the Bonds, together with other available monies, are being issued to (i) currently refund the City's outstanding Airport Revenue Bonds, Series 2005B (ii) fund the Parity Sinking Fund Reserve Account for the Bonds, and (iii) pay the costs of issuance of the Bonds. Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Ordinance.

The Bonds are issued in fully registered form and are dated, are in such denominations, bear interest, mature and are subject to redemption prior to maturity as set forth in the form of the respective series of Bonds. The Bonds are payable as to principal or redemption price at the principal Philadelphia corporate trust office of U.S. Bank National Association (successor fiscal agent to Wachovia Bank, National Association) (the "Fiscal Agent").

The Bonds, together with outstanding issues of Airport Revenue Bonds, Series 1997A, Series 1998A, Series 1998B, Series 2001A, Series 2001B, Series 2005A, Series 2005C, Series 2007A and Series 2007B and all other airport revenue bonds hereafter issued for the purposes and upon the terms and conditions prescribed in the Ordinance are equally and ratably secured to the extent provided in the Ordinance, as the case may be, and the Act.

As Co-Bond Counsel for the City, we have examined the Act and such Constitutional provisions, statutes and regulations of the Commonwealth of Pennsylvania and such other records and documents of the City as we deemed necessary for the purposes of this opinion. We have also examined the proceedings authorizing the issuance and sale of the Bonds, including the Existing Ordinance and the Ninth Supplemental Ordinance; the transcript of proceedings filed by the City with the Court of Common Pleas of Philadelphia, together with evidence of the filing thereof, and certain statements, certifications, opinions, agreements, reports, affidavits, receipts and other documents which we have considered relevant, including, without limitation, an opinion of the City

Solicitor of the City and a certification of officials of the City having responsibility for issuing the Bonds given pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder. We have also examined a fully executed and authenticated Bond and have assumed that all other Bonds have been similarly executed and authenticated.

In rendering the opinion set forth below, we have relied upon the genuineness, accuracy and completeness of all documents, records, certifications and other instruments we have examined, including, without limitation, the authenticity of all signatures appearing thereon.

On the basis of the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the Commonwealth of Pennsylvania, including the Act, the Existing Ordinance and the Ninth Supplemental Ordinance, the City is authorized to issue the Bonds, and the terms thereof comply with the requirements of the Act, the Existing Ordinance and the Ninth Supplemental Ordinance.

2. The Existing Ordinance and the Ninth Supplemental Ordinance have been duly enacted and constitute legal, valid and binding obligations of the City with respect to the Bonds and are enforceable against the City in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws, or by legal or equitable principles affecting creditors' rights generally.

3. The Bonds have been duly authorized and issued and are valid and binding obligations of the City, are enforceable against the City in accordance with their terms and are limited obligations of the City, payable solely out of the pledged project revenues and certain other funds and monies that have been pledged as provided in the Ordinance for the timely payment of the principal thereof, at their respective maturities or redemption dates, and the interest thereon when due.

4. The Bonds do not pledge the credit or taxing power, nor create any debt or charge against the tax or general revenues of the City, nor do they create any lien against any property of the City other than the revenues, monies and funds pledged in the Ordinance.

5. The issuance of the Bonds does not cause the debt of the City to exceed Constitutional debt limitations.

6. Interest on the Bonds (including accrued original issue discount) is not includable in gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions, except as to interest on any Bond during any period such Bond is held by a person who is a "substantial user" of the facilities financed or refinanced with the Bond proceeds, or a "related person," as those terms are used in Section 147(a) of the Code. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be

includable in gross income retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements.

Interest on the Bonds is not subject to the alternative minimum tax imposed on individuals and corporations.

We express no opinion regarding other federal tax consequences relating to the Bonds or the receipt of interest thereon.

7. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Bonds, and the interest thereon are free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

We express no opinion with respect to, and assume no responsibility for, the accuracy or completeness of the Preliminary Official Statement or the Official Statement prepared in respect of the offering of the Bonds, and make no representation that we have independently verified the contents thereof.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in law which may hereafter occur.

Finally, we call to your attention that the rights of the holders of the Bonds and the enforceability thereof and of the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws or equitable principles affecting creditors' rights generally.

Very truly yours,

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APPENDIX VII

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

CITY OF PHILADELPHIA, PENNSYLVANIA
AIRPORT REVENUE REFUNDING BONDS, SERIES 2009A

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered as of this 14th day of April, 2009 by and between the City of Philadelphia, a corporation and body politic existing under the laws of the Commonwealth of Pennsylvania (the "City") and Digital Assurance Certification, L.L.C., as dissemination agent (the "Dissemination Agent"), in connection with the issuance by the City of $45,715,000 Aggregate Principal Amount, Airport Revenue Refunding Bonds, Series 2009A (the "Bonds").

The Bonds are being issued and secured under the provisions of The First Class City Revenue Bond Act, P.L. 955, Act No. 234 of the General Assembly of the Commonwealth of Pennsylvania approved October 18, 1972 (the "Act"); the Amended and Restated General Airport Revenue Bond Ordinance, approved June 16, 1995 (Bill No. 950282), as amended and supplemented (the "General Ordinance") and the Ninth Supplemental Ordinance to the General Ordinance approved July 2, 2008 (Bill No. 080525) (the "Ninth Supplemental Ordinance"). The General Ordinance, as amended and supplemented, including as supplemented by the Ninth Supplemental Ordinance, is herein referred to as the "Ordinance." Certain matters concerning the Bonds have been determined pursuant to the Ordinance by the Bond Committee of the City, consisting of the Mayor, the City Controller and the City Solicitor ("Bond Committee"), in an authorization for the Bonds dated April 2, 2009 ("Bond Authorization").

In consideration of the mutual covenants, promises and agreements contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. <u>Definitions.</u>

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly requires otherwise) terms defined in the recitals hereto shall have such meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below:

"Airport System" means the Philadelphia International Airport and the Northeast Philadelphia Airport, both of which are currently owned by the City and operated by the Division of Aviation of the City's Department of Commerce.

"Annual Financial Information" means the financial information and operating data with respect to the Airport System, delivered at least annually pursuant to Section 3 hereof, substantially similar to the type set forth in certain sections of the Official Statement as listed in Section 3(a)(2) hereof and in Appendix I to the Official Statement. The financial statements comprising the Annual Financial Information are prepared according to accounting methods and procedures which conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board.

"Bond Insurer" means Assured Guaranty Corp.

"Business Day" or "Business Days" means any day other than a Saturday or Sunday or, in the City, a legal holiday or a day on which banking institutions are authorized by law to close or a day on which the Dissemination Agent is closed.

"Disclosure Representative" means the Director of Finance of the City or such other official or employee of the City as the Director of Finance shall designate in writing to the Dissemination Agent.

"EMMA" means the Electronic Municipal Market Access system.

"Fiscal Agent" means U.S. Bank National Association, as fiscal agent under the Fiscal Agent Agreement.

"Material Event" means any of the events listed in Section 4(a) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" means any nationally recognized municipal securities information repository now or hereafter designated as such by the Securities and Exchange Commission for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at *www.sec.gov/info/municipal/nrmsir.htm*. Pursuant to an amendment to the Rule, beginning on July 1, 2009, EMMA will be the sole National Repository.

"Obligated Person" means the City and any airline or other entity using the Airport System pursuant to an agreement (for more than one year from the date in question) that includes debt service on the Bonds as part of the calculation of rates and charges, under which agreement such airline or other entity has paid amounts equal to at least 20% of the Project Revenues (as defined in the Ordinance) of the Airport System for each of the two prior Fiscal Years of the Airport System.

"Official Statement" means the City's Official Statement dated April 2, 2009 relating to the Bonds.

"Participating Underwriters" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the purchase and reoffering of the Bonds.

"Registered Owner" or "Registered Owners" means the person or persons in whose name a Bond is registered on the books of the City maintained by the Fiscal Agent in accordance with the General Ordinance. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term "Registered Owners" shall also mean and include, for the purposes of this Disclosure Agreement, beneficial owners and the owners of book-entry credits evidencing a beneficial ownership interest in the Bonds; provided, however, that the Dissemination Agent shall have no obligation to provide notice hereunder to owners of book-entry credits in the Bonds, except those who have filed their names and addresses with the Dissemination Agent for the purpose of receiving notices or giving direction under this Disclosure Agreement.

"Rule" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such rule may be amended from time to time.

"Securities Depository" means The Depository Trust Company, New York, New York, or its nominee, Cede & Co., or any successor thereto appointed pursuant to the Ordinance.

"State Information Depository" means any public or private repository designated by the Commonwealth of Pennsylvania as a state information depository within the meaning of the Rule. As of the date of this Disclosure Agreement, there is no State Information Depository.

All words and terms used in this Disclosure Agreement and defined above or elsewhere herein shall have the same meanings as set forth in the Bond Authorization, the Fiscal Agent Agreement, if defined therein, or in the Ordinance, if defined therein.

Section 2. Authorization and Purpose of Agreement. This Disclosure Agreement is authorized to be executed and delivered by the City pursuant to the Ordinance and the Bond Authorization in order to enable the Participating Underwriters to comply with the requirements of the Rule.

Section 3. Provision and Filing of Annual Financial Information.

(a) Within 240 days of the close of each fiscal year of the City, commencing with the fiscal year ending June 30, 2009, the Disclosure Representative shall file with the Dissemination Agent Annual Financial Information for such fiscal year. The Dissemination Agent shall file promptly upon receipt thereof the Annual Financial Information with each National Repository, the Bond Insurer and with the State Information Depository, if any, the Annual Financial Information. Such Annual Financial Information shall include:

(1) commencing with the fiscal year ending June 30, 2009, a copy of the Comprehensive Annual Financial Report ("CAFR"), which contains the audited combined financial statements of the City, prepared by the office of the Director of Finance of the City in conformance with guidelines adopted by the Governmental Accounting Standards board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government Units; and

(2) commencing with the fiscal year ending June 30, 2009, to the extent such information is not contained in the CAFR, an update of the information in the Official Statement contained in "THE AIRPORT SYSTEM - Table 1 History of Applications to Use PFC Revenues," "-Table 2 PFC Revenues Through 12/31/08," "-Table 3 Historical Enplaned Passengers," "-Table 4 Airline Shares of Enplaned Passengers," and "FINANCIAL FACTORS - Table 5 Summary of Historical Project Revenues and Expenses of the Airport System City of Philadelphia" and Appendix I - "Financial Statements of the Division of Aviation."

(b) The Annual Financial Information will contain unaudited financial statements if audited financial statements are not available.

(c) The City agrees to use its reasonable best efforts to cause any Obligated Person (to the extent such entity is not otherwise required under federal law to do so) to make annual financial information available as required by the Rule. The City takes no responsibility for the accuracy or completeness of such filings by any Obligated Person. The City's obligations under this paragraph are limited to and satisfied by the City's transmitting a notice to such Obligated Person that it has become an Obligated Person under this Disclosure Agreement, by enclosing a copy of this Agreement and the Rule, and by requesting that such person transmit back to the City an acknowledgement and acceptance of such person's obligations under the Rule with regard to the Bonds.

(d) The City may provide the CAFR and the Annual Financial Information with respect to the Airport System by specific cross-reference to other documents which have been submitted to the Repositories or filed with the Securities and Exchange Commission.

(e) The City reserves the right to modify from time to time the specific types of information provided and the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule. The City may, at its option, satisfy its obligations by providing an official statement for one or more series of general obligation bonds or lease revenue bonds or by specific reference, in accordance with the Rule, to one or more official statements provided previously and available from the MSRB.

(f) As soon as audited financial statements for the City are available, commencing with the audited financial statements for the fiscal year ending June 30, 2008, the Disclosure Representative shall file the audited financial statements with the Dissemination Agent. The Dissemination Agent shall file promptly upon receipt thereof the audited financial statements with each National Repository, the Bond Insurer and the State Information Depository, if any.

Section 4. <u>Material Events.</u>

(a) The City agrees that it shall provide through the Dissemination Agent, in a timely manner, to each National Repository or to the MSRB, the Bond Insurer, and the State Information Depository, if any, notice of the occurrence of any of the following events with respect to the Bonds if material within the meaning of the Rule (each a "Material Event"):

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

(5) substitution of credit or liquidity providers, if any, or their failure to perform;

(6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) modifications to the rights of the holders of the Bonds;

(8) bond calls;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds; and

(11) rating changes.

The foregoing eleven events are quoted from the Rule. No mandatory redemption shall be deemed a material event.

(b) Whenever the City concludes that a Material Event has occurred, the Disclosure Representative shall promptly notify the Dissemination Agent in writing of such occurrence, specifying the Material Event. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with each National Repository or the MSRB, the Bond Insurer, and the State Information Depository, if any. Upon receipt, the Dissemination Agent shall promptly file such notice with each National Repository or the MSRB, the Bond Insurer, and the State Information Depository, if any. In addition, the Dissemination Agent shall file with each National Repository or the MSRB, the Bond Insurer, and the State Information Depository, if any, notice of any failure by the City or the Dissemination Agent to timely file the Annual Financial Information as provided in Section 3 hereof, including any failure by the City or the Disclosure Representative to provide the Annual Financial Information on or before the date specified in Section 3(a) hereof, no later than noon of the following Business Day. Any filing with each National Repository, the MSRB, the Bond Insurer, and the State Information Depository, if any, shall be accompanied by the form annexed hereto as Exhibit A and made a part hereof.

(c) Notwithstanding the foregoing, the Dissemination Agent shall, promptly after obtaining actual knowledge of an event listed in clauses (a)(1), (3), (4), (5), (8) or (9) of this Section 4, notify the Disclosure Representative of the occurrence of such event and shall, within three Business Days after giving notice to the Disclosure Representative, file notice of such occurrence with the MSRB, the Bond Insurer, and the State Information Depository, if any, unless the Disclosure Representative gives the Dissemination Agent written instructions not to file such notice because the event has not occurred or the event is not material within the meaning of the Rule.

(d) The Dissemination Agent shall prepare an affidavit of mailing for each notice delivered pursuant to clauses (b) and (c) of this Section 4 and shall deliver such affidavit to the City no later than three Business Days following the date of delivery of such notice.

(e) The Dissemination Agent shall request the return from each National Repository, the MSRB, the Bond Insurer, and the State Information Depository, if any, of acknowledgement or receipt of any notice delivered to each National Repository, the MSRB, the Bond Insurer, and the State Information Depository, if any. Upon the return of all completed acknowledgements of a notice, the Dissemination Agent shall prepare an affidavit of receipt specifying the date and hour of receipt of such notice by each recipient to the extent such information has been provided to the Dissemination Agent. Such affidavit of receipt shall be delivered to the City no later than three Business Days following the date of receipt by the Dissemination Agent of the last completed acknowledgement.

Section 5. Amendment; Waiver.

(a) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement or waive any of the provisions hereof by a writing executed by each of the parties hereto, provided that no such amendment or waiver shall be executed by the parties hereto or be effective unless:

(i) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the Airport System, the City or the governmental operations conducted by the City;

(ii) this Disclosure Agreement, as amended by the amendment or waiver, would have been the written undertaking contemplated by the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) the amendment or waiver does not materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 5 shall be satisfied by the delivery to the Dissemination Agent of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, acceptable to both the City and the Dissemination Agent, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(i), (a)(ii), and (a)(iii) of this Section 5.

(c) Notice of any amendment or waiver containing an explanation of the reasons therefor shall be given by the Disclosure Representative to the Dissemination Agent upon execution of the amendment or waiver and the Dissemination Agent shall promptly file such notice with each National Repository, the MSRB, the Bond Insurer, and the State Information Depository, if any. The Dissemination Agent shall also send notice of the amendment or waiver to each Registered Owner, including owners of book-entry credits who have filed their names and addresses with the Dissemination Agent.

Section 6. Other Information.

(a) Nothing in this Disclosure Agreement shall preclude the City from disseminating any other information with respect to the City or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Material Events specifically provided for herein, nor shall the City be relieved of complying with any applicable law relating to the availability and inspection of public records. Any election by the City to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the City shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

(b) Nothing in this Disclosure Agreement shall relieve the Dissemination Agent of any of its duties and obligations under the Ordinance or the Bond Authorization,

(c) Except as expressly set forth in this Disclosure Agreement, the Dissemination Agent shall have no responsibility for any continuing disclosure to the Registered Owners, the MSRB, any National Repository or any State Information Depository.

Section 7. Default.

(a) In the event that the City or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Dissemination Agent or any Registered Owner of the Bonds shall have the right, by mandamus, suit, action or proceeding at law or in equity, to compel the City or the Dissemination Agent to perform each and every term, provision and covenant contained in this Disclosure Agreement. The Dissemination Agent shall be under no obligation to take any action in respect of any default hereunder unless it has received the direction in writing to do so by the Registered Owners of at least 25% of the outstanding principal amount of the Bonds and if, in the Dissemination Agent's opinion, such action may tend to involve expense or liability, unless it is also furnished with indemnity and security for expenses satisfactory to it.

(b) A default under the Disclosure Agreement shall not be or be deemed to be an Event of Default under the Bonds, the Ordinance, the Bond Authorization or the Act and the sole remedy in the event of a failure by the City or the Dissemination Agent to comply with the provisions hereof shall be the action to compel performance described in Section 7(a) above.

Section 8. Concerning the Dissemination Agent.

(a) The Dissemination Agent accepts and agrees to perform the duties imposed on it by this Disclosure Agreement, but only upon the terms and conditions set forth herein. The Dissemination Agent shall have only such duties in its capacity as are specifically set forth in this Disclosure Agreement. The Dissemination Agent may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Dissemination Agent shall not be answerable for the default or misconduct of any attorney, agent, expert or employee selected by it with reasonable care. The Dissemination Agent shall not be answerable for the exercise of any discretion or power under this Disclosure Agreement or liable to the City or any other person for actions taken hereunder, except only its own willful misconduct or negligence.

(b) The City shall pay the Dissemination Agent reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including reasonable fees and expenses of its counsel or other experts, as shall be agreed upon by the Dissemination Agent and the City. Nothing in this Section 8(b) shall be deemed to constitute a waiver of governmental immunity by the City. The provisions of this Section 8(b) shall survive termination of this Disclosure Agreement.

(c) The Dissemination Agent may act on any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Disclosure Agreement; and the Dissemination Agent shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement in the absence of actual notice to the contrary. The Dissemination Agent shall be under no obligation to institute any suit, or to take any action under this Disclosure Agreement, or to enter any appearance or in any way defend in any suit in which it may be made a defendant, or to take any steps in the execution of the duties hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified by the Registered Owners to its satisfaction against any and all costs and expenses, outlays and counsel fees and expenses and other reasonable disbursements, and against all liability; the Dissemination Agent may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Dissemination Agent, without indemnity.

Section 9. Term of Disclosure Agreement.

This Disclosure Agreement shall terminate as to each series of Bonds upon (1) payment or provision for payment in full of such series of Bonds; (2) repeal or rescission of Section (b)(5) of the Rule; or (3) a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

Section 10. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Bond Insurer, and the Registered Owners from time to time of the Bonds and nothing herein contained shall confer any right upon any other person.

Section 11. Notices and Filings.

(a) Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid, or in a recognized form of overnight mail or by telecopy with confirmation of receipt, addressed:

(i) to each National Repository and the State Information Depository, if any, at its address listed for such National Repository by the Security and Exchange Commission at *www.sec.gov/info/municipal/nrmsir.htm*. Beginning on July 1, 2009, EMMA will be the sole National Repository.

(ii) to the Dissemination Agent at:

Digital Assurance Certification, LLC
390 North Orange Avenue, Suite 1750
Orlando, FL 32801
Attention:
Fax: (407) 515-6513

(iii) to the City or the Disclosure Representative at:

City of Philadelphia
Office of the Director of Finance
Municipal Services Building
1401 J.F.K. Boulevard
Philadelphia, PA 19102
Attention: Director of Finance
Fax: (215) 568-1947

(iv) to the MSRB at:

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314
Telecopier No.: (703) 797-6700

(v) to the Bond Insurer at:

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
Telecopier No.: (212) 445-8705

or such other addresses as may be designated in writing to all parties hereto.

(b) Any filing under this Disclosure Agreement may be made to the National Repositories and State Information Depositories solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at *http://www.disclosureusa.org* unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004 and reaffirmed in a letter dated October 3, 2008. Beginning on July 1, 2009 no further filings described in this Section 11(b) shall be made with the MAC.

Section 12. No Personal Recourse.

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the City (including without limitation, the Disclosure Representative), or of any successor body as such, either directly or through the City or any such successor body, under any constitutional provisions, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 13. Controlling Law.

The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Disclosure Agreement.

Section 14. Removal and Resignation of the Dissemination Agent.

The City has appointed the Dissemination Agent as exclusive Dissemination Agent under this Disclosure Agreement. The City may, upon 30 days' written notice to the Dissemination Agent and the Fiscal Agent, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the City or the Dissemination Agent, the City agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the City shall remain liable until payment in full for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the City.

Section 15. Successors and Assigns.

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the City or by or on behalf of the Dissemination Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 16. Headings for Convenience Only.

The descriptive headings of this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17. Counterparts.

This Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 18. Entire Agreement.

This Disclosure Agreement sets forth the entire understanding and agreement of the City and the Dissemination Agent with respect to the matters herein contemplated and no modification or amendment of or supplement to this Disclosure Agreement shall be valid or effective unless the same is in writing and signed by the parties hereto.

Section 19. Severability.

In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision or the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall be construed and enforced as if such illegal or invalid or inoperable portion were not contained herein.

IN WITNESS WHEREOF, THE CITY OF PHILADELPHIA, PENNSYLVANIA, has caused this Disclosure Agreement to be executed by the Director of Finance and DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent, has caused this Disclosure Agreement to be executed by one of its duly authorized officers, all as of the day and year first above written.

CITY OF PHILADELPHIA, PENNSYLVANIA

By:____________________________________
Director of Finance

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Dissemination Agent

By:____________________________________
Authorized Officer

ACKNOWLEDGEMENT AND AGREEMENT:

US Airways, Inc. ("US Airways") hereby acknowledges its current status as an Obligated Person hereunder and the City's undertaking to provide information in accordance with the Rule as described herein. So long as it is an Obligated Person, US Airways agrees to make available, within 120 days after the end of its fiscal year (December 31), with respect to the information regarding US Airways set forth in the Official Statement under the caption "THE AIRPORT SYSTEM - Information Concerning the Signatory Airlines" such information regarding itself and its operations as is required by the Rule.

US AIRWAYS, INC.

By:________________________________
Name:
Title:

EXHIBIT A

MUNICIPAL SECONDARY MARKET DISCLOSURE

INFORMATION COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12 or any analogous state statute, with a copy to Assured Guaranty Corp, the Bond Insurer.

City's and/or Other Obligated Person's Name:____
CUSIP Numbers (attach additional sheet if necessary):__________________________________

Nine-Digit CUSIP Number(s) to which this material event notice relates:___________________
____

Information relates to all securities issued by issuer having the following six-digit numbers:_____
____

Number of pages of attached material event notice:_____________________________________

Description of Material Events Notice (Check One):

1. ______Principal and interest payment delinquencies
2. ______Non-Payment related defaults
3. ______Unscheduled draws on debt service reserves reflecting financial difficulties
4. ______Unscheduled draws on credit enhancements reflecting financial difficulties
5. ______Substitution of credit or liquidity providers, or their failure to perform
6. ______Adverse tax opinions or events affecting the tax-exempt status of the security
7. ______Modifications to rights of security holders
8. ______Bond calls
9. ______Defeasances
10. ______Release, substitution, or sale of property securing repayment of the security
11. ______Rating changes
12. ______Failure to provide annual financial information as required
13. ______Other material event notice (specify):
14. ______Financial information: Please check all appropriate spaces:

______CAFR (a)___includes _____does not include Annual Financial information
(b) __ Audited? Yes __ No __
______Annual Financial Information: Audited? Yes __ No __
______Operating Data
Fiscal Period Covered:______________________________________

* Financial Information should not be filed with the MSRB.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:______________________________
Name:_________________________________
Title:__________________________________
Employer:______________________________
Address:_______________________________
City, State, Zip Code:____________________
Voice Telephone Number:________________

Please print the material event notice attached to the cover sheet in 10-point type or larger.

The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.

APPENDIX VIII

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH℠

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:______________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel

CITY OF PHILADELPHIA, PENNSYLVANIA • AIRPORT REVENUE REFUNDING BONDS, SERIES 2009A (NON-AMT)

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